

# Bridge over Troubled Water?

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## Envisioning a China-Taiwan Peace Agreement

After eight years of cross-strait tensions, the decisive 2008 Taiwan election victories by the Kuomintang (KMT, or Nationalist Party) and KMT presidential candidate Ma Ying-jeou provide a major opportunity to improve relations between the People's Republic of China (PRC) and Taiwan. The Chinese Communist Party welcomed Ma's victory as reducing the threat of Taiwan independence and creating an atmosphere for resumed dialogue and closer ties. Recognizing that final resolution of Taiwan's status is currently impossible, leaders on both sides have raised the possibility of negotiating a peace agreement that might stabilize the cross-strait situation. If successful, an agreement might greatly reduce the chance of a crisis that could draw the United States and China into a military conflict. Such an agreement could also provide a positive example that might apply to other cases of long-term political or ethnic conflict. This article examines what a China-Taiwan peace agreement might look like and whether it could be effective in managing tensions and reducing the risk of war.<sup>1</sup>

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1. On a cross-strait peace agreement, see Kenneth Lieberthal, "Preventing a War over Taiwan," *Foreign Affairs*, Vol. 84, No. 2 (March/April 2005), pp. 53–63. Lieberthal proposed that the PRC and Taiwan negotiate a twenty-to-thirty-year "agreed framework." Such an agreement's core bargain would trade Taiwanese promises not to declare independence for PRC promises not to attack, and might include other provisions such as military confidence-building mechanisms. For an interesting analysis of Lieberthal's ideas, see Lynn T. White III, "PRC, ROC, and U.S. Interests: Can They Be Harmonized?" in Shiping Hua, ed., *Reflections on the Triangular Relations of Beijing-Taipei-Washington since 1995: Status Quo at the Taiwan Straits?* (New York: Palgrave, 2006), especially pp. 215–218. The idea of a bargain trading Taiwan's nonpursuit of independence for a commitment from Beijing not to use force has existed at least since the rise in cross-strait tensions in the mid-1990s (indeed, Lieberthal articulated an earlier version of his proposal in 1998). White writes that the KMT Central Policy Council commissioned a draft agreement along these lines in 1996; the PRC, he writes, never responded. See White, "PRC, ROC, and U.S. Interests," p. 202. See also Robert A. Manning and Ronald N. Montaperto, "The People's Republic and Taiwan: Time for a

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Most observers agree that the issue of Taiwan's status is not ripe for resolution. China remains committed to the ultimate goal of unification and refuses to renounce the use of force to prevent Taiwan independence. Former President Jiang Zemin emphasized the goal of unification, and China's policies sometimes implied a timetable for achievement of that objective.<sup>2</sup> China's policy toward the Taiwan issue, however, has undergone a significant shift under President Hu Jintao, who has emphasized the short-to-medium-term goal of deterring Taiwan independence, postponing unification into the indefinite future.<sup>3</sup>

On Taiwan, public opinion polls consistently show strong (more than 75 percent) public support for maintaining the status quo. Only a small percentage favors either immediate independence or immediate unification with China.<sup>4</sup>

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New Cross-Strait Bargain," INSS Strategic Forum, No. 103 (February 1997), <http://www.ndu.edu/inss/strforum/SF103/forum103.html>; and Joseph S. Nye Jr., "A Taiwan Deal," *Washington Post*, March 8, 1998. Nye proposed a three-way bargain (involving the United States) that would include a more explicit U.S. policy supporting both one China and no use of force, commitments by Taiwan not to pursue independence, and commitments by Beijing to allow Taiwan more international space. For another three-way proposal, see Alastair Iain Johnston, "Solving the China-Taiwan Standoff: A Modest Proposal," updated 2000, [http://www.people.fas.harvard.edu/~johnston/Taiwan\\_proposal.pdf](http://www.people.fas.harvard.edu/~johnston/Taiwan_proposal.pdf). While recent events suggest that a fresh look at a cross-strait peace agreement is warranted, our study also builds on these earlier analyses in several important ways. First, we consider in greater detail the relevant dimensions of a cross-strait agreement, and how these might vary. An agreement might take a variety of forms, and we both outline these and consider which possibilities are most achievable. Second, we consider in much greater detail the conditions under which an agreement might be effective. We outline the different causal mechanisms through which an agreement could affect the likelihood of conflict in the Taiwan Strait, and we outline the conditions under which these mechanisms are most likely to be effective. Finally, we consider in greater detail the long-term prospects of an agreement if one were to be reached. For other considerations of broader sovereignty issues in cross-strait relations, and how they might ultimately be resolved, see Richard C. Bush, *Untying the Knot: Making Peace in the Taiwan Strait* (Washington, D.C.: Brookings Institution Press, 2006), pp. 270–276; Jacques DeLisle, "The China-Taiwan Relationship: Law's Spectral Answers to the Cross-Strait Sovereignty Question," *Orbis*, Vol. 46, No. 4 (Fall 2002), pp. 733–752; Linda Jakobson, "A Greater Chinese Union," *Washington Quarterly*, Vol. 28, No. 3 (Summer 2005), pp. 27–39; and Scott L. Kastner and Chad Rector, "National Unification and Mistrust: Bargaining Power and the Prospects for a PRC/Taiwan Agreement," *Security Studies*, Vol. 17, No. 1 (January 2008), pp. 39–71.

2. On Jiang's "impatience," see Susan L. Shirk, *China: Fragile Superpower: How China's Internal Politics Could Derail Its Peaceful Rise* (New York: Oxford University Press, 2007), p. 191. The PRC's 2000 white paper on cross-strait relations listed indefinite postponement of unification talks as an additional circumstance under which China might choose to use force against Taiwan. For the full text (in Chinese) of the white paper, "The One China Principle and the Taiwan Question," see <http://www.china.com.cn/ch-book/taiwan/itaiwan.htm>.

3. The antiseccession law passed by China's National People's Congress on March 14, 2005, was intended to strengthen deterrence of Taiwan independence, but also specifies measures China should take to maintain peace and stability in the Taiwan Strait (article 6) and to achieve peaceful reunification (article 7). See "Full Text of Anti-Secession Law," 104th National People's Congress and Chinese People's Political Consultative Conference, Beijing, China, March 14, 2005, <http://www.china.org.cn/english/2005lh/122724.htm>.

4. Taiwan's Mainland Affairs Council regularly commissions public opinion surveys on unifica-

Although this polling reflects conditional preferences that factor in the likelihood of China using force if Taiwan were to declare independence,<sup>5</sup> it accurately reflects the widespread view on Taiwan that permanent resolution of the issue of Taiwan's status is not presently possible. While the Democratic Progressive Party (DPP) has sought to mobilize voters by highlighting Taiwan's separate identity and sought ways to emphasize Taiwan's sovereignty during President Chen Shui-bian's term in office, the KMT has adjusted the emphasis in its cross-strait policy to more closely match the views of mainstream Taiwan voters. In the 2008 presidential campaign, KMT candidate (and eventual victor) Ma Ying-jeou articulated "three nos" that would govern policy toward China in his administration. These were a pledge that there would be no pursuit of de jure independence, no negotiations with the mainland about unification, and no use of force.<sup>6</sup> President Ma reiterated these points in his May 20, 2008, inaugural address.

Collectively, these positions suggest that China and Taiwan may be prepared to defer the issue of Taiwan's status for resolution at some point in the future. Both sides have expressed the desire to improve relations, expand cross-strait contacts, and negotiate a peace agreement between Taipei and Beijing. These goals were articulated in the joint press communiqué issued following KMT Chairman Lien Chan's April 2005 meeting with Chinese President Hu Jintao.<sup>7</sup> Hu Jintao reiterated China's willingness to negotiate a peace agreement with Taiwan in his statements at the October 2007 17th Party Congress: "On the basis of the one-China principle, let us discuss a formal end to the state of hostility between the two sides, reach a peace agreement, construct a framework for peaceful development of cross-straits relations, and thus usher in a new phase of peaceful development."<sup>8</sup> Both candidates in Taiwan's

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tion/independence preferences. In the October 2008 survey, 79 percent of respondents favored some version of the status quo (status quo indefinitely; status quo now, decision on independence/unification later; status quo now, independence later; or status quo now, unification later). Fifteen percent favored immediate independence (higher than previous polls), and less than 2 percent favored immediate unification. See polls posted online, Mainland Affairs Council, <http://www.mac.gov.tw/english/index1-e.htm>.

5. Emerson M.S. Niu, "Understanding Taiwan Independence and Its Policy Implications," *Asian Survey*, Vol. 44, No. 4 (July/August 2004), pp. 555–567.

