



**China-Taiwan Relations:
Bumps along the Road**

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The slow steady improvement of cross-strait relations hit some not unexpected bumps in recent months. Domestic politics in Taiwan, particularly partisan actions by the opposition DPP, have delayed Legislative Yuan action on important cross-strait matters. Despite these domestic troubles, Beijing is maintaining a steady course and seems confident about the long-term direction of President Ma Ying-jeou's policy. Track II political dialogues are growing, including those involving the DPP, which has launched a series of meetings on its policy toward Beijing. On Sept. 13, Taiwan was invited to attend the triennial Assembly of the International Civil Aviation Organization (ICAO) as a special guest of the ICAO Council.

Cross-strait developments

It has been apparent that the initial rapid progress in cross-strait relations after President Ma's first election in 2008 had slowed. The negotiation of the Economic Cooperation Framework Agreement (2010), the Investment Protection Agreement (2012), and the Services Trade Agreement (2013) had each taken much longer than expected, largely because of vested interests on both sides. In recent months, the sources of delays have not been between Taipei and Beijing, but within Taiwan.

The first domestic problem involved negotiations over the planned exchange of offices between Beijing's Association for Relations Across the Taiwan Strait (ARATS) and Taipei's Straits Exchange Foundation (SEF). As progress was being made in these negotiations, the Ma administration proposed generally worded legislation that would authorize the exchange of offices. Two of the issues that had not been agreed with Beijing were whether the offices would issue travel documents and make visits to imprisoned citizens, two functions that could be considered consular activities. Beijing's Taiwan Affairs Office (TAO) had said that the offices would not be consular or diplomatic offices, but just what functions the offices would perform was still being negotiated. The opposition Democratic Progressive Party (DPP) said it could support the exchange of offices but only if they performed these sensitive functions. Since the proposed legislation did not specifically address those functions, the DPP opposed it. When the legislation came up in the Legislative Yuan's (LY) Administrative Committee on June 20, the DPP and other opposition parties blocked consideration. The following day, the DPP occupied the LY podium to protest signing of the Service Trade Agreement (STA), blocking all LY business. Faced with this opposition and some differences among KMT legislators, the Ma administration chose not to press for passage.

Despite this and other setbacks, both sides seem committed to concluding the office exchange negotiations and a three-day negotiating session was held in August. On Aug. 30, the Mainland Affairs Council (MAC) announced that considerable progress had been made, including on privileges, immunities, and travel issues. However, the MAC went on to say that agreement had not been reached on whether the offices could conduct visits to detained citizens.

The more serious confrontation was over the STA, the negotiations for which were essentially completed in April. While waiting for its signing, the Ma administration provided briefings, explaining that the STA would open opportunities for Taiwan that went beyond Beijing's World Trade Organization (WTO) commitments and its economic agreements with Hong Kong. The agreement was signed on June 21, and immediately provoked harsh criticism. The opposition parties alleged the STA would harm many Taiwan industries and lead to a flood of Chinese taking jobs from Taiwanese. It was soon clear that the extent of opposition had not been anticipated and that few groups felt well enough informed to defend the agreement.

The Ma administration had originally planned to send the STA to the LY only for its information. However within a few days, it had agreed not only to seek LY approval but acceded to a DPP demand that the agreement be reviewed article by article. The STA was not considered by the LY at its regular session, so plans were made for a special LY session to consider it and other issues. However, entirely domestic matters involving the death of a soldier in detention and plans for a referendum on Taiwan's fourth nuclear plant took up the whole special session, with the DPP again physically occupying the LY podium to block action. The political parties have agreed that a series of industry-focused meetings will be held to assess the STA. In addition, the Public Television Service will host a debate on the STA between President Ma and DPP Chairman Su Tseng-chang on Sept. 15.

The political parties have agreed that a series of industry-focused meetings will be held to assess the STA. A televised debate on the STA between President Ma and DPP Chairman Su Tseng-chang had been scheduled for Sept. 15, but the DPP announced on Sept. 11 that Su would not participate in light of a rapidly unfolding political influence and wiretapping scandal.

