



**China-Taiwan Relations:
Taiwan Voters Set a New Course**

David G. Brown
The Johns Hopkins School of Advanced International Studies

In January, Taiwan's voters delivered a stunning defeat to the Democratic Progressive Party in the Legislative Yuan elections. These results both foreshadowed and influenced the resounding victory Kuomintang candidate Ma Ying-jeou won in the March presidential election. Most importantly for cross-Strait relations, the UN referendum promoted by Chen Shui-bian failed to pass. Beijing's disciplined avoidance of overt interference in this year's elections paid off. Beijing and Washington both breathed sighs of relief. Beijing now faces major challenges. First, how to avoid short-term actions that would undercut domestic support in Taiwan for Ma's more positive attitude toward China and, over the longer term, how to seize the opportunity to promote more stable cross-Strait relations.

LY election

In retrospect, the Legislative Yuan (LY) elections in January appear more consequential than expected or first understood. Pundits had predicted the Kuomintang (KMT) would win, but had not expected it would garner 71 percent of the seats. The Democratic Progressive Party's (DPP) poor economic policy record, its corruption damaged image, and President Chen Shui-bian's divisive confrontational politics were seen as the principal reasons for the DPP's electoral defeat. The election was not a vote on Chen's cross-Strait policies. Equally important the two referendum proposals both failed because only 35 percent of the electorate participated, far below the 50 percent participation threshold for adoption. Chen correctly took responsibility and resigned as DPP Chairman.

Most important, the election convinced President Chen that his cherished referendum on Taiwan's joining the UN under the name "Taiwan" was not likely to succeed when pursued as a polarizing electoral strategy. Before the LY election, Chen had voiced optimism about its passage. After the election, Chen apparently concluded otherwise and took the initiative to approach the KMT to seek a compromise. Chen, Premier Chang Chun-hsiung, LY Speaker Wang Jin-pyng, and KMT Chairman Wu Poh-hsiung first explored the possibilities for a compromise on the two UN referenda at a discreet meeting in the government Guest House on Jan. 28. Weeks of speculation about various approaches on the referenda followed, but no DPP-KMT agreement proved possible.

When other options failed to gain support, Chen acquiesced in a proposal from DPP candidate Frank Hsieh Chang-ting that the DPP urge its supporters to vote for either or both of the two UN referenda proposals. Chen continued to promote his proposal until Election Day. However, his rationale for doing so in March focused on the damage Taiwan would suffer internationally if both UN referenda should fail. He even argued that it was more important for voters to support the referenda than to vote for the DPP candidate. Divisive talk of the DPP's referendum being a way to vote against reunification subsided.

After having urged supporters to boycott the two referenda held in January, the KMT delayed taking a position on the March UN referenda until 10 days before the election. Then, KMT Chairman Wu Poh-hsiung urged supporters to vote for the KMT version and boycott the DPP version. He also noted the KMT's intention to have the LY adopt a resolution on "Advancing to the UN" to express the Taiwan people's desire to participate in the UN and other international organizations. The KMT had presented this neutrally worded resolution on UN participation to the LY on March 6.

Beijing's posture

Beijing continued to keep a low profile, to focus its concern on Chen's UN referendum, and to avoid any public comment on the candidates. Beijing frequently expressed its concerns that this was a period of "high danger" and its fears that Chen would take some unspecified separatist action before the end of his term. After Taipei's Central Election Commission (CEC) announced its decision on Feb. 1 that the two UN referenda would go ahead at the time of the presidential election, the Taiwan Affairs Office (TAO) put out a formal statement on behalf of the party and government warning that if the DPP's referendum were adopted it would damage cross-Strait relations and threaten regional peace. Foreign leaders visiting Beijing, including U.S. Secretary of State Condoleezza Rice, were pressed to express opposition to the referendum. Many governments obliged China on this. But there was neither high-level finger wagging at Taiwan voters nor threatening military maneuvers. On the contrary, on Feb. 26 the TAO announced some minor cross-Strait initiatives: tuition for Taiwan students in primary and secondary schools would be lowered to the level for local students and four additional agricultural zones for Taiwan investment were authorized. In addition, Beijing authorized Taiwan's Tzu-chi Foundation to open a charitable foundation in China. The pro-DPP *Taipei Times* accused Beijing of using sweeteners to woo Taiwan voters.