6. See Ma Ying-jeou, "A SMART Strategy for National Security," speech given at the Association for the Promotion of National Security, Republic of China, February 26, 2008.

7. For the full text of the press communiqué, see "Text of KMT-Beijing Agreement," *BBC News Online*, April 29, 2005, <http://news.bbc.co.uk/2/hi/asia-pacific/4498791.stm>.

8. "Hu Jintao Appeals for 'Peace Agreement' with Taiwan," *People's Daily*, October 15, 2007, <http://english.peopledaily.com.cn/90002/92169/92187/6283159.html>. Ending the state of hostility and reaching a cross-strait peace agreement was one of the "six points" outlined by Hu in his December 31, 2008, speech on Taiwan policy. See "Hu Jintao: Xienshou Tuidong Liang'an Guanxi Heping

2008 presidential election called for negotiation of a peace agreement with Beijing, and President Ma repeated the call in his inaugural address.<sup>9</sup> Upon assuming office, Ma moved quickly to restart dialogue between Taiwan's Straits Exchange Foundation (SEF) and the PRC's Association for Relations Across the Taiwan Straits (ARATS), the semiofficial bodies that previously served as vehicles for cross-strait dialogue.<sup>10</sup>

Expressions of interest in negotiating a peace agreement highlight the opportunity for significant improvement in cross-strait relations, which would greatly reduce tensions and decrease the likelihood of war. Significant obstacles to a peace agreement remain, of course. Recent discussions in the PRC and Taiwan revealed considerable skepticism among officials and analysts about the likelihood of an agreement in the immediate term.<sup>11</sup> Leaders have expressed similar sentiments in the past, with little results. Yet the policies articulated by President Ma suggest that a significant relaxation in cross-strait tensions is possible, which could make progress on a peace agreement more feasible. The resumed SEF-ARATS negotiations have already yielded significant agreements on direct transportation and cargo links, tourism, and food safety. Understanding what a cross-strait peace agreement might look like is helpful in envisioning future possibilities and in analyzing the obstacles to an agreement and the political calculations and actions of both sides. This article represents an initial step to lay out potential parameters of a cross-strait agreement, and to consider whether and how an agreement could be effective in reducing the potential for armed conflict in the Taiwan Strait.<sup>12</sup>

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Fazhan" [Hu Jintao: Join hands to promote peaceful development of cross-strait relations], *Xinhua*, December 31, 2008, [http://news.xinhuanet.com/newscenter/2008-12/31/content\\_10586495\\_1.htm](http://news.xinhuanet.com/newscenter/2008-12/31/content_10586495_1.htm). Chinese statements have been vague about the conditions necessary for "a formal end to the state of hostility," but conversations with Chinese officials and analysts suggest that Taiwan's acceptance of unification as the ultimate outcome is a precondition for Beijing. We therefore believe that a cross-strait peace agreement is both more feasible and likely to precede rather than follow a formal end of hostilities.

9. In addition to calling for a cross-strait peace agreement, Ma Ying-jeou has advocated reaching a "modus vivendi" with the PRC regarding Taiwan's relations with the outside world. See "Ma/Siew White Paper on Foreign Policy," November 20, 2007, p. 3 (obtained from KMT election headquarters, March 2008).

10. See, for example: "You Shanyi . . . Ma: Pan Shuangfang Jinkuai Huifu Xieshang" [With goodwill . . . Ma: Hope the two sides quickly return to dialogue], *Ziyou Shibao*, May 23, 2008, <http://libertytimes.com/2008/new/may/23/today-p2-3.htm>.

11. For skeptical views on prospects for cross-strait cooperation under Ma, see, for example, Jenny W. Hsu, "Don't Expect the Honeymoon to Last: Academics," *Taipei Times*, May 23, 2008, <http://www.taipetimes.com/News/taiwan/archives/2008/05/23/2003412700>.

12. For varying perspectives on the danger of conflict in the Taiwan Strait, see, for example, Robert S. Ross, "Navigating the Taiwan Strait: Deterrence, Escalation Dominance, and U.S.-China Relations," *International Security*, Vol. 27, No. 2 (Fall 2002), pp. 48–85; Thomas J. Christensen, "The

We begin by discussing the key dimensions along which potential cross-strait agreements might vary. Next, we examine the mechanisms through which an agreement might reduce the likelihood of a cross-strait military confrontation and assess whether an agreement could be effective. Our analysis emphasizes that potential effectiveness will hinge in large measure on the form an agreement ultimately takes. We then consider potential additional benefits associated with an agreement—beyond reduction in the likelihood of military violence—before providing an overview of potential obstacles to an agreement. Finally, we consider whether a peace agreement would be likely to endure.

Our analysis produces two counterintuitive findings. First, PRC worries that pro-independence officials might return to power in Taiwan give Beijing incentives to be generous and to negotiate a more formal agreement than they would otherwise prefer in order to reduce the chance that a future Taiwan leader might repudiate the agreement. Second, our analysis suggests a trade-off between a gradualist approach based on small functional agreements versus a broader peace agreement that directly incorporates economic and confidence-building measures (CBMs). Although a gradualist approach may help in building mutual trust and political support to make an agreement possible, a more comprehensive agreement that ties ongoing functional cooperation directly to a core bargain of no Taiwan independence and no PRC use of force may be more effective in maintaining long-term political support for a peace agreement and reducing the future risk of defection.

### *What Would a Cross-Strait Peace Agreement Look Like?*

The core elements of a peace agreement are relatively straightforward.<sup>13</sup> Taiwan would pledge not to seek *de jure* independence so long as China did

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Contemporary Security Dilemma: Deterring a Taiwan Conflict," *Washington Quarterly*, Vol. 25, No. 4 (Autumn 2002), pp. 7–21; and Michael D. Swaine, "Trouble in Taiwan," *Foreign Affairs*, Vol. 83, No. 2 (March/April 2004), pp. 39–49.

13. Our use of the term "peace agreement" is consistent with the terminology used by leaders on both sides of the Taiwan Strait. Both Ma Ying-jeou in his inaugural address and Hu Jintao in his speech to the 17th Party Congress used the term *heping xieyi*. The official translations are slightly different ("peace agreement" for the PRC, "peace accord" for Taiwan), but Ma sometimes uses the two terms (agreement and accord) interchangeably when speaking in English. See, for example, his June 2008 interview with the *New York Times*, "An Interview with President Ma Ying-jeou," June 19, 2008, <http://www.nytimes.com/2008/06/19/world/asia/19taiwan-interview.html?pagewanted+1>. Others, including many in the U.S. academic and think-tank community, have used the term "interim agreement" (following Lieberthal's 1998 articulation) to reference the same

not use (or threaten to use) force. An agreement might simply outline this core bargain, or it might also include CBMs that would reinforce these political pledges via concrete actions, increased cross-strait contacts, and other side payments.<sup>14</sup> Arrangements that have strong implications for the final status of Taiwan would likely be deal-breakers for one or both sides, and as such are unlikely to be incorporated into an agreement.<sup>15</sup> Beyond these minimum attributes, however, it is possible to imagine a broad range of potential agreements that could be reached between the two parties. Below we consider some of the relevant dimensions and parameters along which potential cross-strait agreements might vary. As we show later, where an agreement falls along these different dimensions can have large implications for its likely effectiveness.

#### PARTIES TO AN AGREEMENT

One important issue concerns the status of the parties negotiating and signing any interim agreement.<sup>16</sup> A range of possibilities exists (see table 1). An informal agreement could be negotiated and agreed on by trusted representatives of the two leaders, by the leaders acting in a personal capacity and committing only themselves, or by the leaders acting in their capacity as heads of their political parties. These formulations would avoid the question of whether the PRC is prepared to recognize an elected leader of Taiwan as an equal partner.

A more formal agreement would likely require some more official status for the parties. Possibilities include designating a respected figure to serve as the head of a semiofficial organization, leaders acting in some local capacity that avoids the question of sovereignty, participation as the elected representative

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basic idea (though “interim” clearly implies a transitory status not implicit in “peace agreement”). For the official translation of Ma’s inaugural speech, see “President Ma’s Inaugural Address,” May 20, 2008, [http://www.president.gov.tw/en/prog/news\\_release/document\\_content.php?id+1105499687&pre\\_id+1105499687&g\\_category\\_number+145&category\\_number\\_2+145](http://www.president.gov.tw/en/prog/news_release/document_content.php?id+1105499687&pre_id+1105499687&g_category_number+145&category_number_2+145). For the official translation of Hu’s Jintao’s report at the 17th Party Congress, October 15, 2007, see “Full Text of Hu Jintao’s Report at 17th Party Congress,” *People’s Daily Online*, <http://english.peopledaily.com.cn/90001/90776/90785/6290120.html>.