The Ma administration's inability to move key bills through the LY is disconcerting to Beijing. In August, TAO Minister Zhang Zhijun and ARATS Chairman Chen Deming each stated that if the STA was not implemented as planned it would lead to a delay in negotiating the next round of liberalizations in merchandise trade that was to be completed by yearend. However, neither mentioned the exchange of office agreement in this context, implying this remained a priority for Beijing.

While discussions of political issues are not occurring between SEF and ARATS, both sides are now encouraging track II forums to address political issues. Groups of retired Taiwan military officers and LY members have visited China for discussions and been received by the TAO and occasionally by Chairman of the Chinese People's Political Consultative Conference's (CPPCC) National Committee Yu Zhengsheng. In June, a conference on military trust measures was held in Beijing. President Ma has said there are no restrictions on such track II political discussions. Beijing and Taipei have also established a new private sector economic consultation mechanism,

the Cross-strait Entrepreneurs Summit headed by former Vice Premier Zeng Peiyan and former Vice President Vincent Siew.

Xi Jinping and Taiwan

Despite the problems that have occurred recently in Taipei, the new leadership in Beijing seems pleased with the overall direction of cross-strait relations. The meeting between Kuomintang (KMT) Honorary Chairman Wu Poh-hsiung and General Secretary Xi Jinping appears to have increased the leadership's confidence in President Ma. To avoid the mixed signals associated with Lien Chan's visit in February, President Ma met with Wu, included some close advisors on Wu's delegation, and approved the points Wu would convey to Xi.

Wu met Xi on June 13. While Ma's message did not include any new points, it conveyed reassurances on several points: that policy would continue to be based on the 1992 consensus and opposing Taiwan independence and develop within a "one China" framework (架構), that mutual trust should be increased, that economic ties should be expanded with the goal of greater economic integration, that an exchange of offices should be a priority, that cultural and education ties should be expanded, and that Chinese national identity should be promoted. Wu also mentioned Taiwan's desire for greater international space. The importance Ma placed on conveying this message on policy continuity and direction has apparently reassured the leadership in Beijing. In response, Xi made only general points, including upholding the "one China" framework (架構) and pursuing the peaceful development of cross-strait relations as an element in the rejuvenation of the Chinese nation.

There has been speculation about whether a meeting between Ma and Xi could be arranged in the future. When asked, President Ma has generally expressed doubt that the conditions are ripe for a meeting, stating that a meeting would need to have public support and preserve Taiwan's dignity. The latter point is an indirect and flexible reference to his previous statements that he would only meet in his capacity as president of the Republic of China (ROC).

Ma's re-election as KMT chairman in July led to an exchange of messages between Xi and Ma. Beyond congratulating Ma, Xi commented that relations were at a "new" turning point and that their two parties should work to achieve the dream of the great rejuvenation of the Chinese nation. In response, Ma reiterated his policies and made a nod to Xi by mentioning shared Chinese ethnicity and hope for the rejuvenation of the Chinese nation. However, Xi's message was addressed to "Mr." rather than "Chairman" Ma. (Ma addressed Xi as "General Secretary Xi.") Beijing's reluctance to address Ma even by his party title is an indication that working out a way for the two leaders to meet that preserves Taipei's dignity remains a significant hurdle.

There has also been speculation recently about Ma attending the APEC Leaders Meeting where he could meet Xi. President Ma has said that he wishes to attend and that his exclusion is unfair to Taiwan. It is however unlikely Beijing would be flexible on this issue. In late August, TAO deputy Sun Yafu indicated that the issue should be handled in keeping with long-standing APEC practice under which Lien Chan has represented Ma each year. In late August, Ma acknowledged publicly that the conditions were not ripe for him to attend, and on Sept. 1 he appointed former Vice President Vincent Siew to represent him at APEC this year.

Crisis with the Philippines

On May 9, a Philippines Coast Guard ship fired on a Taiwan fishing boat in overlapping EEZ waters between Taiwan and the Philippines, killing crewmember and ROC citizen Hong Shi-cheng. An apology from Philippine President Benigno Aquino six days later satisfied one of Taiwan's four demands – an “official” apology – but it was rejected by Taiwan because it called the killing “unintended.” The controversy dragged on and the Philippines’ reference to its “one China” policy emerged as an irritant.