The National People's Congress (NPC) session and related meetings in March reflected Beijing's approach. President Hu Jintao publicly reiterated the key elements in Beijing's Taiwan policy, warning of the continued danger of separatism but not threatening Taiwan. Premier Wen Jiabao's report to the NPC and Jia Qinglin's remarks to the Chinese People's Political Consultative Conference (CPPCC) both were low-key reiterations of policy. The job of repeating Beijing's warnings about the dangers to peace from President Chen's UN referendum was left to Jiang Enzhu, the NPC spokesman. CPPCC spokesman Wu Jianmin expressed the hope that the elections would benefit cross-Strait relations. No mention of either candidate was made in public statements.

When Premier Wen was asked about Taiwan at the post-NPC press conference, he responded in low-key, generally positive terms while reiterating opposition to the UN referenda.

Ma's decisive victory

Despite a sizable turnout, which usually favors the DPP, and the DPP's usually reliable internal polling that showed a closer race, Ma Ying-jeou won a decisive victory garnering 58 percent of the vote to Hsieh Chang-ting's 42 percent. Analysts in Taipei generally attributed Ma's win to the desire for change after 8 years of poor governmental and economic performance under President Chen. Ma's campaign platform on mainland policy – no independence, no unification, and no use of force – was reassuring and fit well with the electorate's preference for the status quo in cross-Strait relations.

Although the U.S. government remained neutral on the candidates, Washington's repeated criticism of Chen's UN referendum proposal appears to have influenced the election outcome. Because of the extensive publicity to the U.S. position, people throughout the island were aware of the deterioration of Taiwan's relations with the U.S. under the Chen administration. Both candidates spoke of the need to restore trust with the U.S. Though Hsieh tried to distance himself from Chen, he did not disavow long-term DPP independence goals, which were at the heart of Chen's problems with the U.S. The relative congruence of Ma's policy positions with those of Washington may have created the impression that he could do a better job of restoring relations with Taiwan's most important supporter.

In the campaign, President Chen and the DPP tried again to tar Ma and his running mate Vincent Hsiao with a pro-China label, most effectively by misrepresenting Siew's cross-Strait common market proposal as a "one China market" plan. Hsieh tried to discredit Ma's statements that he would deal with China on the basis of the "One China, respective interpretations" formula by repeatedly asserting that China had rejected that formula. Beijing was careful not to burn bridges by commenting on this during the campaign. Most importantly, despite the DPP attacks, Ma did not deviate from the "one China, respective interpretations" formula and his decisive victory indicates that this position was not a serious liability for him in this election.

Reactions abroad

Beijing breathed a sigh of relief. In what must be the record for understatement, the TAO said it had taken note of the leadership election. The official *Xinhua* news agency reported that Taiwan voters had "vetoed" the two UN referenda. Both the DPP and KMT UN referenda received about 35 percent participation far from the 50 percent participation level required for adoption. However, both received overwhelming support from those participating. Even when many were discouraging voters from participating in these referenda, the two referenda together got affirmative votes equal to about 80 percent of the voters who participated in the election. It would be a serious mistake for Beijing or others not to recognize the near universal desire in Taiwan for greater

participation in international organizations or to underestimate the political pressure Ma will be under to show progress on this front. To minimize such misunderstanding, the DPP would be well advised to join in adopting unanimously the neutrally worded LY resolution proposed by the KMT.

Significantly, in a telephone conversation with President Bush after the election, President Hu Jintao said China wished to resume dialogue on the basis of the 1992 consensus. In reporting the conversation, National Security Adviser Stephen Hadley stated that Hu had described the 1992 consensus as both sides support “one China” but “agree to differ in its definition.” The official *Xinhua* news agency’s English service (though not its Chinese service) reported this language on the 1992 consensus. Hu’s statement is an encouraging indication of flexibility on Beijing’s part.