14. See, for example, Lieberthal, “Preventing a War over Taiwan.”

15. Some options will likely be out of bounds either because Taiwan officials feel they compromise the island’s sovereignty and potential future claim to independent status or because Chinese leaders feel that they compromise the PRC’s position that Taiwan is an inalienable part of China. For example, Taiwan would like representation in the United Nations to expand its international space. The PRC, however, is unlikely to accept this as part of an agreement because UN representation would imply international recognition of Taiwan’s sovereignty and status as a separate entity. Similarly, Taiwan is unlikely to accept any agreement that treats unification as its end point. Ma’s formulation of “no independence, no unification, and no use of force” is consistent with the core bargain outlined above.

16. See White, “PRC, ROC, and U.S. Interests,” pp. 216–217.

Table 1. Potential Parties to an Agreement

Parties to an Agreement	Status of Parties
Trusted representatives	Least official
Local government officials (mayors, provincial leaders)	Less official
Individual capacity	Less official
Party leaders	Less official
Semiofficial representatives (Straits Exchange Foundation/ Association for Relations Across the Taiwan Straits)	Quasi-official
Leaders representing their respective populations (e.g., "elected representative of the Taiwan people")	Quasi-official
Leaders representing their states using official titles	Most official

NOTE: Shaded areas represent the most feasible outcomes, given preferences and constraints in both Taiwan and China.

of the people on Taiwan (without recognition of Taiwan's sovereignty), or the leaders acting in their formal capacity as heads of equal states.

Several of these possibilities have been used in cross-strait relations since the early 1990s. For example, Taiwan established the semiofficial SEF in 1991, with businessman Koo Chen-fu as chairman, to coordinate talks and exchanges with China. The PRC established the ARATS, under the leadership of Wang Daohan, to serve as a counterpart. The two organizations coordinated exchanges and cross-strait dialogue from 1991 to 1999 (when talks were suspended following Taiwan President Lee Teng-Hui's description of cross-strait relations as "special state-to-state" relations); dialogue resumed in June 2008 after a nine-year hiatus. Both the KMT and the offshoot People First Party (PFP), formed by KMT defectors, established party-to-party ties with the Chinese Communist Party in 2004. These relationships included dialogue and separate high-level visits to China by KMT Chairman Lien Chan and PFP Chairman James Soong. China and Taiwan have also used exchanges between mayors and business associations as vehicles for cross-strait contact and functional agreements. For example, the airline associations of China and Taiwan brokered agreements for holiday cross-strait charter flights during the Chen Shui-bian administration.

Taiwan has long stressed its desire for equal standing in any negotiations with China, while the PRC has been reluctant to deal with Taiwan leaders in ways that suggest that China recognizes their status as elected officials of a sovereign state. PRC media, for example, often refer to Taiwan's president as

“Taiwan’s leader” or simply omit his title (referring to him in name only), while placing names of Taiwan’s government entities in quotation marks.<sup>17</sup> Given these constraints, the semiofficial representatives in SEF/ARATS are the most likely parties to a peace agreement.<sup>18</sup> Functional agreements that supplement or reinforce a full-fledged peace agreement could be signed by local leaders or by the heads of business or functional associations. A peace agreement signed by the heads of political parties in China and Taiwan is imaginable, but future leaders from other parties would likely question the legitimacy of this type of agreement. For this reason, China might have incentives to give a Taiwan leader greater recognition, perhaps by recognizing him or her as the “elected representative of the people on Taiwan” without acknowledging Taiwan’s sovereignty.

#### FORM OF AN AGREEMENT

The loosest form of an agreement might simply involve unilateral or mutual restraint or reciprocal actions with no explicit agreement. This type of cooperation could even be based on tacit understandings without any formal agreement, but might still be significant. A more explicit oral agreement might be reached through negotiations, possibly including explicit responsibilities for both parties, without existing in public, written form. Written agreements could be crafted to permit different interpretations while casting an agreement into more explicit terms.<sup>19</sup> Some written agreements could be entered into by leaders acting under their own authority (such as a joint statement or an executive agreement); others might require ratification or enactment by the legislature or by the public via a referendum. Agreements incorporated into domestic law, ratified by the legislature, written into the constitution, or ratified by the population via a referendum would be more formal and perhaps more binding on future leaders—a point discussed at greater length below. Table 2 summarizes the variety of forms an agreement might take and categorizes them from least to most formal.

Given the political issues with respect to PRC recognition of Taiwan’s status, a peace agreement would most likely take the form of a joint statement, executive agreement, or communiqué. An agreement that required implementing

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17. When ARATS Chairman Chen Yunlin visited Taiwan in November 2008, he addressed President Ma using the polite form of you (*nin*) and avoided use of any title.

18. Of course, parallel negotiations could also take place through less formal channels.

19. The manner in which the U.S.-China communiqués treated the status of Taiwan provides an illustration.



Table 2. Possible Forms of an Agreement

Form of an Agreement/Understanding	Level of Formality
Unilateral restraint based on independent self-interest	Least formal
Mutual restraint based on observation of other side	Least formal
Parallel unilateral measures with communications	Least formal
Informal agreement without negotiations	Oral agreement
Handshake agreement based on negotiations	Oral agreement
Secret agreement based on negotiations	Written agreement
Joint statement based on meeting	Written agreement
Executive agreement or communiqué	Written agreement
Executive agreement supported by legislation	Written agreement
Formal treaty ratified by legislature	Most formal
Formal treaty placed into state constitution	Most formal
Formal treaty ratified by popular referendum	Most formal

NOTE: Shaded areas represent the most feasible outcomes, given preferences and constraints in both Taiwan and China.

legislation might constitute a form of quasi ratification by the legislative branch. Less formal agreements are certainly possible. Because oral agreements imply a weaker commitment than those put into writing, however, we suspect that leaders on both sides would prefer a written agreement if they pursue an agreement at all. The PRC is unlikely to agree to any sort of formal treaty, which would implicitly recognize Taiwan’s status as a sovereign state.

#### SPECIFICITY OF AN AGREEMENT

Agreements might be more or less specific in what they cover or allow. At one extreme, an interim agreement might simply codify the core bargain by specifying that Taiwan will not move toward future *de jure* independence, and that the PRC will not use force in return. An agreement structured in such vague terms would be susceptible to different interpretations by the parties. For example, what constitutes a move toward *de jure* independence? Ambiguity can facilitate negotiation of an agreement, but vagueness can also limit an agreement’s impact and increase the potential for disputes. On the other extreme, an agreement might detail an exhaustive list of specific actions that both sides would agree not to take. Noncompliance would be easier to observe, but such an agreement would be more difficult and time-consuming to negotiate.<sup>20</sup>

Deliberate ambiguity may also be used to reduce the domestic costs of

20. On the importance of specificity, see Virginia Page Fortna, “Scraps of Paper? Agreements and the Durability of Peace,” *International Organization*, Vol. 57, No. 2 (Spring 2003), p. 343.

reaching an agreement. The so-called 1992 consensus, sometimes referred to as “one China, separate interpretations,” is an example in this regard. While the two sides exchanged faxes expressing their independent understandings of what “one China” meant, neither side formally accepted or recognized the other side’s interpretation. At the same time, neither side challenged the other’s interpretation, and the “1992 consensus” served as the basis for cross-strait dialogue.

#### DURATION OF AN AGREEMENT

Another issue is how long a peace agreement might last.<sup>21</sup> One possibility would be to negotiate a specific term for an interim agreement. Various academics and Taiwan officials have discussed interim agreements that might last between twenty-five and fifty years.<sup>22</sup> In private conversations with Western academics, however, Chinese officials have indicated their opposition to an interim agreement with a specified duration. This opposition may be partially rooted in concerns that as an agreement neared its end, it might turn into a de facto timetable for unification that could place future Chinese leaders in a difficult position. PRC officials may also be reluctant to sign an agreement that, in essence, implies that unification is off the table for several decades.<sup>23</sup>

A second option would be for an agreement to remain in force only as long as certain conditions hold. For example, an agreement could have an indefinite duration that specifies a certain status will last until attitudes on Taiwan change to become more accepting of unification. Conversely, an agreement might be applied only until such time as China democratizes, perhaps indicated by Beijing’s willingness to hold genuine multiparty elections. Although it is possible to imagine a conditional agreement without a specified duration, the two examples cited above would likely be very difficult for both parties to accept. The first appears to commit Taiwan to a particular final resolution, while removing any incentives for Taiwan to ever formally accept unification.

