



China-Taiwan Relations: Washington Caught in the Middle...Again

Gerrit W. Gong

Taiwan President Lee Tung-hui's July 9 announcement that cross-Strait relations should be handled on a "special state-to-state" basis has strained already shaky relations between Beijing and Taipei and has the U.S. once again caught in the middle. This is especially true since Chinese President Jiang Zemin continues to identify "peaceful reunification under the 'one country, two systems' model with Taiwan" as one of the Mainland's "cardinal principles." Meanwhile, Beijing's insistence on a full retraction makes it extremely unlikely that the planned fall 1999 visit by the head of the PRC's Association for Relations Across the Taiwan Strait (ARATS), Wang Daohan, will take place. One positive if unintended consequence of the Taiwan-generated crisis was the incentive it provided to Chinese President Jiang Zemin and President Clinton to put Sino-U.S. relations back on a positive track following the latter's unequivocal re-endorsement of America's "one China" policy.

Is Cross-Strait Dialogue Still Possible?

Preserving and broadening possible cross-Strait direct contact includes widening, not narrowing, Beijing's willingness to deal with President Lee Teng-hui and any of his possible successors. Some in Beijing believe President Lee cannot be trusted and is therefore not worth dealing with. But to simply wait until next March, May, or some other point after Taiwan's next president is elected and inaugurated may place too heavy a burden on a new cross-Strait beginning.

Clearly, a new cross-Strait start is needed. But any new initiative must recognize that President Lee will likely continue to play a role as KMT chairman and that his personal, political, and institutional relationship with whomever succeeds him as Taiwan's president will continue to be a factor in Taiwan's domestic approach to cross-Strait relations.

Taipei's Mainland Affairs Council Chairman Su Chi announced that Taiwan would not amend its constitution, would not change its laws regarding its cross-Strait status, and would not retract President Lee's "special state-to-state" statement. Beijing's two conditions that President Lee Teng-hui retract his "special state-to-state relations" formulation and that any meeting he has with Wang Daohan be only in a party capacity effectively postpones Wang's Taiwan visit at least until after the March 2000 elections.

Yet, a very slight crack in the door remains for an earlier visit. Following Taiwan's devastating earthquake, Wang Daohan made a relief donation in his own name. This fuels the

speculative possibility that Wang could visit Taiwan in a personal, humanitarian capacity, giving the two sides of the Taiwan Strait an important contact point before Taiwan's elections. The earthquake forces Taipei to re-build domestic infrastructure, and challenges (but in a way Taipei can likely meet) Taiwan's short-term economic growth. Thus, for example, initial fears that Taiwan might be unable to supply contracted computer chips have been calmed.

President Lee knows a successful Wang Daohan visit is essential if the former truly seeks to undertake the historic journey of peace alluded to in his inaugural address. (And that journey could occur after Mr. Lee's presidency, during his tenure as KMT chairman.) For this and other reasons, Taipei must think carefully and hard about how to assure that any Taiwan visit by Wang Daohan would be successful and that neither he, nor by extension President Jiang Zemin, would be embarrassed during or after such a visit. Given the exigencies of current domestic politics in Taipei and Beijing, the provision of such assurances is no simple task.

Where Washington, Beijing, and Taipei would seem to share a common interest is in Taiwan Strait peace, prosperity, and stability. This requires preserving the dynamic framework in which both sides of the Strait consider themselves in some way part of a single China (the definition of which remains under discussion) and agree that their dynamic relationship will not be changed by force, by unilateral timetables for unification, or by unilateral declarations of independence.

WTO: Still Time for a Deal?

If neither Beijing nor Washington overplays its hand, negotiations for the PRC to accede to the World Trade Organization (WTO) on commercially viable terms are still possible this year. Despite dour press reports, Sino-U.S. negotiations continue to pursue PRC WTO accession, with the expectation that any final agreement will approximate that negotiated during Zhu Rongji's April 1999 Washington visit. While ratification schedules continue to be tight, it remains possible for China to join the November 1999 Seattle Ministerial.

