

China-Taiwan Relations: Wooing Washington

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As the year opened, attention focused on President Chen Shui-bian's New Year's comments that cross-Strait economic integration could lay the ground for eventual "political integration." Despite this signal, Beijing remained wedded to its united front tactics against Chen. There was no progress toward resuming cross-Strait dialogue. Both Beijing and Taipei were focused on the new administration in Washington, with each side lobbying for its views in advance of the annual Taiwan arm sales meetings in April. The new administration has proceeded carefully on China-Taiwan issues, and its initial actions have reflected more continuity than change in U.S. policy.

Cross-Strait Non-Dialogue

President Chen's New Year's address contained a new and flexible formulation on cross-Strait relations. Chen stated that "the integration of our economies, trade, and culture can be a starting point...(and) can be the basis for a new framework of permanent peace and political integration." Lest people miss the import, Chen subsequently said that he considered this statement as important as the comments on cross-Strait issues in his May 20th inaugural address. The mention of "political integration" prompted a torrent of analysis and reactions in Taipei. The fundamentalists in the Democratic Progressive Party (DPP) attacked the statement as too great a concession to the PRC. The opposition and Chen's supporters in the DPP generally welcomed it as an important gesture toward reopening dialogue.

Beijing did not react to this statement for almost three weeks, and when it did, it avoided directly addressing Chen's remarks on political integration. The response came in a speech by Vice Premier Qian Qichen on January 22 on the fifth anniversary on President Jiang Zemin's Eight Point statement. Qian's speech was a comprehensive recapitulation of Beijing's current public position on cross-Strait issues. It hewed rigorously to the position that Chen must accept the one-China principle as the basis for dialogue before talks may resume. Noting that Chen had said that under Taiwan's constitution one-China was not a problem, Qian asked rhetorically why the leader in Taipei would not then endorse the one-China principle. Thus, Qian's address passed up the opportunity to acknowledge that Chen had made an important gesture in Beijing's direction.

Qian's speech was significant in being the first major policy statement from Beijing to include the more flexible three point position on one-China--there is only one China, Taiwan and the Mainland are both part of China, and China's sovereignty is indivisible--that Qian had first floated privately last summer. At that time, the Chen administration focused on what had not changed in China's position rather than on Qian's new formulation. So some observers in Taipei have noted that in recent months both Taipei and Beijing have passed up opportunities to acknowledge signs of flexibility from the other side. Deep mistrust, as well as domestic political calculations, makes it extremely difficult for either side to acknowledge the other's constructive steps.

By contrast, the State Department in Washington publicly welcomed Chen's statement and suggestions made by Beijing officials in early January (see below) as potential contributions to restoring dialogue.

Despite the absence of political dialogue, cross-Strait economic relations continued to prosper. According to Taiwan Economics Ministry statistics, Taiwan's authorized investments in the PRC during 2000 grew 108 percent to total \$2.7 billion, and accounted for about one-third Taiwan's foreign direct investments. While imperfect, these figures accurately reflect trends, and anecdotal evidence indicates that the rush to China continues early this year. The Taiwan Finance Ministry has reported that cross-Strait trade expanded about 25 percent and reached \$32 billion in 2000. Taiwan's \$26.16 billion exports to China accounted for 17.6 percent of Taiwan's world-wide exports. The rate of increase in cross-Strait trade slowed in the final quarter of 2000, with trade in December up 11 percent over a year earlier. This slowdown appears to be a result primarily of the decline in the U.S. information technology (IT) sector and reflects the high degree of integration between the IT sectors in Taiwan, China, and the U.S. Initial figures for January 2001 indicate trade declined from a year earlier, in part because the Chinese New Year holiday fell in January this year.

Beijing's United Front Tactics

Qian's January 22 address also described Beijing's current tactics toward Taipei using standard united front terminology. "(We should) work together with Taiwan compatriots ...that agree on one China...and unite with all forces that can be united...to struggle against separatism." In January, just at the time Chen was launching the "mini three links," Beijing hosted two delegations from the opposition, one led by Legislator Her Jyh-huei of the Nationalist Party (KMT) and the other by Fung Hu-hsiang of the New Party (NP). Beijing suggested to these delegations that, given the impasse over cross-Strait dialogue, trade associations from both sides might negotiate direct cross-Strait transportation arrangements, provided those routes were treated as "special domestic routes." Beijing knew that Chen's administration takes the position, with some reason, that such talks should take place between the acknowledged cross-Strait bodies, Taipei's Straits Exchange Foundation (SEF) and Beijing's Association for Relations Across the Taiwan Strait (ARATS). The two opposition delegations of course reported Beijing's suggestion, and the Chen administration was put in the position of turning down an offer that some in Taipei saw as flexibility from Beijing.