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21. For a discussion of the factors that influence the willingness of leaders to place time limits on international agreements, see Barbara Koremenos, “Contracting around International Uncertainty,” *American Political Science Review*, Vol. 99, No. 4 (November 2005), pp. 549–565.

22. See, for example, Lieberthal, “Preventing a War over Taiwan.” See also White, “PRC, ROC, and U.S. Interests,” pp. 216–217. In his March 2006 speech to the American Enterprise Institute, Ma Ying-jeou proposed a thirty-to-fifty-year duration for a peace accord. For a transcript of Ma’s speech, see “Who Decides Taiwan’s Future?” American Enterprise Institute, Washington, D.C., March 22, 2006, <http://www.aei.org/events/filter.all,eventID.1276/transcript.asp>.

23. See Alan D. Romberg’s comments in an interview with Bernard Gwertzman, “Romberg: Election of New President in Taiwan Likely to Improve Taiwan-China Relations,” Council on Foreign Relations, March 24, 2008, <http://www.cfr.org/publication/15798/romberg.html>.

The second is compatible with the conditions Taiwan has previously laid down for future unification,<sup>24</sup> but challenges Beijing's argument that China already is a democracy and raises the difficult question of how to specify the requirements of a genuinely free and fair democratic election.

A third option would be for the agreement to last through the term in office of the current PRC and Taiwan leaderships, with provisions for renewal. This would be a fairly modest goal and might correspond with de facto limitations on a Chinese or Taiwan leader's ability to bind his successors. Finally, an agreement might simply sidestep the issue of duration.

A question under any of these options would be whether the agreement has explicit procedures to allow either of the parties to withdraw, and whether these procedures make withdrawal easy or difficult.

#### SCOPE/SIDE PAYMENTS

Finally, potential agreements vary greatly in their scope and coverage.<sup>25</sup> A peace agreement could be limited to the core bargain of Taiwan's nonpursuit of independence in exchange for PRC nonuse of force. This sort of agreement might make sense to the leaders on both sides, who have other goals and a broader perspective, but it might generate significant opposition from other groups in China and Taiwan.<sup>26</sup> An agreement might therefore also include other provisions or side payments, such as extensive confidence-building mechanisms or increased economic and transportation ties likely to benefit important groups. Such provisions might broaden the benefits from an agreement, potentially building a broader political constituency to support the agreement and creating the possibility of linkages across issue areas that make it possible for each side to address the other side's key demands.

A broader agreement may be necessary to build sufficient political support on Taiwan. In his May 2008 inaugural address, President Ma appeared to link negotiations on a cross-strait peace agreement with PRC concessions allowing Taiwan more international space via participation in international bodies such

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24. See "Guidelines for National Unification," adopted by Taiwan's government in 1991, <http://www.mac.gov.tw/english/english/macpolicy/gnueng.htm>. The Chen Shui-bian administration later declared that these guidelines ceased to apply.

25. For a discussion of factors that influence the scope of agreements more generally, see Barbara Koremenos, Charles Lipson, and Duncan Snidal, "The Rational Design of International Institutions," *International Organization*, Vol. 55, No. 4 (Autumn 2001), pp. 761-799.

26. For example, Hu Jintao might wish to sideline the Taiwan issue to avoid distracting from his rural development agenda, while others in the PRC might see resolution of the Taiwan issue as a more urgent priority.

as the World Health Organization. At other times, Ma has suggested that an agreement should include significant confidence-building measures and that withdrawal of PRC missiles targeting Taiwan would be a precondition for negotiations.<sup>27</sup>

### *Can a Peace Agreement Be Effective?*

The primary rationale for pursuing a peace agreement is to help stabilize the situation across the Taiwan Strait—to reduce the likelihood of a cross-strait military confrontation. Such a conflict would impose heavy costs on both sides. For China, these costs include the potential for a military conflict with the United States. The use of force against Taiwan would also undo more than a decade of PRC efforts to reassure neighbors that a stronger China does not threaten their security.<sup>28</sup> For Taiwan, a military conflict would likely leave the island devastated and would potentially cut off economic relations with its most important trading partner.

Whether a peace agreement can be effective in reducing the likelihood of such a confrontation is not obvious. Leaders on one or both sides might view the costs of violating the terms of an agreement as minimal, limiting its impact. Alternatively, future trends in the PRC and Taiwan could undercut an agreement's effectiveness over the long term, even if leaders originally viewed defection as costly.<sup>29</sup> If the PRC's economic and military capabilities continue to grow rapidly, the use of military force to "resolve" Taiwan's status might look

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27. Ma, in his inaugural speech, noted, "We will also enter consultations with mainland China over Taiwan's international space and a possible cross-strait peace accord" ["Weilai women yejiangyu dalu jiu Taiwan gouji kongjian yu liang'an heping xieyi jinxing xieshang"]. In a 2006 interview with *Time* magazine, Ma promised to "negotiate a peace agreement with the mainland which would include confidence-building mechanisms." See Zoher Abdolocarim and Natalie Tso, "Interview with Ma Ying-jeou," *Time-Asia*, July 10, 2006, [www.taiwandc.org/time-2006-01.htm](http://www.taiwandc.org/time-2006-01.htm). On Ma's demand that the missiles be removed as a prerequisite to an agreement, see the *New York Times*' interview, "An Interview with President Ma Ying-jeou." See also Willy Lam, "Ma Ying-jeou and the Future of Cross-Strait Relations," *China Brief*, Vol. 8, No. 7 (March 28, 2008).

28. For information on China's efforts to reassure Asian countries, see David L. Shambaugh, "China Engages Asia: Reshaping the Regional Order," *International Security*, Vol. 29, No. 3 (Winter 2004/05), pp. 64–99; and Phillip C. Saunders, "China's Role in Asia," in David L. Shambaugh and Michael Yahuda, eds., *International Relations in Asia* (Lanham, Md.: Roman and Littlefield, 2008), pp. 127–149.

29. Some recent studies of alliance effectiveness, for example, find that states are more likely to walk away from alliance commitments if circumstances have changed since the alliance was originally entered into, so that the value of the alliance has declined for one or more members. See Brett Ashley Leeds and Burcu Savun, "Terminating Alliances: Why Do States Abrogate Agreements?" *Journal of Politics*, Vol. 69, No. 4 (November 2007), pp. 1118–1132; and Brett Ashley Leeds, "Alliance Reliability in Times of War: Explaining State Decisions to Violate Treaties," *International Organization*, Vol. 57, No. 4 (Fall 2003), pp. 801–827.

more appealing to Beijing. Even if both sides do abide by the terms of an agreement, assessing the extent to which the agreement itself acted as a causal force driving such behavior would prove difficult. PRC officials might sign a peace agreement with Taiwan precisely because they have no intention of attacking Taiwan absent a declaration of independence. In such a scenario, the peace agreement would reflect peaceful PRC intentions and have little or no independent effect.<sup>30</sup>

Another consideration is that significant relaxation in cross-strait tensions may be possible without an explicit peace agreement. Some forms of increased cooperation and cross-strait contacts can take place even without an agreement. Although a peace agreement would not end the risk of war across the Taiwan Strait, such an agreement would likely be more effective than mutual restraint. An explicit peace agreement could produce additional benefits that help to sustain cooperation, include mechanisms that make it harder for either side to walk away, and be more durable over time and across changes in political leadership.

A peace agreement could reduce the likelihood of a cross-strait military conflict via several concrete mechanisms. First, formalizing an agreement could generate audience costs that increase the penalty associated with belligerent behavior by China or revisionist behavior on sovereignty issues by Taiwan. Second, a highly formalized agreement could create domestic institutional constraints on leaders seeking to violate its terms. Third, an agreement could reduce uncertainty by creating benchmarks for acceptable behavior and by facilitating the credible signaling of intentions and resolve. Finally, an agreement might produce or facilitate cross-strait cooperation that provides valuable benefits to actors on both sides and reduces the likelihood of war. This last effect might foster a new dynamic in relations, where small initial reductions in the probability of war give rise to processes that have a more profound long-term effect. Whether these conflict-reducing effects materialize would depend heavily on context and the shape of any agreement. But that these effects could

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30. This issue of screening has received a considerable amount of attention in studies of international cooperation more generally. The basic idea is that states often self-select into international agreements that require behavior similar to what the states would have engaged in without the agreement. As such, assessing the independent impact of the treaty itself on observed patterns of behavior can prove difficult. See, for example, George W. Downs, David M. Rocke, and Peter N. Barsoom, "Is the Good News about Compliance Good News about Cooperation?" *International Organization*, Vol. 50, No. 3 (Summer 1996), pp. 379–406; and Jana Von Stein, "Do Treaties Constrain or Screen? Selection Bias and Treaty Compliance," *American Political Science Review*, Vol. 99, No. 4 (November 2005), pp. 611–622.

arise serves to underscore the importance of further research into the potential for an agreement and the likely parameters of such an agreement.