On May 9 and 10, the TAO and People’s Republic of China (PRC) Foreign Ministry condemned the killing and called on the Philippines to investigate. On May 15, a TAO spokesman stated that “[p]eople on both sides of the Taiwan Strait are family and it is an obligation for the mainland to protect the safety and interests of Taiwan compatriots,” a statement backed up by the dispatch of Chinese naval ships to areas near the Philippines. (Separately, Taiwan also sent ships to the area to conduct exercises.) In Taipei, MAC Chairman Wang Yu-chi expressed the hope that Beijing would not complicate the matter.

Manila stated numerous times that its “one China” policy was guiding its response to the incident. This, and the fact that in 2011 the Philippines had deported 14 ROC citizens to the mainland rather than to Taiwan, caused the MAC to release a statement saying that the ‘one China principle’ advocated by mainland China is completely irrelevant to this case,” and that it would be “unacceptable” to Taiwan if the Philippines conveyed proposals or information to it through the mainland. President Ma said on May 22 that the Philippines should not use its “one China” policy as an excuse for not apologizing.

On May 19, Taipei and Manila agreed to conduct “parallel investigations” into the incident – but not “joint,” in part because of Manila’s “one China” policy – and the reports were released on Aug. 7. Taiwan’s Foreign Ministry announced that it accepted “the deep regret and apology of the president and people of the Philippines to the family of crew member Hong Shi-cheng ... as well as to the people of Taiwan.”

Negotiations toward a fishery agreement, another of Taiwan’s demands of the Philippines, also made progress with an initial preparatory meeting on June 14; a second was planned for late August but it did not take place. Taiwan and Japan demonstrated in April 2013 that this type of agreement can reduce friction and is effective in portraying Taiwan as a responsible member of the international community – a fact that Beijing’s “one China” principle obscures.

ICAO and Taiwan’s international participation

Following an international campaign to participate as an observer in the International Civil Aviation Organization (ICAO), on Sept. 13 Taiwan was invited to attend the Sept. 24-Oct. 4 ICAO Assembly as a “special guest” of the ICAO Council, the administrative body which convenes the Assembly. Taiwan’s delegation will be led by the director general of the Civil Aeronautics Administration of the Ministry of Transportation and Communication, who, the Foreign Ministry reported, was addressed by her official title in the invitation. Taipei seeks a

presence at the ICAO Assembly in part because it may open the door for it to participate in ICAO meetings, committees, and information mechanisms related to aviation safety and security. Predictably Washington was a particular focus of the campaign.

The United States was active in promoting Taiwan's participation, both behind the scenes and publicly, most notably through President Obama's signing on July 12 of [H.R. 1151](#), which directs the secretary of State to work for observer status for Taiwan at the triennial ICAO assembly, and instructs the US Mission at ICAO to officially request observer status for Taiwan. President Obama's [signing statement](#) noted that his administration has supported Taiwan's participation in ICAO and will "construe the Act to be consistent with the 'one China' policy of the United States, which remains unchanged." While this nod to the "one China" policy did not cause the angst in Taiwan that the Philippines had in May, neither did it mollify China. TAO spokesman Yang Yi said that "intervention of foreign forces is not helpful and can only complicate the matter" and on July 16 the Chinese Foreign Ministry accused the United States of violating its own "one China" policy and interfering in China's internal affairs.

Beijing's rhetoric indicated that Taiwan also faces an uphill climb to participate in multilateral economic agreements such as the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP). Wu Poh-hsiung told Xi Jinping in June that Taiwan hopes to participate in RCEP. Media in Taiwan reported Xi as responding that the issue should be addressed in talks between the two sides. On Aug. 8, ARATS Deputy Chairman Zheng Lizhong said that stalled bilateral initiatives should be resolved before Taiwan considers multilateral initiatives.

