

China-Taiwan Relations: Triangular Cross-Currents

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The effects of Taiwan's legislative elections and China and Taiwan's accessions to the World Trade Organization (WTO) rippled through cross-Strait relations this quarter, but did not produce any breakthrough in political dialogue. In January, PRC Vice Premier Qian Qichen made an important statement indicating flexibility in Beijing's attitude toward Taiwan's Democratic Progressive Party (DPP). In Taipei, government leaders further loosened restrictions on cross-Strait trade and investment and emphasized their desire for talks on economic issues, which Beijing continued to rebuff. The strong support for Taiwan, which U.S. President George Bush expressed during his Asia trip, whetted Taipei's appetite for improvements in U.S.-Taiwan relations. One result was the visit to the U.S. by Taiwan Defense Minister Tang Yiau-ming that, together with other U.S. actions, has sparked new concerns in Beijing about the direction of U.S. policy toward Taiwan. While Beijing's handling of President Bush's visit to China indicated the importance that the PRC leadership places on relations with the U.S., Beijing's concerns over the Tang visit have raised clouds over the planned visit of PRC Vice President Hu Jintao to the U.S. this spring.

Ripples from Taiwan's Election

The December Legislative Yuan (LY) elections saw important changes in the political landscape in Taiwan but did not significantly alter the factors that have maintained a relatively stable situation in the Taiwan Strait over the past 18 months. Premier Zhu Rongji's report to the National People's Congress in March repeated the now familiar elements of China's policy toward Taiwan, without any threats or sense of urgency. Zhu's report formally incorporated Vice Premier Qian's three-point statement last year on "one China" into official policy.

As one would expect, it took Beijing some time after the election to assess the implications of the weakened political position of the Kuomintang (KMT) and the New Party, the strengthened role of President Chen Shui-bian's DPP, and the political reemergence of Beijing's nemesis, former President Lee Teng-hui. One product of that reassessment was revealed in Qian's statement in January for the seventh anniversary of President Jiang Zemin's Eight Points. While indicating no change in basic policy, Qian took a more moderate line on the DPP saying that "the broad masses of DPP members are

different from the small number of Taiwan independence elements” and indicating that Beijing was willing to invite DPP members to China under appropriate circumstances. Significantly, PRC Vice President Hu Jintao attended and implicitly identified himself with Qian’s remarks. Qian’s softer line was expressed in traditional united front terminology that implied that Beijing was expanding its united front approach to include many DPP members among those it is seeking to mobilize to isolate “die-hard separatists.”

How much of a change this policy represents in practice remains to be seen. Beijing’s Taiwan Affairs Office (TAO) has made clear that this more open attitude toward dealings with DPP members does not extend to President Chen or his administration. Also, it can be recalled that two years ago the PRC authorized the mayor of Xiamen to invite Frank Hsieh, the DPP mayor of Kaohsiung, to China. Taipei blocked that trip. What more might be envisaged now is not clear. No prominent visit by a DPP member has been made to China this quarter.

Nevertheless, Qian’s tone in commenting on the DPP was different, and this was welcomed cautiously by leaders across the political spectrum in Taipei, including President Chen. TAO Deputy Director Zhou Mingwei visited Washington earlier in January and previewed Qian’s more moderate line to officials in Washington. The Bush administration welcomed Qian’s statement and may have had a hand in encouraging Taipei to do likewise.

How to Talk about Economic Issues

In his talk, Qian also emphasized the importance of strengthening cross-Strait economic ties and said that Beijing was “willing to listen to ideas about establishing an economic cooperation mechanism.” There was no explanation of what this meant. Perhaps, Beijing was reacting to remarks Mainland Affairs Council (MAC) Chairwoman Tsai Ing-wen made in December, saying that if economic issues could not be dealt with through the WTO or in the Straits Exchange Federation-Association for Relations Across the Taiwan Strait (SEF-ARATS) channel then Taipei could consider establishing another “economic mechanism.” Some PRC scholars guess Qian may only have been referring to an idea frequently mentioned by Beijing that private associations should negotiate cross-Strait air and shipping arrangements. Whatever was meant, it is clear that Beijing wants to strengthen economic links with Taiwan. In discussion at the National People’s Congress (NPC) in March, President Jiang said both sides should seize the opportunity created by joint accession to the WTO to strengthen economic relations.

Since Taipei’s formal admission to the WTO in January, Taipei officials from Chen on down have continually voiced their desire to expand cross-Strait economic relations, open direct travel through the “three links,” and address outstanding economic issues in talks with Beijing. In their view, many economic issues can only be resolved with government involvement. Soon after Qian’s statement, Chen’s new premier, Yu Shyi-kun, proposed sending an economic delegation to China. In February, MAC Chairwoman Tsai urged that cross-Strait economic talks be “normalized” through the early establishment of a

“proper communication mechanism.” Given this interest, it would be reasonable to assume some private feelers are being made.