Although Washington had studiously avoided taking sides in the election, the administration too was pleased by Ma’s win. A White House statement extended the president’s congratulations to Ma and praised Taiwan democracy as a beacon in Asia and the world. In a meeting with American Institute in Taiwan officials, Ma Ying-jeou expressed his interest in visiting the U.S. before his inauguration, as well as in visiting Japan. His request was still under consideration in Washington at the end of March.

International organizations

At the Executive Board’s meeting of the World Health Organization (WHO) in January, Beijing continued to block Taiwan’s participation in the recently revised International Health Regulations (IHR). Although the revised Charter of the WHO gives the Secretariat authority to deal with non-states on technical international health issues, the Secretariat has not yet established a liaison channel with Taiwan on IHR issues. Consequently, at the meeting, Taiwan’s diplomatic allies proposed that Taiwan should be authorized to set up a “focal point” for contacts with the Secretariat on IHR issues. As the IHR clearly state that only member states can establish focal points, it was relatively easy for Beijing to block this proposal. This pyrrhic diplomatic victory of course only angered people in Taipei, providing yet another example of Beijing’s unconcern for the health needs of Taiwan. Some believe that the Secretariat has not used the flexibility it has to find an informal way to include Taiwan in IHR implementation because the director general, who is from Hong Kong, is conscious of Beijing’s views. Beijing’s unreasonable position is an impediment to improving cross-Strait relations. Taiwan’s absence from the IHR creates a risky loophole in the international health regime.

In mid-March before the presidential election, Taipei expressed concern that the PRC was pressing other international organizations to agree to memoranda restricting contacts with Taiwan. Taipei mentioned the Organization for Economic Cooperation and Development (OECD). Although not a member, Taiwan has been participating for many years in various OECD working groups. Reportedly, Beijing is pressing the OECD to sign a memorandum on contacts with Taiwan when the OECD director general visits Beijing in April. Taipei also mentioned a similar PRC approach with the International Civil Aviation Organization (ICAO).

Kosovo

Kosovo declared its independence on Feb. 17. Two days later, Taipei formally recognized Kosovo as an independent country. Beijing promptly protested saying that Taiwan was not sovereign and had no right to recognize Kosovo. Beijing made known that the People's Republic of China did not recognize Kosovo – a position that many interpreted as driven by its fear that Kosovo might set a precedent for Taiwan declaring independence. Given Russian and Chinese opposition there is no prospect of Kosovo's independence being recognized through its joining the UN. So Kosovo joins Taiwan as the only peoples not able to participate in the UN. Given China's position in the UN, Kosovo has not reciprocated Taiwan's recognition.

Trade and investment

According to Taiwan's Board of Foreign Trade, cross-Strait trade in 2007 grew 16.1 percent to reach \$102.3 billion. Taiwan's exports to China were \$74.3 billion, up 17.3 percent in 2007. As China's global imports grew 20.8 percent, Taiwan's share of the China market continued to decline. However, as Taiwan's exports to China accounted for 30.1 percent of the island's worldwide exports (up from 28.3 percent in 2006), Taiwan's dependence on the mainland market continued to increase. China's exports to Taiwan grew 13.1 percent to reach \$28.0 billion last year. Taiwan's Investment Commission reported in January that its approvals for investments in China reached a record high of \$9.97 billion in 2007. Trade and investment figures for 2007 are not yet available on the Chinese Ministry of Commerce website.

In early March, the Chen administration announced new measures to ease long-standing restrictions on investment in China and to encourage Taiwanese investors to repatriate profits to Taiwan. The Investment Commission announced a new more flexible method for calculating the 40 percent ceiling of a firm's capital that could be invested in China that will permit increased investments. The Commission also announced a new amnesty for Taiwan investors who had made unauthorized investments in the mainland, with only nominal fines, in order to encourage businesses to bring funds back to Taiwan.