At the same time, although Taipei has yet to finalize its WTO accession package, the final details can be completed relatively quickly. This means together Beijing and Taipei can apply for WTO accession. The PRC will apply first, with Taiwan seeking to follow in short order. (It should be recalled that Taiwan seeks WTO entry as a customs union, not as a state.)

Paradoxically, the entry of both Beijing and Taipei into the WTO would facilitate the formation of political coalitions necessary for Congress to amend the Jackson-Vanik legislation, a critical step in the granting of permanent Normal Trade Relations (NTR) status (formerly known as Most Favored Nation or MFN) to China. Taipei will also need to protect its economic and political interests without exercising its exclusion option for this scenario to work.

U.S. Objectives

Washington currently has three objectives with respect to ongoing Taiwan Strait developments. First, Washington seeks to minimize any possibility that an accident or

miscalculation across the Taiwan Strait becomes a flashpoint for confrontation, or escalates out of control.

For example, such escalation could result from jet fighter games of “chicken” across the demarcation line, or from challenges to supply ships, or from exercises near or around offshore islands. Should blood be shed on either side of the Strait, it would be difficult to deter escalating responses. Happily, engagement patterns currently seem to reflect efforts to build margins of safety, not simply limits to tension.

Second, Washington seeks to preserve and create maximum opportunity, including flexibility and constructive *modus vivendi*, for principled but pragmatic frameworks to be built across the Strait and within Sino-U.S.-Taiwan relations.

Recognizing a common interest in Taiwan Strait stability and in reducing possible miscalculation over Taiwan, Beijing and Washington have reestablished constructive contact. In their phone conversation and in their APEC meeting, President Clinton and President Jiang reaffirmed established positions. They have turned Sino-U.S. relations in a more positive direction and are doing so according to a more realistic (and thereby potentially more stable) basis. This process clearly indicates that the U.S. is not behind, nor does it support, any direct or indirect challenge to the basic assumptions of the cross-Strait status quo by either side.

Washington’s third objective with respect to the Taiwan Strait situation is to be sufficiently engaged with both sides so as to preserve and advance U.S. interests, including cross-Strait stability and prosperity, but to do so in a way which reduces the risk of well intentioned U.S. efforts contributing to a *de facto* cross-Strait moral hazard.

Cross-Strait moral hazard defines the potential tendency for those on either or both sides to take more forward-leaning positions on the assumption that the United States can and would re-establish stability if Beijing or Taipei miscalculate in their relations with the other. Beijing or Taipei might also assert its political agenda with extra vigor and will to offset the efforts of the other, or to resist perceived U.S. restraints. Such U.S. restraints might include the U.S. commitment to a status quo with which neither Beijing or Taipei fully agrees, but each would like to change on its own terms.

Beyond U.S. efforts to limit military miscalculation, Washington continues to discuss whether or not U.S. efforts to explore even the concept of some form of interim agreement could contribute to a *de facto* moral hazard. The U.S. commitment is to a process, not to a particular outcome. The process is to be peacefully determined without coercion. The outcome is thus assumed to emerge as some form of dynamic status quo, without ruling out creative possibilities for unification, confederation, or commonwealth mutually acceptable to the two sides.

In this regard, Track II diplomacy, confidence building measures, and interim agreements that reduce the influence of the most volatile elements in the cross-Strait relationship are worth exploring. Each of these options is potentially both an approach and a possible intermediate conclusion. Thus, for example, some proposals would seek to limit any Taiwan declarations of independence and any PRC use of force. To be credibly enforced, such

proposals may require international guarantees and monitoring, in conjunction with military forces on both sides of the Taiwan Strait.

Some Track II diplomacy, confidence building, or interim proposals suggest finding a *modus vivendi* for Taiwan's greater international participation, including in economic, financial, and humanitarian organizations that do not challenge Beijing-Taipei agreements about the political limits to such participation. Yet, in each case, the question arises of whether or how unintentional moral hazard is created by the very process of seeking to restrict miscalculation or to expand negotiating room for maneuver.