Remarks by ARATS Chairman Chen Deming on the signing of the STA on June 21, a week after the Xi-Wu meeting, were based on Xi Jinping's anachronistic appeals to ethnic solidarity rather than on modern international relations. Chen characterized the international economy as a competition between "different countries and different ethnicities." He did not cite regional integration as a possible solution for this, but proposed enhanced integration across the strait in order to promote the international competitiveness of the Chinese ethnic group.

Taiwan enjoyed more international success in bilateral modes, signing an FTA-like Economic Cooperation Agreement with New Zealand on July 10 and announcing on May 17 that negotiations of a similar agreement with Singapore may be complete, though that agreement has not been signed yet. Taiwan's trade volume with New Zealand is relatively low, but both agreements are significant in other ways: both are high-quality, both New Zealand and Singapore are members of the TPP and RCEP, and both officially recognize the PRC rather than the ROC. The agreement with New Zealand is the first such agreement that Taiwan has signed with a non-ally of the ROC.

Arms sales

Though the "Taiwan question" was only a minor issue in the meetings between Barack Obama and Xi Jinping in Sunnylands, California on June 7-8, it surfaced in the wake of follow-up discussions between US Secretary of Defense Chuck Hagel and PRC Minister of National Defense Chang Wanquan in Washington in August. An MND spokesman told Chinese reporters

on Aug. 20 that Hagel said Chang's suggestion of a US-China working group on Taiwan arms sales was a "good suggestion." Whether this was a misunderstanding by the spokesman or an attempt to spin the results of the meeting, it led to another flood of angst in the Taipei media reflecting public doubt about the US commitment. The Pentagon and the State Department quickly stated that the account was not accurate and reaffirmed the belief that sales of defensive articles to Taiwan help maintain stability in the Taiwan Strait.

DPP continues its search for a China policy

Even as it continued to block or delay most of the Ma administration's cross-strait initiatives, the DPP began what Chairman Su Tseng-chang called a process of "strategic design" of the party's China policy. The pragmatic Su has created a mechanism through which he can adjust the party's approach to China, but he has not yet tipped his hand. The process will allow the party to delay decisions until after the 2014 local elections.

The first two closed-door meetings of the party's elite China Affairs Committee took place in May and July, and existing positions seemed to be affirmed. Under pressure from a handful of DPP legislators, the party announced a series of nine sessions of a more inclusive "Huashan Conference." Two sessions took place in July, and although they included a broader range of people and views, they also appear to have upheld existing stances on the DPP's 1999 Resolution on Taiwan's Future and rejecting the 1992 consensus. TAO Deputy Director Sun Yafu summarized China's view of these debates on Aug. 21, saying, "no positive improvement can be seen" in the DPP's approach to China.

Two members of the party's China Affairs Committee – moderate former premier and presidential candidate, Frank Hsieh, and the more hawkish current mayor of Kaohsiung, Chen Chu – did reach out to China. Hsieh and his Taiwan Reform Forum cohosted a two-day seminar in Hong Kong with the Chinese Academy of Social Sciences in late June – this collaboration is noteworthy in itself. Hsieh's delegation included nine DPP legislators, and a range of officials attended on the PRC side. Hsieh apparently did not gain any traction for his "two constitutions, different interpretations" model of cross-strait relations, but near the end of the conference he said, "we should have a common future destiny, and we can make it happen." Hsieh crossed the border into Shenzhen on June 30, where he met Zhang Zhijun. Zhang stated that China would welcome exchange with any party from Taiwan as long as they uphold the "one China" framework and support the peaceful development of cross-strait relations.

Chinese officials have not commented publicly on "two constitutions, different interpretations," but Hsieh explained his optimism in a speech in Taiwan later in July. He declared that Beijing must find the formula "tolerable," otherwise he "would not have been able to visit China" in late June. In other contexts, Hsieh has said his proposal was acceptable to Beijing – a view that seems more optimistic than warranted. Zhang Zhijun said in an interview with Taiwan media in May that there is no way the mainland can accept the Republic of China. An approach premised on the ROC constitution therefore seems to be a non-starter.