Looking ahead

Ma's election creates welcome possibilities for stabilizing cross-Strait relations. At his first post-election meeting with the international media on March 23, Ma mentioned his desire to move ahead on charter flights, tourism, and other issues. Beijing has said that it hopes to implement the five-point program from the 2005 Hu-Lien joint communiqué. Both sides have talked ambitiously about a peace agreement. Hu's comments to Bush about the 1992 consensus are an encouraging sign. Nevertheless, making progress on these will not be easy. Beijing experts recognize that Ma will be operating under constraints imposed by the mainstream of KMT, by the opposition DPP, and by public opinion. Ma will need to show concrete benefits for Taiwan at each step to sustain support for improving cross-Strait relations.

However, Beijing's first challenge will be to avoid getting off on the wrong foot with the KMT administration. This could easily happen in the context of the World Health Assembly, whose annual meeting will be held two days before Ma's inauguration. Should Beijing continue to hamper Taiwan's dealing with the WHO or impose new limitations on Taiwan's dealings with the OECD or other technical organizations this will cut the political ground out from under Ma. Beijing's interests would be served by it unilaterally taking the initiative to ease its restrictions on the WHO Secretariat's dealings with Taiwan including on the IHR. Doing so would seem to be in line with Hu's four points, which call for doing everything that is in the interest of Taiwan compatriots.

Beijing must also be careful in its approaches to Taiwan's few remaining diplomatic allies. As Beijing is aware, Ma has called for a diplomatic truce. In effect Beijing has won that diplomatic competition, and its interests would now be served by not seeking to woo Taiwan's allies. Announcing new policies to support debt forgiveness and to offer aid to developing countries even if they maintain diplomatic relations with Taipei would be a signal that would be welcome in Taipei. Should Beijing establish ties with one of Taipei's current allies after Ma's elections, this would immediately complicate his efforts to move ahead on cross-Strait issues.

For its part, Washington needs to move promptly to address Taiwan's request to buy *F-16C/D* aircraft, which are urgently needed to buttress Taipei's critical air defense needs. With Chen on the way out and the DOD's recent annual report on the implications of PLA modernization, there should be no reason for further delay.

Chronology of China-Taiwan Relations January-March 2008

Jan. 2, 2008: Ma Ying-jeou enunciates his policy of "no independence, no unification and no use of force" in interviews.

Jan 4, 2008: Taiwan Foreign Minister Huang cancels visit to Malawi.

Jan. 9, 2008: Prosecutors appeal Ma Ying-jeou's case to Supreme Court

Jan. 12, 2008: KMT wins decisive victory in LY elections.

Jan. 13, 2008: President Chen resigns DPP chairmanship.

Jan. 13, 2008: President Chen meets Nicaraguan President Ortega in Guatemala.

Jan. 14, 2008: President Chen attends inaugural in Guatemala.

Jan. 14, 2008: Beijing establishes of relations with Malawi; Taipei breaks relations.

Jan. 14, 2008: Cambodia denies Taipei's request to establish trade office

Jan. 15, 2008: TAO and ARATS express thanks for Taiwan rescue of PRC seamen.

Jan. 16, 2007: PRC Foreign Minister Yang meets Deputy Secretary Negroponte, urges firmer opposition to UN referendum.

Jan. 17, 2007: In Beijing, Negroponte publicly reiterates opposition to UN referendum.

Jan. 17, 2008: Hsieh Chang-ting calls for support of both UN referenda.

Jan. 21, 2008: At WHO, China blocks resolution to allow Taiwan participation in IHR.

Jan. 22, 2008: In Beijing, UK Foreign Secretary Brown opposes UN referendum.

Jan. 23, 2008: Vice Minister of Defense Ko says Taiwan needs cruise missiles.

Jan. 23, 2008: Secretary Rice meets FM Yang in Berlin, reiterates opposition to UN referendum.

Jan. 25, 2008: Global forum for new democracies meets in Taipei.

Jan. 26, 2008: French arms firm DCNS official visits Taiwan.

Jan. 28, 2008: President Chen hosts discreet KMT-DPP consultation at State Guest House.

Jan. 28, 2008: Vice President Lu visits Marshall Islands.

Jan. 29, 2008: Taipei American Chamber of Commerce recommends easing limits on investment in China.