Nevertheless, Beijing’s practice has not changed. Beijing has continued to call on Chen to accept the “one China” principle as a precondition for talks. No contacts have occurred in the semi-official SEF-ARATS channel, and Beijing has preferred to use private associations to work out pressing issues, such as the treatment of mainland seamen working on Taiwan fishing boats – an issue Beijing raised this February.

“Gradual Independence”?

While appearing more flexible about the DPP and relaxed on most cross-Strait issues, Beijing propagandists have criticized President Chen for what they describe as “gradual” or “creeping “ independence. Propaganda on this theme began in January after Chen announced that the words “issued in Taiwan” would be added to ROC passports. Beijing linked this with other minor steps Taipei had taken, including the decision of the Government Information Office to change its logo, which had previously included a map of China, as well as with the Foreign Ministry’s announcement that it would study the possibility of using the word “Taiwan” in the names of unofficial offices abroad. A PRC Foreign Ministry spokesman later tied Taipei’s sending Defense Minister Tang to the U.S. into this same pattern of minor “steps towards independence.”

Bush’s Support for Taiwan

President Bush’s trip to Asia in late February produced further evidence of the president’s strong commitment to Taiwan. In his address to the Japanese Diet, which was intended to lay out basic elements in the administration’s Asia policy, Bush included a straight-forward reaffirmation of the U.S. commitment to the “people of Taiwan.” He had referred to Taiwan as a “friend” in his pre-departure radio address. In Beijing, standing beside President Jiang, Bush made an unprecedented public reference to his intention to abide by the Taiwan Relations Act. Chinese analysts have noted that Bush did not pair this mention with the usual references to the three Sino-U.S. communiqués; U.S. officials say that nothing should be read into this omission.

As is usual, there had been some anxiety in Taipei before the trip, and the new foreign minister, Eugene Chien, had established a special working group to monitor developments. So, Bush’s statements of support were warmly welcomed by political leaders and the media in Taipei. Foreign Minister Chien said subsequently that U.S.-Taiwan relations had never been better, and President Chen has expressed his appreciation to visiting Americans.

Earlier, another Bush, Richard Bush, chairman of the American Institute in Taiwan (AIT), made another unexpected gesture of public support for Taiwan. In a speech in Taipei on Jan. 28, he indirectly but clearly said that it was unreasonable for Beijing to demand Taipei’s acceptance of the “one China” principle as a precondition for talks. In the past, the U.S. has encouraged dialogue but avoided getting drawn into the policy

issues between the two sides. Richard Bush's remarks were the first time that a spokesman for the U.S. has publicly taken a position on a central issue in cross-Strait negotiations. His remarks were welcomed by the Chen administration but were disturbing in Beijing. Beijing's reaction has been muted. The criticism has been made by scholars and commentators rather than official spokespersons, apparently because Beijing wishes to maintain the facade that AIT is an unofficial organization. Since then, Assistant Secretary of State for East Asian and Pacific Affairs James Kelly has reiterated longstanding policy that the U.S. does not intend to mediate between the two sides.

Recognizing that it has a friendly administration in Washington, Taipei is pressing its advantage. One product of this was U.S. approval for the new defense minister, Tang Yiau-ming, to visit the U.S. to attend a "summit" conference in March on defense issues organized by the U.S.-Taiwan Business Council. For Beijing, ever vigilant about changes in U.S.-Taiwan relations and always concerned about protocol and appearance, this first and high-profile visit by a defense minister was disturbing. Washington predictably played down the significance saying that ministerial officials had visited before and that the event was a private one. However, on the fringes of the conference, Deputy Secretary of Defense Paul Wolfowitz had a long closed-door meeting with Minister Tang. Tang also met with Asst. Secretary Kelly.

The publicity surrounding Tang's visit and that it came shortly after Bush's meetings with PRC leaders raised serious concerns in Beijing. The Foreign Ministry made this issue the focal point of a series of high-level protests in Beijing and Washington during March. It appears that the Beijing leadership was surprised and embarrassed by the Tang visit and by the leak of information about the Nuclear Posture Review (NPR), which included comments that the U.S. was considering using nuclear weapons in a Taiwan Strait context. Vice President Hu Jintao in particular may be concerned that his planned visit to the U.S. in April might be followed by some other "surprise" U.S. actions related to Taiwan. In mid-March, the PRC Foreign Ministry spokesman hinted that recent U.S. actions put the planned visits by Vice President Hu and President Jiang in question but later made clear that planning for Hu's visit was continuing.