#### GENERATING INTERNATIONAL AND DOMESTIC AUDIENCE COSTS

By reaching an agreement, leaders in both Beijing and Taipei would be putting their reputations on the line. At the international level, foreign leaders (particularly in the United States and other Asian countries) would be able to observe compliance (or noncompliance) with the agreement. In turn, they would likely regard compliance as an indicator of the trustworthiness of the leaders in China and Taiwan.<sup>31</sup> If PRC officials were to use force against Taiwan after agreeing not to, it would call into question the credibility of PRC agreements with other countries.<sup>32</sup> These international audience costs would materialize only if an agreement is made public,<sup>33</sup> and they would become more significant as an agreement becomes more specific (because observing noncompliance would be harder with an ambiguous agreement). Because more formal agreements would engage the reputations of individual leaders and their governments, the international audience costs generated by more formal agreements would likely outlast the tenure of current leaders.

An agreement could also generate domestic audience costs.<sup>34</sup> To reach an agreement, leaders on both sides would have to persuade their domestic constituencies that the agreement was in their best interest; this struggle would in-

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31. Anne E. Sartori argues, for example, that states have strong incentives to cultivate an international reputation for honesty—as it enhances the credibility of their threats and promises. See Sartori, *Deterrence by Diplomacy* (Princeton, N.J.: Princeton University Press, 2005). See also James D. Morrow, “Alliances: Why Write Them Down?” *Annual Review of Political Science*, Vol. 3 (June 2000), pp. 63–83. For a more skeptical view on the importance of international reputation, see Daryl G. Press, *Calculating Credibility: How Leaders Assess Military Threats* (Ithaca, N.Y.: Cornell University Press, 2005). See also Jonathan Mercer, *Reputation and International Politics* (Ithaca, N.Y.: Cornell University Press, 1996).

32. The extent to which other countries would assess (and update) PRC or Taiwan reputations for honesty on the basis of cross-strait interactions is the subject of some controversy. David C. Kang, for example, is skeptical that other countries draw any inference at all from the PRC’s behavior toward Taiwan. See Kang, *China Rising: Peace, Power, and Order in East Asia* (New York: Columbia University Press, 2007). For an interesting discussion of this issue on a more general level (in the context of deterrence), see Paul K. Huth, “Reputations and Deterrence: A Theoretical and Empirical Assessment,” *Security Studies*, Vol. 7, No. 1 (Autumn 1997), pp. 72–99. Huth asks whether a potential attacker state *A* assesses a country *B*’s reputation for resolve on the basis of all of *B*’s interactions with other states, or more specifically on the basis of *B*’s previous interactions with *A* only.

33. Each side would also engage its reputation at the bilateral level, even in the event of secret assurances: Chinese leaders might be less inclined to bargain with Taiwan in the future if Taiwan walked away from the terms of a peace agreement, even if it were kept secret.

34. On domestic audience costs, see James D. Fearon, “Domestic Political Audiences and the Escalation of International Disputes,” *American Political Science Review*, Vol. 88, No. 3 (September 1994), pp. 577–592.

volve a considerable commitment of domestic political capital and would put the leader's reputation and political survival on the line. Having made that commitment, the leaders who negotiated the deal would have incentives to see it succeed (or at least not obviously fail)—lest their respective constituencies question their judgment in pursuing the deal in the first place. These domestic audience costs would not necessarily apply to subsequent leaders, though there might be residual costs for subsequent leaders from the same party or faction.

#### CREATING DOMESTIC INSTITUTIONAL CONSTRAINTS

An agreement could also be structured so as to make it legally binding at the domestic level in one or both polities. This is most likely to occur if a relatively specific and formal agreement is reached, one that takes the form of a peace treaty that must be ratified by domestic legislatures (the Legislative Yuan and the National People's Congress) or that is inserted into the Republic of China constitution and the PRC state constitution. These sorts of highly formalized agreements could act as a significant constraint on future leaders who might hold different preferences from current leaders. Certainly in Taiwan, an established and institutionalized democracy, future presidents would find it difficult to violate the provisions of such a treaty without the support of the legislature and perhaps the judiciary as well.<sup>35</sup> The extent to which a legally binding treaty would serve as a *de facto* restraint on PRC leaders is less clear-cut given the country's authoritarian political institutions and the weak standing of the state constitution. Although PRC officials may resist a formal treaty out of fear of implicitly recognizing Taiwan's status as a sovereign entity, this asymmetry nevertheless suggests that Beijing would have much to gain from a highly formalized agreement, because such an arrangement would likely be more of a constraint on future Taiwan leaders than on future PRC leaders.

#### REDUCING UNCERTAINTY

The potential for armed conflict in the Taiwan Strait has been exacerbated by uncertainty about Beijing's and Taipei's redlines and underlying intentions.<sup>36</sup>

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35. More generally, a greater number of domestic veto players can make formal international commitments more credible. See Peter F. Cowhey, "Domestic Institutions and the Credibility of International Commitments: Japan and the United States," *International Organization*, Vol. 47, No. 2 (Spring 1993), pp. 299–326.

36. A large literature recognizes imperfect information as an important factor that could give rise to armed conflict between states more generally. See, for example, James D. Fearon, "Rationalist Explanations for War," *International Organization*, Vol. 49, No. 3 (Summer 1995), pp. 379–414; Erik Gartzke, "War Is in the Error Term," *International Organization*, Vol. 53, No. 3 (Summer 1999),

For example, it is not obvious how far Taiwan can push on sovereignty issues before PRC officials would use force; the danger exists that Taipei might push past a Chinese redline by mistake. Likewise, PRC leaders cannot be certain what the ultimate sovereignty-related goals of current (and especially future) Taiwan presidents might be. But by building military capabilities to prevent worst-case scenarios, the PRC undermines trust and exacerbates security dilemma dynamics. Taiwan officials cannot be sure whether deployments by the People's Liberation Army (PLA) along the Taiwan Strait are intended as a deterrent, a coercive tool, or as part of an invasion force.<sup>37</sup>

A peace agreement could help reduce uncertainty and build trust by providing at least some benchmarks for what constitutes acceptable behavior. An agreement's value in this regard would increase as it becomes more specific, and as its scope broadens to include significant confidence-building mechanisms. In the military domain, this might include advance notification or limitations on some types of military activities and exercises to distinguish more clearly between routine and potentially threatening military activities. An agreement could also produce stronger expectations about the likely consequences of noncompliance. If one side stops complying or cheats in a particular area, leaders on that side would expect a reciprocal response that would impose similar costs on their side.<sup>38</sup>

An agreement could also serve as a credible signal of intentions.<sup>39</sup> Our earlier discussion on audience costs suggests that reaching a peace agreement, es-

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pp. 567–587; and Robert Powell, "Bargaining Theory and International Conflict," *Annual Review of Political Science*, Vol. 5 (June 2002), pp. 1–30.

37. On the security dilemma in the Taiwan Strait, see Christensen, "The Contemporary Security Dilemma."

38. See, for example, James D. Morrow, "When Do States Follow the Laws of War?" *American Political Science Review*, Vol. 101, No. 3 (August 2007), pp. 559–572. On agreements as focal points, see Fortna, "Scraps of Paper?" pp. 337–372.