Chen Chu visited a number of Chinese cities in August, and undertook meetings in her capacity as mayor of Greater Kaohsiung. She also met Zhang Zhijun, on Aug. 10, and according to

reports she urged more inclusive interaction between the two sides. The next day, however, a TAO spokesman told *Xinhua* that while the mainland will always support city-to-city exchanges, the DPP must change its position on Taiwan independence to interact with the Chinese Communist Party. Nevertheless, many observers, including some in the DPP, felt that mainland officials treated Chen with respect and goodwill.

Wimbledon Victory Bumps

On July 7, Hsieh Su-wei of Taiwan and Peng Shuai of China won the women's doubles title in the Wimbledon tennis tournament. Hailed as a successful cross-strait partnership, the victory quickly revealed basic sensitivities on each side. Peng Shuai injected a sour note into the celebration when she interrupted Hsieh's response to an innocuous question by stating, "I don't accept the claim that Taiwan is a 'country.'" Hsieh's father sparked a fear of athletes selling out to the mainland when he noted that his daughter might have to consider moving to and competing for China if lucrative endorsement deals were to be had there. These sensitivities are new to the tennis court but are axiomatic to the politics and economics of cross-strait relations, and in this period they helped cause the loss of momentum in cross-strait rapprochement. This slowdown was not unexpected, as much of the low hanging fruit has been harvested in previous agreements, and the two sides are now moving into more sensitive territory.

Looking ahead

Winning LY approval of the STA will be a major challenge for the remainder of the year; failure of the LY to approve the STA would have serious consequences for cross-strait relations. The administration hopes the planned industry meetings will show that overall Taiwan's benefits outweigh the areas where it did not get everything desirable. Despite this uncertainty, both sides seem committed to pursuing the agreement on an exchange of ARATS and SEF offices.

With the invitation to attend the ICAO Assembly finally coming on Sept. 13, attention will shift to how Taiwan's delegates (and others from Taiwan, such as journalists) are treated at the Assembly, which meetings they can attend, and whether this invitation develops into continued participation. Taiwan is likely to turn its campaign for greater international participation to other organizations, perhaps the United Nations Framework Convention on Climate Change.

Chronology of China-Taiwan Relations

May – August 2013

May 1, 2013: Democratic Progressive Party (DPP) names the members of China Affairs Committee (CAC).

May 6, 2013: Former Taiwan Affairs Office (TAO) Director Chen Yunlin begins an eight-day visit to Taiwan.

May 7, 2013: First meeting of Taiwan-Japan Fishing Commission takes place; President Ma Ying-jeou calls for fishery talks with China.

May 9, 2013: DPP's CAC holds its first meeting.

May 9, 2013: Philippine Coast Guard personnel kill Taiwan fisherman.

May 10, 2013: New Party Chair Hsu Li-nung leads a delegation of retired generals to Beijing.

May 14, 2013: Chairman of the Chinese People's Political Consultative Conference's (CPPCC) National Committee Yu Zhengsheng meets Hsu Li-nung delegation.

May 15, 2013: Mainland Affairs Council (MAC) says Manila's "one China" policy is "completely irrelevant" to Philippines shooting incident.

May 16, 2013: Taiwan Coast Guard and Navy conduct patrol exercise in Bashi Channel.

May 16, 2013: MAC Chair Wang hopes Beijing will not complicate Philippine incident.

May 16, 2013: Association for Relations Across the Taiwan Straits (ARATS) & Straits Exchange Foundation (SEF) report progress on office exchange talks.

May 17, 2013: Taiwan announces completion of trade negotiations with Singapore (ASTEP).

May 20, 2013: Taiwan Health Minister Chiu Hung-ta attends World Health Assembly in Geneva.

May 21, 2013: Third meeting of National Taiwan Invested Enterprise (TIE) Association is held in Beijing.

May 21, 2013: TAO Minister Zhang Zhijun says the mainland can never accept the Republic of China (ROC).

May 22, 2013: Chairman Yu Zhengsheng meets bipartisan delegation of former Legislative Yuan (LY) members led by Yao Eng-chi.

May 27, 2013: MAC gives briefing on Service Trade Agreement (STA).

May 29, 2013: DPP Chair Su Tseng-chang says the party's policy is based on the 1999 Resolution on Taiwan's Future.

