

## China-Taiwan Relations: **Negotiation Feelers and Defense Issues**

by David G. Brown  
Associate Director, Asian Studies  
The Johns Hopkins School of Advanced International Studies

Despite the absence of formal dialogue, Beijing and Taipei have been signaling interest in achieving direct trade and travel and probing possibilities for new mechanisms for negotiations. Taiwan President Chen Shui-bian took an important step in moving this process forward when he indicated that the private sector could play a role in negotiating the “three links.” Beijing responded saying it was ready to negotiate with business representatives from Taipei. The challenge is whether mutually acceptable roles for the private and government elements in a new negotiating process can be defined to both sides’ satisfaction. It is not clear whether this can be done. Economic ties continue to expand; the long-awaited oil exploration joint venture deal has been signed. Even while these and other positive developments occur, Beijing and Taipei continue to confront each other internationally and strengthen their military preparations.

### **No Dialogue, but Many Signals**

The hiatus in institutional dialogue between Beijing’s Association for Relations Across the Taiwan Strait (ARATS) and Taipei’s Straits Exchange Foundation (SEF) continues. Despite the hiatus, there is always a degree of public and private communication across the Strait. This year, both sides have been signaling a new interest in achieving direct trade, travel, and transportation across the Strait. Vice Premier Qian Qichen’s Jan. 24 accommodating remarks on the Democratic Progressive Party (DPP) and his interest in a new mechanism for negotiating economic issues were significant signals. At the end of March, President Chen expressed his desire to make a visit to his ancestral home in Fujian. His administration has continued to ease Taiwan’s restrictions on cross-Strait economic ties. In April, Taipei adopted legislation authorizing PRC investments in Taiwan real estate. In May, Taipei liberalized the conditions for tourist visits by PRC citizens. In April, the PRC returned one of Taiwan’s most wanted fugitive criminals. Disasters have occasioned expressions of sympathy. In April, ARATS broke its self-imposed communications ban and sent a condolence message to SEF on the late March earthquake in Taiwan. Later, SEF reciprocated with condolences on a Chinese plane crash in Pusan, Korea. Chinese President Jiang Zemin expressed his condolences over the crash of CAL 611 in late May, and the PRC subsequently assisted the investigation of that crash by providing its radar tracking data on the flight.

On May 10, while traveling around Taiwan and the offshore islands with journalists, President Chen made a series of proposals on cross-Strait relations. He said that the DPP could send its director for China Affairs to the PRC for talks and indicated in very general terms that private-sector representatives could play a role in negotiations on direct trade and travel. The PRC's Taiwan Affairs Office (TAO) quickly rejected the former, saying that DPP representatives could not visit China in their party capacities until the DPP had removed the independence clause from the Party charter and accepted the "one China" principle. But Beijing was silent on the latter suggestion about a role for the private sector. Chen's statement represented a significant shift in Taipei's previous position that trade and transportation would have to be negotiated by authorized government representatives, such as SEF and ARATS. His comments in one sense were a response to suggestions that Qian Qichen had made over a year earlier. In mid-May, the PRC Foreign Ministry spokesman noted that Chen had seemed to make a concession on transportation issues. Then, the TAO stated that Beijing was ready to appoint counterparts to negotiate with private-sector representatives from Taiwan. These comments raised hopes that a breakthrough was imminent.

However, when Beijing then invited two prominent Taiwan business leaders to Beijing for negotiations, Mainland Affairs Council (MAC) Chairperson Tsai Ing-wen quickly responded by saying that Taipei would choose its own representatives. Over the following weeks, Taipei indicated that it would authorize organizations, not individuals, to handle talks and that it envisaged using nonprofit organizations with experience, credibility, and standing. MAC officials lowered expectations by commenting that even if private channels could be established it would take two years to negotiate direct links.

Transforming the general concept of private-sector negotiations into a new agreed negotiating mechanism will not be easy. Finding a way around political issues will be difficult. Another challenge will be whether respective roles for the private and government participants in the process can be defined in a manner acceptable to both Beijing and Taipei. The Hong Kong-Taiwan air agreement negotiations are something of a precedent, but it is not certain that the process can be duplicated on the more politically sensitive and broader issues of direct trade, travel, and transportation. There is no shortage of Taiwan business leaders eager to play a role. In late June, several Taiwan delegations including opposition legislators and businessmen were visiting Beijing. The TAO's Li Bingcai outlined for these visitors some of Beijing's thinking on how private talks could be conducted. Press reports indicate that the government's role would only be to approve the negotiation results. Li also insisted that the negotiations must be treated as "domestic matters" and the transportation routes as "internal routes." Predictably, the MAC in Taipei rejected these political premises.