39. Our focus here is on signaling benign intentions, but an agreement might also serve as a firebreak against the use of force during periods of tension. Once an agreement was in place, threats to terminate it would give leaders on both sides an additional means to signal resolve without having to resort to military measures. This effect would be magnified if an agreement incorporates significant side payments that are beneficial to both sides. Just as signing an agreement can serve as a credible signal of peaceful intent by leaders on both sides, terminating the agreement in a crisis might credibly signal a willingness to pay high costs, and hence convince the other to "rein in at the brink of the precipice." Recent studies have suggested that deepening economic ties can have a similar effect, essentially expanding the "menu" of options for states to signal a willingness to fight a war without actually having to resort to that option. See Erik Gartzke, Quan Li, and Charles Boehmer, "Investing in the Peace: Economic Interdependence and International Conflict," *International Organization*, Vol. 55, No. 2 (Spring 2001), pp. 391–438; and Arthur A. Stein, "Trade and Conflict: Uncertainty, Strategic Signaling, and Interstate Disputes," in Edward D. Mansfield and Brian M. Pollins, eds., *Economic Interdependence and International Conflict: New Perspectives on an Enduring Debate* (Ann Arbor: University of Michigan Press, 2003), pp. 111–126.



pecially a relatively formal agreement, would be a costly undertaking for leaders on both sides of the Taiwan Strait. Chinese leaders who negotiate with Taiwan face the danger of being denounced for being too soft; a Taiwan president confronts the risk of being accused of “selling out Taiwan.” To the extent that entering into an agreement is in fact costly,<sup>40</sup> the agreement would have the potential to be a relatively credible assurance signal.<sup>41</sup> From Taiwan’s perspective, an agreement would serve as a signal that Chinese leaders do not want to use force to coerce Taiwan into unification but rather are simply aiming to deter *de jure* independence. China might increase the credibility of this signal by altering the course of the modernization of the PLA in ways that make Chinese military power less threatening to Taiwan. For example, the PLA might refrain from developing some amphibious assault and sealift capabilities to signal that its forces are intended to deter Taiwan independence rather than launch an invasion of the island. From the PRC’s vantage point, an agreement would serve as a signal that Taiwanese officials are not interested in pursuing *de jure* independence.<sup>42</sup>

#### ESTABLISHING NEW BENEFITS AND LINKAGES

A peace agreement could also produce important new economic, security, and political benefits that make China and Taiwan better off than they would be without an agreement. This could be true either because the agreement generates stability and mutual confidence that allows a greater degree of cross-strait interaction than would otherwise take place or because the agreement includes explicit side payments and linkages that would be politically impossible outside an agreement. We consider the potential role of economic benefits, military confidence-building measures, and what we term “identity goods” below. If the agreement generates or facilitates valuable benefits for important political actors on both sides, this raises the cost of noncompliance or walking away from the agreement. This may increase an agreement’s durability, especially if anticipated retaliation for noncompliance would remove benefits from politically influential actors on the other side.

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40. The actual costs of entering into an agreement are likely to be heavily contingent on the agreement’s dimensions. PRC leaders, for example, would potentially incur much heavier costs if they negotiated with Taiwan at an official level.

41. Morrow argues, for example, that to the extent that entering into an alliance is a costly endeavor, it serves as a credible signal of a country’s resolve. See Morrow, “Alliances.” We see no reason why this logic should not carry over to a peace agreement, so long as entering into the agreement is in fact a costly undertaking.

42. On the capacity of trust to help overcome security dilemma dynamics, see Andrew H. Kydd, *Trust and Mistrust in International Relations* (Princeton, N.J.: Princeton University Press, 2005).

**ECONOMIC BENEFITS.** A peace agreement between China and Taiwan might make it possible to move forward with deeper economic integration via increased trade and investment, direct transportation links, and increased provision of services such as tourism, education, and health care. Progress on some of these issues has been possible without a peace agreement, but an agreement might facilitate others. By reducing the chance of a military confrontation (even if only on the margins), an agreement could further reduce the risks of cross-strait economic exchange and produce even higher levels of economic integration.<sup>43</sup> If the agreement could credibly signal peaceful PRC intentions, Taiwan might be more willing to relax existing restrictions on bilateral economic exchanges. Other benefits in the form of increased trade or technology transfers might be included as side payments within the context of an agreement. Once these measures are in place, and both sides are benefiting from them, they would provide an incentive for the two parties to adhere to the agreement rather than risk losing these benefits because of increased tensions or military conflict.<sup>44</sup>

**CONFIDENCE-BUILDING MEASURES.** Confidence-building measures built into an agreement could also play a similar role, with military leaders on both sides preferring the value of relative certainty that the other side will not take unilateral action that necessitates costly responses to the potential advantages of action outside the scope of an agreement. An agreement might allow reductions in the level of armaments or deployment of existing weapons in a less-threatening manner (e.g., withdrawal of PRC mobile missiles out of range of Taiwan). CBMs could also produce significant information about the other side's tactical and strategic intentions via restrictions on threatening military activities or advance notifications that help distinguish between routine training and the potential use of force. Military CBMs could produce observable signals of ongoing compliance and increase the warning time available if either party contemplated military action in the future.<sup>45</sup>

As in the case of economic exchange, it may be possible to implement significant CBMs in the Taiwan Strait even if the two sides are not able to reach

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43. These benefits may be larger and more significant in other cases where political tensions have inhibited economic interactions.

44. On the pacific effects of economic integration, see, for example, Gartzke, Li, and Boehmer, "Investing in the Peace"; and Bruce M. Russett and John R. Oneal, *Triangulating Peace: Democracy, Interdependence, and International Organizations* (New York: W.W. Norton, 2001). For an application to the Taiwan Strait, see Scott L. Kastner, "Does Economic Integration across the Taiwan Strait Make Military Conflict Less Likely?" *Journal of East Asian Studies*, Vol. 6, No. 3 (September–December 2006), pp. 319–346.

45. See Fortna, "Scraps of Paper?" p. 345.

a peace agreement.<sup>46</sup> Significant CBMs could be easier to obtain, however, if they are part of a larger bargain structured around a cross-strait peace agreement.<sup>47</sup> Chinese leaders would likely find it easier to impose restrictions on PLA armaments and military activities if they can point to specific commitments from Taiwan officials not to seek *de jure* independence in return. Similarly, PRC officials may be more willing to compromise on Taiwan's international space as part of a broader agreement in which Taiwan pledges not to seek independence. A broader bargain might mitigate their fears that a future Taiwan president could use such concessions to push for Taiwan independence.

IDENTITY GOODS. A peace agreement might also increase the flow of "identity goods" that allow each side the opportunity to influence the other. We define identity goods as exchanges of people, information, and ideas between the two sides that may influence the other party's conception of its political and ethnic identity. Examples might include the ability to publish newspapers and air broadcasts; influence on the educational system and curriculum; cultural exchanges that have connotations for national identity; mutual recognition of diplomas and professional credentials; and participation in cross-strait forums that emphasize common identities and aspirations. In cases where identities are contested and politically salient, identity goods are usually heavily restricted due to their political implications. (For example, North Korean radio and television sets are designed to be unable to receive South Korean broadcasts.) Taiwan restricts the importation of newspapers and books from the PRC, and the DPP government launched an effort to redesign Taiwan's educational curriculum to emphasize Taiwan history and culture. The PRC likewise restricts public access to Taiwan news sources.

Willingness to increase the flow of identity goods across the Taiwan Strait could be an important benefit for both sides under an interim agreement.

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46. For an analysis of the opportunities and obstacles, see Bonnie Glaser and Brad Glosserman, "Promoting Confidence Building across the Taiwan Strait" (Washington, D.C.: Center for Strategic and International Studies, September 2008), [http://www.csis.org/media/csis/pubs/080910\\_glaser\\_promotingconfidence\\_web.pdf](http://www.csis.org/media/csis/pubs/080910_glaser_promotingconfidence_web.pdf).

47. In his December 31, 2008, speech, Hu Jintao suggested (in the context of advocating a cross-strait peace agreement) that China and Taiwan should increase military contacts and exchanges, and explore the establishment of military CBMs (*junshi anquan houxin jizhi*) at an appropriate time. See "Hu Jintao: Xieshou Tuidong Liang'an Guanxi Heping Fazhan." A subsequent report in the Hong Kong news magazine *Yazhou Zhoukan* [Asiaweek] cites an unnamed military strategist in Beijing as suggesting that China is seriously considering reducing the number of missiles targeting Taiwan as a goodwill gesture if military exchanges move forward. See Jiang Xun, "Hu Jintao Ni Che Duitai Daodan Neiqing" [Hu Jintao plans to remove missiles targeting Taiwan—The inside story], *Yazhou Zhoukan*, January 11, 2009, [http://www.yzzk.com/cfm/Content\\_Archive.cfm?Channel+ag&Path+4471927941/02ag6a.cfm](http://www.yzzk.com/cfm/Content_Archive.cfm?Channel+ag&Path+4471927941/02ag6a.cfm).

While Chinese officials and analysts believe most cross-strait trends are moving in their favor, they worry that consolidation of a separate Taiwan identity is accelerating and that Beijing has been powerless to influence this process.<sup>48</sup> Increased ability to send identity goods to Taiwan would give China a chance to make its case directly to the people on Taiwan. Similarly, Taiwan might be given new opportunities to press its case for increased openness and democratization of mainland China by being able to freely distribute materials calling for Chinese democracy inside the PRC. The distribution of identity goods requires consent of the other side and could potentially be increased or decreased as part of the agreement. If the flow of identity goods is tied to implementation of other aspects of the agreement, this could become an important compliance mechanism. Deng Xiaoping's one country, two systems concept sought not only to reassure Hong Kong citizens that their system would not change but also to insulate mainland China from harmful political changes. PRC willingness to allow Taiwan the chance to advocate changes in the Chinese political system would be a major breakthrough and a significant confidence-building measure. Taiwan's willingness to allow mainland China to make the case for a Chinese identity and eventual unification would be a strong signal that Taiwan's position of accepting whatever outcome its citizens decide upon is not simply a strategy of playing for time and hoping that an opportunity for independence will arise.