Jan. 29, 2008: Beijing repatriates captured gangster Wang Hsuan-jen to Taiwan.

Feb. 1, 2008: CEC decides to hold UN referenda together with presidential election.

Feb. 1, 2008: Singapore's Lee Kwan-yew criticizes UN referendum.

Feb. 2, 2008: President Chen visits Taiping Island in Spratlys.

Feb. 2, 2008: TAO issues protest over CEC's referendum decision.

Feb. 2, 2008: First New Year charter flight arrives routinely in Taiwan.

Feb. 4, 2008: In New York, Negroponte urges China to be more generous toward Taiwan internationally.

Feb. 12, 2008: President Chen calls for support of both UN referenda.

Feb. 13, 2008: Hsieh Chang-ting supports cooperation with KMT on both referenda.

Feb. 13, 2008: NIO Deputy Fingar testifies U.S. worried about cross-Strait miscalculation.

Feb. 17, 2008: Kosovo declares independence.

Feb. 19, 2008: Taiwan extends recognition to Kosovo, but Kosovo does not reciprocate.

Feb. 19, 2008: PRC protests Taiwan's recognition of Kosovo.

Feb. 22, 2008: New Legislative Yuan opens first session.

Feb. 23, 2008: MND Minister Lee Tien-yu resigns over "Taiwan Goal"; Michael Tsai appointed first civilian Minister of National Defense.

Feb. 24, 2008: First Ma-Hsieh presidential campaign debate.

Feb. 25, 2008: Taiwan representatives barred from Lee Myong-bak's inauguration.

Feb. 26, 2008: TAO announces new agricultural zone and student tuition policies.

Feb. 26, 2008: Secretary Rice in Beijing reiterates U.S. opposition to UN referendum.

Feb. 27, 2008: Beijing authorizes Tzu-chi Foundation to open charitable foundation in China.

Feb. 29, 2008: Ma Ying-jeou announces specific plans for cross-Strait flights and tourism.

March 3, 2008: President Chen says vote for UN referendum even if not for Hsieh.

March 3, 2008: DOD releases annual report on the PLA.

March 3, 2008: Jia Qinglin makes routine report to CPPCC on Taiwan.

March 4, 2008: NPC spokesman Jiang Enzhu warns that UN referendum threatens peace

March 5, 2008: Premier Wen Jiabao's work report to NPC; PRC announces defense budget up 17.6 percent to \$58.79 billion.

March 5, 2008: President Hu Jintao makes moderate statement on Taiwan; says Taiwan independence “doomed to fail.”

March. 5, 2008: Executive Yuan eases restrictions on investment in China.

March 6, 2008: KMT proposes LY resolution on “Advancing to the UN.”

March 6, 2008: EU expresses opposition to UN referendum.

March 7, 2008: Brazil expresses opposition to UN referendum.

March 8, 2008: North Korea expresses opposition to UN referendum.

March. 9, 2008: Second Ma-Hsieh presidential debate.

March 10, 2008: Taipei’s Investment Commission launches amnesty for illegal investors in China.

March 14, 2008: In interview, Ma Ying-jeou rules out meeting with PRC leaders.

March 18, 2008: Premier Wen’s post-NPC press conference.

March 18, 2008: DAS Christensen reiterates U.S. opposition to UN referendum.

March 18, 2008: Taipei Representative Wu says PRC seeking to block Taiwan’s OECD participation.

March 22, 2008: Ma Ying-jeou elected president; UN referenda fail.

March 24, 2008: AIT Director Young meets Ma; Ma expresses interest in pre-inauguration visit to U.S.

March 25, 2008: DOD announces mis-shipment of missile fuse assemblies to Taiwan.

March 25, 2008: State Department Taiwan Director Spelman comments on post-election situation.

March 26, 2008: President Bush phones President Hu; Hu comments on 1992 consensus.

March 26, 2008: PRC demands investigation of missile fuse assemblies mis-shipment.

March 28, 2008: AIT Chairman Burghardt meets Ma and Chen in Taipei.