### **What is Driving These Overtures?**

Neither sides' rationale has been adequately explained in public. In Beijing, the belief is that closer economic ties will restrain or counterbalance Taiwan's drift toward "gradual independence." Beijing already derives significant economic benefits from Taiwan's investments and trade and wants these to grow. There is also the perception that Taiwan's

growing economic “dependence” provides China some unspecified leverage. President Chen’s interest is driven both by economic need and domestic politics. While many in his party disagree, Chen recognizes that Taiwan’s economic recovery and future international competitiveness will benefit from opening direct trade with China. In addition, Chen is clearly focused on the 2004 presidential elections and apparently believes that opening direct trade will demonstrate that he can manage cross-Strait relations successfully, thus depriving his opponents of one crucial criticism of his leadership. Beijing recognizes Chen’s political motivation and will want to structure a negotiating process that minimizes Chen’s ability to claim credit. While Chen will want to emphasize the role of his administration, Beijing will want to minimize it. As illustrated in the late June discussions in Beijing, this dynamic will complicate, prolong, and perhaps frustrate the process of working out a mutually acceptable mechanism.

### **No Hiatus in Competition Internationally**

Whatever this signaling portends, there has been no let up in the continuing struggle between Beijing and Taipei in various international arenas for legitimacy and advantage. Once again this year, Taipei pushed hard to obtain observer status at the World Health Organization (WHO) and the PRC worked to prevent this. In hopes of portraying its interest in the WHO as nonpolitical, Taipei indicated in April that it would accept observer status as a “health entity,” an idea patterned after Taiwan’s successful application to the World Trade Organization as a “customs territory.” Spokesmen also indicated that Taipei would seek to participate as “Taiwan” rather than the “Republic of China,” an approach that pleased DPP supporters at home but only reinforced Beijing’s determination to block the effort. In the end, the World Health Assembly decided again by a large margin not to consider Taipei’s application.

Washington was the other major arena for struggle. Despite considerable concern about the direction of U.S. policy on Taiwan issues, Beijing had decided in March to go ahead with plans for Vice President Hu Jintao’s inaugural visit to the U.S., which took place in early May. Throughout that visit, both governments emphasized the positive. Taiwan was of course discussed. In his public remarks, Hu carefully avoided threats on Taiwan and emphasized only how U.S. compliance with the Taiwan provisions of the three Sino-U.S. joint communiqués would strengthen U.S.-China relations. Afterward, President Jiang said publicly that he was satisfied with the U.S. commitments made to Hu concerning Taiwan, though he did not specify what those were. In any event, the China-U.S. tensions over Taiwan issues noticeably subsided during the visit.

Taipei for its part continued to press its case in Washington. In April, members of the House of Representatives announced the formation of a bipartisan Congressional Taiwan Caucus. While it is not clear how crucial a role Taiwan’s lobbying played in creating the caucus, Taipei welcomed it and marked the occasion by sending a multi-party delegation from the Legislative Yuan (LY) to Washington to attend the inauguration of the caucus and to play up the anniversary of the passage of the Taiwan Relations Act (TRA). DPP member Truong Chai, the leader of the Taiwan delegation and a long-time advocate of independence, took the occasion to urge members of Congress to invite President Chen to

address a joint session of Congress. In Taipei, Foreign Minister Eugene Chien told the LY that a formal visit to the U.S. (not just a transit) by Chen was an objective that the government was striving to obtain. President Chen continues to tell U.S. visitors that U.S.-Taiwan relations have never been better, and in June, he began to characterize the U.S. and Taiwan as “inseparable democratic allies.”

### **Competitive Military Build-ups**

For the past 18 months, Beijing has consciously publicly downplayed the military element of its Taiwan policy that it, nevertheless, continues to develop. The long-term modernization plans for the People’s Liberation Army (PLA), which involve strengthening capabilities useful in Taiwan contingencies and the deployments of additional missiles opposite Taiwan, continue to be implemented. Intelligence sources indicate that the number of short- and medium-range missiles deployed against Taiwan is now 350-400. Press reports indicate that China is taking delivery of new SU-30s, that its recently ordered Sovremenny-class destroyers will be equipped with more advanced antiship missiles, and that Beijing is negotiating the purchase of eight additional project 636 Kilo-class submarines.