Taipei's appetite is for more. C. J. Chen, Taipei Economic and Trade Office (TECRO) representative in Washington, has said he wants to end the ban on TECRO officers making calls at the State Department. Foreign Minister Chien told the Legislative Yuan that Taipei would be pursuing "presidential diplomacy," which appears to be a new version of pragmatic diplomacy focused on foreign visits by President Chen. A hoped for visit to Sweden failed to gain approval in March. A Chen visit to the U.S. is a goal to be sought before the 2004 presidential election.

Cross-Strait Economics

The signs of economic recovery in the U.S. are raising hopes for a similar recovery in Taiwan. Taiwan's index of leading indicators was up in February for the fifth straight month. Taipei's Board of Foreign Trade (BOFT) reported that exports to China jumped 50 percent in January from a year earlier.

For 2001, cross-Strait trade was \$30 billion, down 7.4 percent from 2000, according to BOFT figures. Beijing put the total at \$32.3 billion. Despite this decline, cross-Strait trade has become more important for both sides. Since Taiwan's exports elsewhere fell more than those to China, Taiwan's dependence on the mainland market increased. The BOFT reported that exports to the mainland accounted for 19.6 percent of total Taiwan exports last year and that from November 2001 through January 2002 the mainland was Taiwan's largest export market. Seen from the PRC side, imports from Taiwan in 2001 were second behind those from Japan and slightly ahead of those from the U.S. Taipei's statistics for investment in the mainland, which are at best indicative of trends, showed investment approvals up 7 percent during 2001, with most of the growth in the high-tech sector.

Shortly after Taipei's formal admission to the WTO on Jan. 1, Premier Chang announced that Taipei would take a gradualist approach to implementing its commitment to open its market to the mainland. In mid-January, the Executive Yuan has announced that more than 2,000 additional tariff items would be open to imports from the mainland, increasing permitted items from about 50 percent of all tariff items to 75 percent. Gradual opening of the services sector is planned but will require legislation. A bill to permit PRC citizens to invest in Taiwan real estate was under consideration in the LY in late March. The Executive Yuan completed more general draft legislation to authorize PRC investments in Taiwan business. Beijing continued to state its position that cross-Strait economic issues should not be addressed in the WTO context. However, in late March, the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) launched an anti-dumping investigation into imports of cold-rolled steel from South Korea, Taiwan, and elsewhere – an action that could be the precursor to a WTO case.

During the LY recess, little progress was made in further implementation of the recommendations of the Economic Development Advisory Commission (EDAC) to expand economic ties with the mainland. In January, the first group tour of PRC tourists came to Taiwan. In early February, Taipei authorized eight commercial banks to open representative offices in China. However, the major EDAC-related issue was whether to authorize Taiwan firms to invest in 8-inch wafer fabrication foundries in the mainland. A bitter and important battle raged over the political, economic, and technical aspects of this issue with former President Lee Teng-hui and his Taiwan Solidarity Union leading the opposition and President Chen supporting his key economic officials who were crafting a set of conditions for approving such investments. On March 29, Premier Yu announced a limited and conditional policy for authorizing companies to invest in 8-inch wafer foundries in China. All in all, Taipei made considerable progress in opening its market and reducing restrictions on investments in China.

Since Vice Premier Qian's statement in January, Beijing has shown a more positive attitude toward Taipei's handling of cross-Strait economic ties. In contrast to its cool attitude when the "mini three links" were launched in January 2001, Beijing publicly hailed the first sailing of a PRC cargo ship from Xiamen to Kinmen in March. Moving with considerable speed, Beijing approved in early March representative offices for two

of the banks that Taipei had authorized earlier. But this interest has not, as mentioned above, softened Beijing's opposition to talks on economic issues with representatives of the Chen administration. When an issue arose over the treatment of PRC seamen working on Taiwan fishing boats, Beijing would not allow officials of the Chen administration to participate in a delegation of the Taiwan fisheries industry that came to Beijing in mid-March to consult on the issue.

Implications for Policy

Cross-currents are at work in the triangular relationship. While mildly concerned about some steps taken by the Chen administration, Beijing remains relaxed about cross-Strait relations while its attention is focused on pressing domestic issues. Although wanting talks with Beijing on economic issues, Taipei is unwilling to meet Beijing's conditions. With cross-Strait dialogue stalled and encouraged by President Bush's support, Taipei is pressing for improvements in U.S.-Taiwan relations. The Bush administration, still plagued by internal differences over China, is having difficulty finding a balanced way to achieve both constructive relations with Beijing and closer ties with Taipei. Steps Washington has taken with Taiwan are now complicating the position of those in Beijing who want to maintain cooperative relations with Washington.