In summary, the U.S. seeks to avoid conflict, particularly through mishap or miscalculation, in the Taiwan Strait. The United States desires the presentation of the dynamic framework that has fostered peace, stability, and prosperity in the Taiwan Strait, even while recognizing that democratization in Taiwan, rising nationalism in China, and other factors make the maintenance of such delicate balances extremely difficult. And, finally, the United States seeks to be engaged in a necessary and constructive way, according to U.S. anchor interests in the cross-Strait situation, which include avoiding the creation of any cross-Strait moral hazard.

Chronology of China-Taiwan Relations

July - September 1999

July 9, 1999: During interview with Voice of Germany, President Lee describes cross-Strait ties as "special state-to-state."

July 10, 1999: Taiwan's Straits Exchange Foundation chairman, Koo Chenfu, states "A political entity is a state, therefore, cross-Strait dialogue is a state-to-state dialogue."

July 12, 1999: U.S. State Department reiterates "one China" policy.

July 13, 1999: Japan's foreign ministry says there is no change in Japanese government's position towards Taiwan.

July 15, 1999: Lee Teng-hui tells American Institute in Taiwan Director Darryl Johnson that Taiwan's policy towards China has not changed.

July 18, 1999: President Clinton calls President Jiang Zemin to reiterate the "one China" policy.

July 23, 1999: ASEAN affirms "one China" policy.

July 25, 1999: Koo Chen-fu tells American Institute in Taiwan Chairman Richard Bush that Taiwan is still committed to a democratic union with China.

July 29, 1999: Taipei's Mainland Affairs Council Chairman Su Chi explains to CNN that the "special state-to-state" relations statement is to clarify the reality of cross-Strait situation.

July 30, 1999: Beijing's Association for Relations Across the Taiwan Strait (ARATS) rejects Koo's explanation statement.

July 31, 1999: Chinese marine police confiscates Taiwanese boat.

Aug 2, 1999: China tests new inter-continental ballistic missile, DF-31.

Aug 11, 1999: Lee Teng-hui states, "It is good for state-to-state issues to make noise so that the international community will understand Taiwan's situation."

Aug 17, 1999: Su Chi states, "The state-to-state issue is not the basis for the Koo-Wang talks. If China will accept it, Taiwan can negotiate the 3-links (postal, air, and shipping) issue."

Sept 2, 1999: China promises not to use nuclear weapons against their Taiwanese compatriots.

Sept 9, 1999: Jiang Zemin sets two conditions for Wang Daohan's visit to Taiwan: Lee must withdraw his call for state-to-state relations, and he must meet Mr. Wang only in his capacity as the head of the ruling KMT.

Sept 11, 1999: Clinton and Jiang Zemin meet in Auckland and reiterate their positions on Taiwan.

Sept 14, 1999: Taiwan's Chief of Staff, Tang Yao-ming, announces concerns over the growing threat of a PLA computer, or information warfare, attack.

Sept 15, 1999: The U.S., UK, and France tell a UN committee they do not support putting UN membership for Taiwan on the General Assembly's agenda.

Sept 16, 1999: The Clinton Administration states its opposition to the Taiwan Security Enhancement Act, arguing that the legislation may weaken Taiwan's security and impinge on America's security.

Sept 21, 1999: A powerful earthquake, registering richter scale 7.6, hits Taiwan. Jiang Zemin expresses his condolences to Taiwan's people. China's Red Cross donates \$100,000 to earthquake victims. UN and World Bank officials say it is difficult to help Taiwan because they do not recognize Taipei.

Sept 22, 1999: UN coordinating officials and humanitarian groups from 25 countries arrive in Taiwan. China Red Cross requests that all aid efforts and organizations should get permission from Beijing in advance.

Sept 23, 1999: Taipei accepts Beijing's \$100,000 but declines other aid. USAID donates \$25,000 directly to Taiwan Red Cross.

Sept 27, 1999: His Holiness the Pope asks the international society to help Taiwan reconstruction. Jiang Zemin expresses condolences again. Wang Daohan donates 10,000 Renminbi to Taiwan victims in his name.