What Beijing would view as united front work continued throughout the quarter. The vice mayor of Shanghai visited Taipei in January and met with KMT Mayor Ma Ying-jeou (but not with President Chen). Beijing authorized Mayor Ma to make a high profile visit to Hong Kong in February. In a fit of excessive united front enthusiasm, the *China Daily* misreported that Ma had praised the “one country, two systems” model as also applicable to Taiwan, which of course he had not. When Ma protested, the *China Daily* took the unprecedented step of formally correcting the story, an indication of the importance Beijing places now on building constructive ties with Chen’s opposition. In March, the vice mayor of Taipei made a return visit to Shanghai. Other visits by KMT personalities are planned later this spring.

Wooing the Bush Administration

While all this sparring was going on across the Strait, both Beijing and Taipei have been focused on influencing the incoming Bush administration. In January, Taipei had four separate delegations in Washington at the time of the inauguration. Officials at Taiwan’s office in Washington commented that the inauguration had attracted more representatives from Taipei than from any other foreign capital. The main delegation, led by Legislative Yuan Speaker Wan Jin-pyng, carried a letter from President Chen to Bush, which Wan said made the case for enhanced arms sales to meet Taiwan’s defense needs and for better communication between Washington and Taipei. A few weeks later, another delegation led by DPP Party Chairman Frank Hsieh was in Washington on the occasion of the annual prayer breakfast for meetings with incoming administration officials. Privately, People’s First Party (PFP) Chairman James Song also made a visit to the U.S. to meet with potential Bush administration nominees. According to press reports, President Chen told supporters at a dinner March 23 that he was pleased with the way relations with the new administration were developing.

In February and March, Beijing sent two senior delegations to Washington to probe the incoming Bush administration’s views and make its case for the U.S. to handle Taiwan issues carefully. Beijing set up these visits by arranging an interview for Vice Premier Qian with the *Washington Post*. The interview produced a front page story that China was taking a flexible position on cross-Strait issues. In February after Vice Premier Qian’s statement recapitulating Beijing’s public policy on Taiwan, Zhou Minghui, the Deputy Director of the Taiwan Affairs Office (TAO), visited the U.S. to reinforce Beijing’s views. The Harvard educated Zhou, however, went back and forth between hard line warnings about arms sales and more sophisticated presentations on the rationale behind Beijing’s insistence on the one-China principle. The mixed message seemed to reflect the difficulty of fashioning positions that satisfy the need to sound tough to domestic audiences and flexible to American interlocutors.

A somewhat similar dichotomy was evident at the annual National People’s Congress (NPC) meeting in early March. On the one hand, Beijing announced an 18 percent increase in the public defense budget and had Foreign Minister Tang issue stark warnings to the U.S. on the sale of advanced weapons to Taiwan. On the other, Vice Premier Qian

was speaking more positively about the prospects for U.S.-China relations as he prepared for his initial meeting with the new Bush administration.

Qian's visit to Washington in late March continued to reflect this dual message. In speeches before and after his official meetings in Washington, Qian struck a hard line warning about the dire consequences if Washington sold "advanced weapons" to Taiwan. Briefings by senior American officials following Qian's meeting with the president and other administration officials indicate that Qian was less threatening in private. However frank Qian's private discussions were, Beijing choose to accentuate the positive in its press coverage, which described the talks with Bush as "positive and constructive."

The New Administration's Policy on Taiwan Strait Issues

Despite the campaign rhetoric about China, Secretary of State Powell, as almost his first act in office, paid a farewell call on the departing Chinese ambassador. Powell has been taking the lead in enunciating the administration's interpretation of long-standing U.S. policies on Taiwan issues, beginning with his confirmation testimony in which he said the U.S. has "long acknowledged" the view that there is only one China and that "in that respect, Taiwan is part of China." In subsequent testimony, he reaffirmed the "six assurances" to Taiwan and said that the U.S. would not tolerate anything that would change the status of Taiwan unless it was the result of "open, free, and balanced negotiations between the two parties." Following the visit of TAO Deputy Zhou in February, the State Department issued a statement that Zhou had been told of Washington's "enduring concern" that cross-Strait differences be settled "peacefully and in accord with the wishes of the people of Taiwan." On Taiwan's participation in international organizations, Powell told a congressional hearing that "there should be ways for Taiwan to enjoy the full benefits of participation without being a member" in organizations such as the World Health Organization. On a separate occasion, the State Department spokesman implied that the administration was not using former President Clinton's "three no's" formula in stating its China policy. None of these statements have engendered controversy within the administration--at least not in the way Powell's statements on North Korea have.

In the press availability before his meeting with Vice Premier Qian, President Bush stressed his desire for a constructive relationship with China but stated straightforwardly that he would tell Qian that the U.S. would honor its obligations to Taiwan under the Taiwan Relations Act.

Policy Implications: Arms Sales Test Ahead

These policy statements are important but relatively easy. The difficult choices on Taiwan Strait issues are approaching rapidly at the annual arms sales talks in late April. Within the beltway, the debate on arms sales has been raging. Some of those who see themselves as Taipei's true friends in the Congress have been pressing the arms sales issue as a sort of machismo test for the administration. Senate Foreign Relations Committee Chair Jesse Helms' staff prepared a report in March that outlined Taiwan's

acquisition requests and urged the administration to sell Aegis-equipped destroyers and PAC III missiles to Taiwan now. Other moderate voices in Washington and Asia have been urging the administration to find a more creative approach that would make U.S. arms sales decisions clearly products of actions Beijing takes with respect to its military build-up opposite Taiwan. The decibel levels in the domestic debate are rising as the arms sales talks approach.