There are two dangers in these complex cross-currents. Beijing's unwillingness to deal with President Chen encourages Chen to devote greater attention to the politically popular task of strengthening Taiwan's standing internationally and particularly with the U.S. Bush's strong support for Taiwan only entices Taiwan, and its partisans in Washington, to pursue improved ties to the point where Sino-U.S. relations may be harmed. Beijing needs to start dealing with Chen, and Washington should exercise greater caution in handling relations with Taipei.

Chronology of China-Taiwan Relations January-March 2002

Jan. 1, 2002: Taiwan joins the WTO; President Chen Shui-bian urges "constructive cooperation" with China.

Jan. 13, 2002: President Chen announces the word "Taiwan" will be added to ROC passports.

Jan. 13, 2002: PRC Foreign Ministry spokeswoman says adding "Taiwan" is step toward independence.

Jan. 15, 2002: Taipei announces 2,000 plus new items authorized for import from China.

Jan. 18, 2002: Taiwan Affairs Office (TAO) Deputy Zhou Mingwei in Washington.

Jan. 21, 2002: Taiwan Premier Chang Chun-hsiung resigns.

Jan. 24, 2002: PRC Vice President Hu Jintao attends meeting on anniversary of Jiang's eight points.

Jan. 24, 2002: Statement by PRC Vice Premier Qian Qichen contains new formulations on DPP and reference to a new "economic cooperation mechanism" with Taiwan.

Jan. 25, 2002: Mainland Affairs Council (MAC) gives cautiously positive response to Qian.

Jan. 28, 2002: American Institute in Taiwan (AIT) Chairman Richard Bush gives talk in Taipei voicing support for view that "one China" should not be precondition for dialogue.

Jan. 30, 2002: TAO's Zhang amplifies Qian's remarks at end of Taiwan Work Conference.

Feb. 1, 2002: Yu Shyi-ku sworn in as Taiwanese premier; Yu proposes sending economic delegation to China.

Feb. 5, 2002: First group of overseas PRC tourist arrives in Taiwan.

Feb. 6, 2002: U.S. International Trade Commission launches study of U.S.-Taiwan Free Trade Agreement.

Feb. 18, 2002: In Japanese Diet speech, President Bush reaffirms U.S. commitment to Taiwan.

Feb. 20, 2002: MAC's Tsai calls for normalizing cross-Strait economic relations and establishment of a proper "communication mechanism."

Feb. 22, 2002: Qinghua students challenge President Bush on U.S. Taiwan policy.

Feb. 25, 2002: Taipei Foreign Ministry sets up task force on using "Taiwan" in names of unofficial offices.

Feb. 26, 2002: PRC Foreign Ministry spokeswoman criticizes Taiwan for "incremental independence" steps.

Feb. 27, 2002: First PRC ship transports cargo from Xiamen to Kinmen.

Feb. 27, 2002: Taipei reports cross-Strait trade down 7 percent to \$30 billion in 2001.

March 5, 2002: Premier Zhu Rongji's report contains standard low-key statement of Taiwan policy.

March 7 2002: PRC protests U.S. issuance of visa to Taipei Defense Minister Tang Yiau-ming.

March 11, 2002: Defense Minister Tang attends nongovernmental business conference in Florida, meets Deputy Secretary of Defense Paul Wolfowitz and Assistant Secretary of State for East Asian and Pacific Affairs James Kelly.

March 11, 2002: People's Bank of China approves representative offices for two Taiwan banks.

March 15, 2002: Taiwan Representative Chen says TECRO seeks meetings at U.S. State Department.

March 16, 2002: PRC Vice Foreign Minister Li again protests U.S. meetings with Minister Tang.

March 18, 2002: Private Taiwan fisheries delegation ends talks in Beijing on seamen issue.

March 21, 2002: PRC Foreign Affairs spokeswoman hints U.S. visits by Jiang and Hu are in question.

March 23, 2002: Beijing's MOFTEC launches anti-dumping investigation of South Korea and Taiwan.

March 26, 2002: Premier Zhu criticizes U.S. violation of communiqués, calls for cooperation.

March 28,2002: PRC Foreign Ministry spokeswoman says planning for Hu Jintao visit to the U.S. continues.

March 28, 2002: Executive Yuan approves draft legislation authorizing PRC investments in Taiwan.

March 29, 2002: Premier Yu announces decision of conditional approval for Taiwan investment in 8-inch wafer fabrication plants in the PRC.