Identity goods can provide each side a means to influence trends in the other in a way that mitigates the potential for worst outcomes (for the PRC, continued development of a separate Taiwan identity; for Taiwan, a PRC that will continue to become stronger while remaining authoritarian). As such, they can make both sides more comfortable within the context of a peace agreement. They have the potential to give the PRC hope that a future Taiwan will become more amenable to unification, and to lessen fears in the PRC that a peace agreement would merely serve as a delaying tactic during which Taiwan could be made more "indigestible."

Just as major CBMs may be easier to achieve in the context of a peace agreement than in isolation, it may be easier for China and Taiwan to agree to the exchange of identity goods as part of a broader peace agreement than as a separate bargain. Taiwan's leaders may find it easier to open up to PRC influence

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48. See Daniel Lynch, "Taiwan's Self-Conscious Nation-Building Project," *Asian Survey*, Vol. 44, No. 4 (July/August 2004), pp. 513–533; Yun-han Chu, "Taiwan's National Identity Politics and the Prospect of Cross-Strait Relations," *Asian Survey*, Vol. 44, No. 4 (July/August 2004), pp. 484–512; and Shelley Rigger, *Taiwan's Rising Rationalism: Generations, Politics, and "Taiwanese Nationalism"* (Washington, D.C.: East-West Center, 2007).

if such opening up were coupled with military CBMs and conditional PRC pledges not to use force. PRC officials might find greater openness to Taiwan media more palatable if coupled with credible Taiwan promises not to seek independence. In short, a peace agreement could potentially facilitate significant military CBMs and the exchange of identity goods that might otherwise be impossible; in turn, these CBMs and identity goods could strengthen mutual trust and increase the stake each side has in maintaining a peaceful relationship.

### *Obstacles to an Agreement*

Although there are clear benefits associated with an agreement for both the PRC and Taiwan and reasons to believe that an agreement could reduce the likelihood of an armed confrontation in the Taiwan Strait, there nonetheless are significant obstacles to reaching an agreement. A detailed analysis of the domestic political and cross-strait dynamics of such negotiations is beyond the scope of this article, but below we examine some of the theoretical and practical obstacles to reaching a lasting peace agreement.

#### THE "SHADOW OF THE FUTURE"

One potential obstacle involves the future balance of power: to the extent that long-term trends mostly favor China, a peace agreement might simply postpone Taiwan's day of reckoning while foreclosing the island's options. Some observers have argued that Taiwan's current policy options amount to doing nothing and watching its situation deteriorate or attempting risky actions to try to change adverse trends.<sup>49</sup> Given that China will likely be stronger in the future, Chinese leaders have limited incentives to make concessions today if they believe they will win in the long run. This would make it harder for a Chinese leader to build domestic consensus on an agreement that makes significant concessions toward Taiwan.

Nevertheless, there are several reasons why an agreement may be possible despite the "shadow of the future." First, an agreement would offer considerable benefits for both sides and reduce uncertainties in the near-to-medium term. Second, even though current trends suggest a continued shift in the cross-strait balance of power in the PRC's favor, what that balance will look like in the distant future continues to be uncertain. Third, there is the possibil-

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49. Phillip C. Saunders, "Long-Term Trends in China-Taiwan Relations: Implications for U.S. Taiwan Policy," *Asian Survey*, Vol. 45, No. 6 (November/December 2005), pp. 970-991.

ity that the parties may change significantly over the term of an agreement. If China is successful in influencing conceptions of Taiwan identity and creating a PRC and greater Chinese identity that has considerable appeal to people on Taiwan, the citizens of Taiwan might become much more willing to accept unification in the future. Conversely, it is possible that China's gradual political liberalization might accelerate and China might become a much more open, pluralistic, and democratic society in the future.<sup>50</sup> These changes might make unification more likely or potentially could make a democratic China more willing to let Taiwan go its own way. Finally, leaders may discount the future costs and risks of a peace agreement and place greater weight on the near-term and mid-term benefits in their decision calculus. If an agreement produces substantial economic benefits and enhances the personal political status of a leader and his party, these might be reasons to discount worries about an uncertain future.

#### BARGAINING OBSTACLES

A second obstacle involves bargaining over the specific terms of the agreement. Even if a peace agreement would benefit both sides, the parties still may not be able to agree on the division of the benefits. One issue concerns whether the terms of an agreement disproportionately benefit the other side, making it impossible to win domestic consensus to support an agreement. The auxiliary side payments necessary for one side to accept the agreement (such as military CBMs) may impose costs on politically important actors on the other side (in this case the Chinese military) that make it difficult for the parties to agree. Finally, if an agreement is expected to be durable and long-lasting, the two sides can be expected to bargain hard over specific terms and impact during the negotiations.<sup>51</sup> In some cases this can make a mutually beneficial agreement impossible to reach.

An additional consideration is that failed efforts to achieve a peace agreement could aggravate relations by highlighting differences and damaging the political standing of leaders on both sides. Some observers argue that this is a reason why mutual accommodation may be preferable to efforts to reach a for-

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50. On prospects for democracy in China, see Cheng Li, ed., *China's Changing Political Landscape: Prospects for Democracy* (Washington D.C.: Brookings Institution Press, 2008); and George J. Gilboy and Benjamin L. Read, "Political and Social Reform in China: Alive and Walking," *Washington Quarterly*, Vol. 31, No. 3 (Summer 2008), pp. 143–164.

51. James D. Fearon, "Bargaining, Enforcement, and International Cooperation," *International Organization*, Vol. 52, No. 2 (Spring 1998), pp. 269–305.

mal agreement.<sup>52</sup> In practice, however, the two sides are likely to explore the feasibility of an agreement (and perhaps even reach a tentative understanding) privately before pursuing public negotiations, limiting the risk of an embarrassing and politically damaging failure.

#### PRACTICAL OBSTACLES

There are also important practical obstacles to an agreement. Taiwan remains heavily divided as a society, with the issue of Taiwan identity and the relationship with China contentious political issues. Despite the KMT's landslide victories in the 2008 legislative and presidential elections, the DPP still managed to attract about 40 percent of the vote. These social divisions may make it difficult for Taiwan to negotiate a peace agreement. In particular, Ma Ying-jeou sought to demonstrate his commitment to Taiwan's sovereignty during the campaign through such measures as his "three nos pledge." Ma called for a "hard ROC" that spends 3 percent of gross domestic product on defense and advocated the purchase of F-16 C/D model fighters from the United States. Ma's desire to shore up his credentials in defending Taiwan's security is in tension with his desire to improve relations with China and might impede the negotiation of a peace agreement. Although the issue of arms sales may become a future obstacle, China responded to the October 2008 announcement of a U.S. arms package for Taiwan by canceling some military contacts with the United States rather than pressuring Taiwan or suspending cross-strait negotiations.<sup>53</sup>

For China, a new Taiwan president represents an opportunity to negotiate directly with Taiwan, which has been absent for almost a decade. Chinese officials are aware that the lack of direct dialogue and refusal to engage directly with President Lee and President Chen had significant costs. This policy of isolating Taiwan politically and refusing to engage with its elected leadership was also relatively easy to implement, however. Real negotiations with Taiwan would force the Chinese side to show flexibility on key issues where its policy has often been marked by dogmatism and rigidity. For example, Taiwan's desire for negotiations on an equal status implies that China cannot continue to treat Taiwan as a rebellious province. Taiwan's desire for increased international space, which might be obtained through a peace agreement, challenges PRC efforts to isolate Taiwan internationally. And as discussed earlier,

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52. The authors thank an anonymous reviewer for raising this issue.

53. Associated Press, "China Rebuffs United States over Taiwan Arms Deal," *International Herald Tribune*, October 7, 2008, <http://www.iht.com/articles/2008/10/07/asia/military.php>.

Taiwan's legitimate defense needs, especially its desire to purchase arms from the United States, will challenge the PRC's staunch opposition to any arms sales. Furthermore, Deng's "one country, two systems" remains deeply unacceptable to people on Taiwan as a basis for eventual unification. Serious negotiations with Taiwan will require the PRC to show increased flexibility and to move beyond long-established policy positions articulated by Deng. Serious efforts to negotiate might also require Beijing to move beyond its united-front approach. It is an open question whether China's political leadership has the vision and domestic political capital to make the concessions that would be needed to reach a peace agreement.