While Beijing has cooled its rhetoric, the PRC military build-up continues to drive concerns in Taipei and Washington about the long-term military balance in the Strait. President Chen has voiced his concern that the military balance may shift in 2005. In explaining the Defense Department’s interest in closer military ties with Taiwan, Deputy Defense Secretary Paul Wolfowitz cited the continuing deployment of military forces opposite Taiwan and China’s refusal to abandon the use of force against Taiwan.

The first ever visit to the U.S. of a Taiwan defense minister in March symbolized the closer cooperation between Taiwan and the U.S. The release in April of speeches made by Wolfowitz and other U.S. officials participating in an unofficial capacity at the private U.S.-Taiwan defense meeting in March shed light on the Bush administration’s defense policies toward Taiwan. As Wolfowitz put it, “We do not support Taiwan independence, but we oppose the use of force.” Having approved a \$4 billion package of arms for Taiwan in the spring of last year, Wolfowitz turned attention to helping Taiwan with the “software” aspects of defense. He indicated his belief that the U.S. could assist Taiwan with systems integration, defense planning, professionalization of the armed forces, organizational issues, and training. Whereas earlier administrations have portrayed arms sales as an arms-length relationship with Taiwan, Wolfowitz described a more active U.S. collaboration and said, “We are eager to help” in these new areas. He appears to envisage a new relationship with overtones of U.S. Military Assistance and Advisory Group (MAAG) relations characteristic of the 1950s and 1960s.

Other U.S. officials have taken a less alarmist and activist tack on cross-Strait military issues. Outgoing U.S. Commander-in-Chief-Pacific Adm. Dennis Blair told an audience in Hong Kong that he was confident that the military balance in the Taiwan Strait could be maintained. Blair commented that over-emphasis on the military aspects was a mistake because cross-Strait issues could only be resolved through political means.

Secretary of State Colin Powell made a similar point in his speech to the Asia Society in June saying cross-Strait differences were fundamentally political and could not be resolved by military means.

### **Economic Developments**

Signs of a resurgence of cross-Strait economic relations continued to accumulate this quarter. The most recent MAC statistics show cross-Strait trade increased 12.4 percent in the first quarter this year. The Investment Commission reports that approved investment in China during January-April was up 1 percent in a period when Taiwan's overall global investments were declining. The Ministry of Economic Affairs reports that export orders were up 14 percent in April and were particularly strong in the electronics sector, a key element of cross-Strait trade.

The most positive economic development this quarter was the formal signing May 16 of the joint venture contract between affiliates of Beijing's China National Offshore Oil Corporation (CNOOC) and Taipei's Chinese Petroleum Corporation (CPC), two state-owned enterprises. The contract calls for joint exploration of the Tainan Basin, an area that spans the southern portion of the Taiwan Strait. The contract is a hopeful indication of the two sides' willingness to collaborate for mutual economic benefit.

### **Policy Implications**

Tensions in the Strait remain low. The joint venture oil deal is a sign that both sides believe tensions will remain low and permit oil exploration to occur in this politically sensitive area. The informal signals and feelers that have occurred on how to negotiate direct trade illustrate the ability of the two parties to communicate on core issues when they see it in their interest to do so. Even though there is no certainty the process will succeed, recent developments demonstrate the wisdom of the U.S. policy of leaving it to those on both sides of the Strait to work out solutions themselves.

One aspect that has not gotten adequate attention in the recent comments on defense issues is the Taiwan defense budget, which has been declining as a percent of GDP for a decade and is now down to about 2.5 percent of GDP, a remarkably low level for a regime that sees itself seriously threatened. While Washington has authorized a wide range of military sales and is now encouraging closer military cooperation, Taipei is not showing the political will to appropriate or commit adequate resources for its own defense. The danger for the U.S. is that Taipei appears to be consciously choosing to become more dependent on the U.S. to come to its defense in a military confrontation. Taipei needs to take greater responsibility for its own defense and Washington should encourage this.

## **Chronology of China-Taiwan Relations**

### **April - June 2002**

**April 1, 2002:** Beijing's Association for Relations Across the Taiwan Strait (ARATS) sends Taipei's Straits Exchange Federation (SEF) a rare condolence message after Taiwan's earthquake.

**April 1, 2002:** Taiwan Defense Minister Tang Yiau-ming says Taiwan opposes U.S. use of nuclear weapons in Taiwan's defense.

**April 2, 2002:** Legislative Yuan (LY) adopts bill authorizing PRC investments in Taiwan real estate.

**April 2, 2002:** PRC repatriates important Taiwan criminal through Macau.

**April 9, 2002:** U.S. Congressional Taiwan Caucus is inaugurated by Co-Founders and Co-Chairs: Representatives Robert Wexler, Steve Chabot, Sherrod Brown, and Dana Rohrabacher. Ambassador C.J. Chen, Representative of Taipei Economic and Cultural Representative Office, and a 14-member delegation from the Legislative Yuan, led by the Honorable Trong R. Chai, also attend.