The arm sales issue will be the first real test of the sophistication of the Bush's China policy. In a talk show appearance, Secretary Powell said that a plain reading of the Taiwan Relations Act indicates that the U.S. has an obligation to ensure Taiwan is in a position to defend itself--the point Bush made to Qian. While Powell said the administration would be looking for "balance" in its arms sales policy, the issue is likely to be hard fought within the administration.

As the U.S. interest is in a peaceful resolution of cross-Strait issues, Washington should have a strong incentive to de-emphasize the military aspects of cross-Strait relations and to slow down the current cross-Strait arms race. The administration should be looking for ways to enhance Taiwan's security through constructive U.S.-China relations, resumed cross-Strait dialogue, and arms restraint on both sides of the Strait. Washington's decision on arms sales will play a large role in setting the tone for U.S.-China relations in the coming years. Indications are that the administration will handle the issue carefully, selling weapons that will enhance Taiwan's defense capabilities, but doing so in ways that do not unnecessarily raise cross-Strait tensions.

Chronology of China-Taiwan Relations January - March 2001

Dec. 31, 2000: President Chen's New Years address speaks of "political integration."

Jan. 2, 2001: First Kinmen ferry travels to Xiamen under "mini three links."

Jan. 4, 2001: KMT and New Party delegations visit Beijing.

Jan. 4, 2001: *Washington Post* sees new flexibility in interview with Vice Premier Qian.

Jan. 6, 2001: PRC Minister of Communications tells visiting KMT delegation that direct flights possible if handled as "special domestic routes."

Jan. 7, 2001: Taiwan PM Chang tells National Economic Conference Taipei will liberalize Mainland investment restrictions within one month.

Jan. 10, 2001: Shanghai vice mayor visits Taipei, meets Mayor Ma.

Jan. 15, 2001: Grand Justices conclude Executive Yuan acted wrongly in canceling fourth nuclear plant.

Jan. 16, 2001: SEF Chairman Koo urges return to “one China, respective interpretations.”

Jan. 18, 2001: In Congressional hearing, Secretary Powell restates U.S. view on “one China.”

Jan. 20, 2001: Legislative Yuan President Wang in Washington for inaugural events.

Jan. 22, 2001: At New Year, Vice Premier Qian gives major speech recapitulating PRC policy toward Taiwan.

Jan. 22, 2001: KMT Vice Chairman Siew explains his proposal for cross-Strait common market in Washington.

Jan. 31, 2001: Legislative Yuan passes resolution on resumption of fourth nuclear plant.

Feb. 6, 2001: First ship from Xiamen visits Kinmen under “mini three links.”

Feb. 8, 2001: *Xinhua* journalists arrive in Taipei to begin regular reporting from Taiwan.

Feb. 11, 2001: Taiwan officials in China for APEC Senior Officials Meeting.

Feb. 11, 2001: Taipei Mayor Ma makes high profile visit to Hong Kong.

Feb. 14, 2001: PM Chang announces resumed construction of fourth nuclear plant.

Feb. 20, 2001: Mainland Affairs Council Deputy Chen says investment policy review to be finalized in May.

Feb. 25, 2001: Taipei vice mayor visits Shanghai.

Feb. 27, 2001: Taipei reports 2000 cross-Strait trade increased 26 percent to \$32 billion.

Mar. 4, 2001: NPC spokesman states PRC cannot accept confederation idea.

Mar. 5, 2001: Premier Zhu’s annual NPC report includes standard, non-threatening language on Taiwan.

Mar. 6, 2001: Beijing announces 18 percent increase in defense budget.

Mar. 6, 2001: FM Tang issues sharp warning to U.S. on arms sales.

Mar. 8, 2001: Vice Premier Qian speaks positively about U.S.-China relations.

Mar. 8, 2001: Secretary Powell reiterates “six assurances” in Congressional hearing.

Mar. 13, 2001: Bush speaks positively on U.S.-China relations while accepting credentials of new PRC ambassador.

Mar. 16, 2001: PM Zhu Rongji avoids harsh language on Taiwan at annual post-NPC press conference.

Mar. 20, 2001: TAO official He Shihzhong leads economic delegation to Taiwan.

Mar. 20, 2001: Vice Premier Qian warns U.S. arms sales to Taiwan could have serious consequences.

Mar. 22, 2001: Vice Premier Qian meets President Bush.

Mar. 24, 2001: *Washington Post* interview with President Jiang focuses on Taiwan; Jiang rejects both federation and confederation concepts.

Mar. 26, 2001: Former KMT Premier Vincent Siew establishes Cross-Strait Common Market Foundation; President Chen endorses concept.