June 3, 2013: Taiwan opens permanent World Trade Organization office building in Geneva.

June 4, 2013: On Tiananmen anniversary, President Ma urges greater human rights in China.

June 10, 2013: Maldives invalidates Kaohsiung-Male sister city agreement.

June 13, 2013: Kuomintang (KMT) Honorary Chair Wu Poh-hsiung meets General Secretary Xi Jinping.

June 16, 2013: Chairman Yu Zhengsheng addresses fifth Cross-strait Forum.

June 18, 2013: US House of Representatives unanimously passes Taiwan in ICAO Act.

June 19, 2013: US Senate passes Taiwan in ICAO Act.

June 20-21, 2013: Track II “Beijing Talks,” including DPP officials, are held in Beijing.

June 20, 2013: Opposition parties block LY consideration of office exchange bill.

June 21, 2013: Ninth ARATS-SEF meeting held in Shanghai; STA signed.

June 21, 2013: Opposition parties occupy LY podium protesting STA.

June 23, 2013: Human rights activist Chen Guangcheng arrives in Taipei.

June 24, 2012: Conference on military trust measures is held in Beijing.

June 25, 2013: LY agrees to review STA article by article.

June 28, 2013: Wang Yu-chi says MAC supports more DPP exchanges with China.

June 29, 2013: Frank Hsieh cohosts cross-strait conference in Hong Kong with Chinese Academy of Social Sciences (CASS).

June 30, 2013: Frank Hsieh meets TAO Minister Zhang Zhijun in Shenzhen.

July 1, 2013: Taiwan joins WTO Services Trade negotiations.

July 4, 2013: First DPP “Huashan Conference” on China focuses on DPP’s democratic values.

July 7, 2013: Hsieh Su-wei and Peng Shuai win women’s doubles at Wimbledon.

July 8, 2013: SEF President Lin Join-sane leads education delegation to China.

July 10, 2013: New Zealand and Taiwan sign economic cooperation agreement (ANZTEC).

July 11, 2013: First Cross-strait Entrepreneurs Summit is held in Beijing.

July 11, 2013: Second meeting of the DPP’s China Affairs Committee is held.

July 12, 2013: President Obama signs Taiwan in ICAO Act.

July 16, 2013: Beijing accuses US of interfering in China’s internal affairs over ICAO.

July 16-18, 2013: SEF Chairman Lin Join-sane visits Shandong province.

July 20, 2013: President Ma re-elected KMT chairman: Xi Jinping and Ma exchange messages.

July 24, 2013: Second Zhongshan Conference in Guangdong focuses on Sun Yat-sen.

July 25, 2013: Cross-strait Entrepreneurs Summit is held in Taipei.

Aug. 5, 2013: President Ma addresses East China Sea Peace Forum.

Aug. 5, 2013: LY parties agrees to 16 industry hearings on STA

Aug. 7, 2013: Taipei and Manila release shooting incident investigation reports.

Aug. 9, 2013: ARATS Chairman Chen Deming comments on STA delay.

Aug. 11, 2013: TAO spokesman reiterates policy toward DPP.

Aug. 12, 2013: President Ma transits New York.

Aug. 13, 2013: President Ma visits Haiti.

Aug. 14, 2013: TAO's Zhang meets media delegation led by ARATS Lin Join-sane.

Aug. 15, 2013: President Ma visits Paraguay.

Aug. 17, 2013: President Ma visits Caribbean nations.

Aug. 22, 2013: US State spokesman reiterates no change in US arms sales policy.

Aug. 23, 2013: Deputy Minister of Industry and Information Technology Liu Lihua leads delegation to Taiwan.

Aug. 23, 2013: Fourth meeting on office exchange concludes in Jinan, Shandong.

Aug. 26, 2013: President Ma says conditions are not ripe to attend APEC Leaders Meeting.

Aug. 27, 2013: Beijing MFA says APEC participation must follow APEC's MOU.

Aug. 28, 2013: Taipei hosts UN Framework Convention on Climate Change NGO forum.

Aug. 28, 2013: Beijing holds inaugural meeting of Cross-strait Exchanges Foundation.