**April 9, 2002:** PRC Foreign Ministry (MFA) spokesman says Deputy Defense Secretary Paul Wolfowitz's March speech in Florida seriously violates U.S. commitments on Taiwan.

**April 11, 2002:** President Chen Shui-bian calls for free trade agreements (FTA) with U.S. and Japan.

**April 15, 2002:** Taipei's SEF sends ARATS condolence message on PRC plane crash in Korea.

**April 15, 2002:** Mainland Affairs Council (MAC) expresses concern over PRC violations of 1993 Documents Agreement.

**April 17, 2002:** MAC approves cross-Strait joint venture deal for oil exploration in Taiwan Strait.

**April 18, 2002:** USCINCPAC Adm. Blair expresses confidence Taiwan and U.S. can maintain military balance in Taiwan Strait, but says solution is political, not military.

**April 22, 2002:** Executive Yuan decides to press for Organization for Economic Cooperation and Development (OECD) membership.

**April 24, 2002:** Taiwan Affairs Office (TAO) reports more Democratic Progressive Party (DPP) members visiting China.

**April 29, 2002:** On anniversary of 1993 Wang-Koo talks, Chen calls for resumption of cross-Strait dialogue.

**May 1, 2002:** Chinese Vice President Hu Jintao meets President Bush; Hu's speech in Washington takes low key, nonconfrontational approach on Taiwan issues.

**May 1, 2002:** A *China Daily* article criticizes Chen by name.

**May 5, 2002:** PRC transports drinking water to offshore islands.

**May 6, 2002:** Foreign Minister Eugene Chien says Taipei to apply for World Health Organization (WHO) observer status as the "health entity" of "Taiwan."

**May 8, 2002:** FM Chien states Taiwan seeks formal visit to U.S. for President Chen.

**May 9, 2002:** Taiwan Central Bank of China Gov. Perng Fai-nan participates in Asian Development Bank meeting, joins group call on Chinese President Jiang Zemin.

**May 10, 2002:** Chen indicates publicly that private-sector representatives could play a role in negotiating "three links"; separately proposes sending DPP official to China.

**May 10, 2002:** TAO says DPP officials cannot visit as party representatives until DPP changes party's independence plank and accepts "one China" principle.

**May 10, 2002:** Taiwan liberalizes terms for tourist visits by PRC citizens.

**May 11, 2002:** U.S. House of Representatives passes Defense Appropriations Bill with provisions calling for report concerning joint military activities with Taiwan.

**May 13, 2002:** World Health Assembly decides against considering Taiwan's application.

**May 13, 2002:** U.S. International Trade Commission holds hearing on Taiwan-U.S. FTA.

**May 16, 2002:** China Petroleum Corp. and China National Offshore Oil Company affiliates sign joint venture oil exploration agreement in Taipei.

**May 16, 2002:** PRC MFA spokesman notes Chen's concession on role of private sector.

**May 17, 2002:** In CNN interview, Chen says unification impossible under PRC military threat.

**May 21, 2002:** TAO say Beijing ready to conduct "three links" talks with Taiwan business leaders.

**May 22, 2002:** TAO invites two prominent Taiwan business leaders to China for talks.

**May 22, 2002:** MAC says Taipei will chose Taiwan's private representatives.

**May 23, 2002:** Chen describes U.S. and Taiwan as "inseparable democratic allies."

**May 27, 2002:** President Jiang expresses condolences on crash of CAL 611.

**May 29, 2002:** Secretary Wolfowitz states that the U.S. "opposes" Taiwan independence.

**June 1, 2002:** In radio address to China, Chen reiterates desire for new framework for cross-Strait relations that can lead to political integration.

**June 3, 2002:** PRC provides radar monitoring information to assist CAL 611 investigation.

**June 16, 2002:** Former Taiwanese President Lee Deng-hui expresses opposition to direct trade with China.

**June 18, 2002:** Chen advisor Lee Yuan-tseh visits Beijing for academic conference.

**June 21, 2002:** PRC Trade Minister Shi Guangsheng warns countries not to enter FTAs with Taiwan.

**June 24, 2002:** TAO's Li Bingcai gives visiting Taiwan delegation ideas on private talks.

**June 26, 2002:** MAC rejects TAO's premise that cross-Strait routes are "internal."

**June 28, 2002:** TAO Vice Minister Zhou Minghui holds talks with officials in Washington.