Finally, there is the danger that one or both sides might impose preconditions for the beginning of negotiations or for the conclusion of an agreement. The PRC has long argued that acceptance of the one-China principle is a necessary condition for serious negotiations with Taiwan. Various Chinese officials have indicated that Taiwan's acceptance of the "1992 consensus" might satisfy this precondition. Taiwan officials have refused to accept the one-China principle as defined by the PRC because they believe this compromises Taiwan's position and forecloses the possibility of future independence. The KMT, however, has signaled that the 1992 compromise would be acceptable grounds to begin negotiations with Beijing. President Ma Ying-jeou has also listed preconditions before negotiations could begin on a peace agreement, including the need for China to reduce the threat posed to Taiwan by its short- and medium-range mobile missiles.

### *Would an Agreement Last?*

If Taiwan and China are able to overcome the many obstacles to an agreement and reach some sort of understanding or formal agreement, the question of the durability of such an arrangement would arise. A number of reasons could lead one or both parties to renege or withdraw from the agreement. For example, one of the sides might come to see the agreement as contributing to adverse trends. A future Taiwan leader might withdraw if he or she believed Taiwan was slipping inside the PRC's sphere of influence and that its military position was becoming untenable. Future Chinese leaders might renege on an agreement if they came to believe that Taiwan's position had eroded to the point where it was no longer able to resist unification. An agreement could also break down if a change in political leadership brought a new leader to power who was either not committed to the agreement or determined to break it. Taiwan's commitment to regular presidential and legislative elections



makes such a change more likely to come from Taiwan, but the accession of new PRC leaders to power might also trigger a reassessment of the value of the peace agreement. Finally, a domestic incident on the other side that raised fundamental doubts about the nature or the intentions of the other party could also cause the agreement to break down. The 1989 Tiananmen massacre had a major impact on Taiwan views of the PRC. The use of force against minority groups inside China or a clampdown that reduced Hong Kong's autonomy could lead Taiwan to back away from an agreement. Recent events in Tibet illustrate this possibility.<sup>54</sup>

Despite ample reasons for skepticism, there are also some grounds for optimism. Our earlier discussion suggests that if the two sides are able to overcome the theoretical and practical obstacles, they would realize significant benefits from a peace agreement. These benefits provide some basis for thinking that an agreement might hold up over time. China's concerns about the possibility of a future pro-independence leader in Taiwan give Beijing incentives to incorporate concrete economic and security benefits within a broader peace agreement and to be generous enough in negotiations that even an independence-minded Taiwan leader would hesitate to walk away from a valuable agreement. They also provide Beijing incentives to reach a more formal agreement that might have a greater binding effect on a future Taiwan leader from another party.

The potential dynamics of an agreement suggest some additional reasons to think that a peace agreement might last. First, once the economic and security benefits of an agreement are obtained, leaders on both sides may be reluctant to give them up and return to the uncertain status of relations absent an agreement. Even if there are potential benefits to abrogating the agreement, uncertainty about the outcome may keep the parties inside it.<sup>55</sup> Furthermore, the longer the agreement lasts, the greater degree the two sides commit their reputations to maintaining it. The party that breaks the agreement after it has been in place for some years would incur significant international audience costs. The value of the economic and identity goods aspects of an agreement might also increase significantly over time. If many in Taiwan and China would incur significant economic losses through the abrogation of an agreement, the politi-

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54. On changing trends or circumstances leading states to back away from treaty commitments, see, for example, Leeds and Savun, "Terminating Alliances."

55. Such a possibility is grounded in prospect theory and in the strong incentives for bureaucracies to reduce uncertainty in their environment. For an overview of prospect theory and its applicability to international relations, see Jack S. Levy, "Prospect Theory, Rational Choice, and International Relations," *International Studies Quarterly*, Vol. 41, No. 1 (March 1997), pp. 87–112.

cal constituencies that support continuation of the agreement may grow over time.

An agreement could potentially generate a ratchet effect if mutual trust builds over time. Even if an initial interim agreement is limited in scope, increased mutual trust and a better foundation for cooperation may make a deeper agreement possible in the future. An initial agreement might maintain strong limitations on trade, investment, cultural exchange, and identity goods, but a subsequent agreement might allow much deeper cooperation in these areas that increases the benefits for both sides. The result could produce a virtuous circle that becomes self-sustaining. If ongoing interactions produce a significant degree of mutual trust and a change in attitudes toward the party on the opposite side of the strait, they may also pave the way for a future final resolution of the issue of Taiwan's status.

### *Conclusion*

With a new Taiwan president who advocates a less confrontational approach to cross-strait relations, there is a real possibility that Taiwan and China could reach a peace agreement. President Ma Ying-jeou highlighted his desire to achieve such an agreement during his campaign, and senior Chinese leaders have cited this as a goal in several official policy statements. We have sought in this article to apply insights from international relations theory to analyze what a cross-strait peace agreement might look like and what impact it might have. At least four important points have emerged from our analysis.

First, although there has been a good deal of talk about the possibility of a cross-strait agreement, there has been less discussion about what such an agreement might look like. We have illustrated the different dimensions and parameters of a potential agreement. Second, we showed that where an agreement actually falls on these different dimensions has important implications for its likely effectiveness in reducing the probability of a cross-strait military confrontation. Third, despite reason for skepticism about the magnitude of an agreement's effects, we showed that there is good reason to believe that an agreement could have some impact on the danger of war in the Taiwan Strait, at least along the margins. Finally, although the obstacles to an agreement are formidable, they are not insurmountable, and there are reasons to think that an agreement could be relatively durable.

Our analysis also suggests some potential pitfalls associated with President Ma's current approach to cross-strait relations. Ma has pushed for agreements

in areas where cooperation is easiest and has immediate economic benefits, such as expanding the number of mainland tourists allowed to visit Taiwan. He hopes this will create a degree of mutual trust and a wider domestic constituency on Taiwan for negotiations on more difficult political and security issues.<sup>56</sup> Our analysis suggests, however, that incorporating CBMs and economic incentives within an agreement as side payments could make a more comprehensive peace agreement both easier to achieve and more effective. By moving forward on popular economic and transportation issues, Ma may be giving up leverage that he will need to negotiate a better agreement with Beijing and to win popular support for it on Taiwan. More generally, cross-strait negotiations will require leaders on both sides to strike the right balance between a series of small steps that gradually increase trust and build domestic support versus a broader agreement that would be harder to negotiate but potentially more significant and more durable. Our analysis has also highlighted incentives for China to negotiate a more formal and generous agreement that even a future independence-minded Taiwan leader would find difficult to abandon.

Given the role the United States has historically played in cross-strait relations, some observers might ask whether it could play a positive role as a mediator or guarantor of a peace agreement. Such an active role would be a major departure from long-standing U.S. policy, is unlikely to be welcomed by China and Taiwan, and would have significant downsides. For example, active U.S. mediation would violate the “six assurances,”<sup>57</sup> be controversial in terms of U.S. domestic politics, and could result in the two sides blaming the United States for the failure of negotiations or the shortcomings of an agreement. Moreover, the PRC is unlikely to accept a formal U.S. role as guarantor of an agreement. The United States has a clear interest in reduced cross-strait tensions, but Washington would arguably be best served by supporting cross-strait dialogue rather than taking an active role in negotiations.

If the PRC and Taiwan are able to forge a peace agreement, the result would be a significant reduction in the likelihood of military conflict over Taiwan. An

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56. So far, anticipated economic and political gains from expanded cross-strait links have not materialized due to the negative impact of the global economic downturn on Taiwan's economy.

57. Washington communicated the “six assurances” to Taiwan in the summer of 1982 as it completed negotiations with the Beijing over the joint U.S.-PRC communiqué on arms sales to Taiwan. The assurances included promises not to mediate between Taiwan and the PRC and not to pressure Taiwan into negotiations with China. See Kerry Dumbaugh, *Taiwan: Texts of the Taiwan Relations Act, the U.S.-China Communiqués, and the “Six Assurances,”* CRS Report for Congress, No. 96-246 F (Washington, D.C.: Library of Congress, updated May 21, 1998), p. 18.

agreement would reduce the salience of the most contentious issue in Sino-U.S. relations, potentially allowing for increased cooperation between the United States and China. Most countries in Asia would welcome a peace agreement, which would reduce the risk of their nightmare scenario of a major war between the United States and China over Taiwan. Given these potentially broad implications, and the increased possibility that China and Taiwan may be able to negotiate an agreement, we hope that our preliminary analysis will spur more research and more thinking about this important topic.