

China-Taiwan Relations: Election Drama and Implications

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The presidential campaign and referendum issue dominated cross-Strait relations this quarter. Taiwan President Chen Shui-bian's narrow reelection victory gives him a weak mandate to lead a society deeply divided over the issue of Taiwan's national identity and future relationship with China. The election outcome reflects the extent to which opinion on Taiwan has moved away from the "one China" concept in the eight years since Taiwan's first direct presidential election in 1996. With the campaign over, President Chen now faces concrete choices about how to pursue cross-Strait relations, and Beijing is confronted with difficult choices and the need to review its policies toward Taiwan. Washington can expect to be caught in the middle and to be challenged to find effective ways to deter President Chen from changing the cross-Strait status quo.

Campaign and referendum

Chen Shui-bian, a skillful campaigner, shaped the campaign agenda with his slogan "Believe in Taiwan; Insist on Reform." His proposal for Taiwan's first island-wide referendum, which he portrayed as a step for reform and deepening democracy, was the principal issue debated in the campaign. The opposition KMT- Peoples First Party (PFP) alliance charged that the referendum was illegal and that linking it to the election was mainly a campaign ploy to boost Chen's support. The pan-blue (KMT-PFP) camp tried to make the economy, cross-Strait peace, and Chen's poor record campaign issues, but Chen deftly sidestepped their charges. Scandals, mudslinging, and Chen's relentless efforts to tar pan-blue presidential candidate Lien Chan as the "Chinese" candidate dominated much campaign advertising and press coverage of the campaign.

President George W. Bush's personal criticism of Chen in December had generated considerable public concern that Chen's promotion of the referendum was damaging Taiwan's important relations with the U.S. At one point, Chen said that holding a referendum was more important than his reelection. Nevertheless, Chen responded to the public concerns by designing referendum questions that were less confrontational toward China and linked to the U.S. interest in Taiwan doing more for its own defense. As a result, the public perception that U.S.-Taiwan relations were seriously strained subsided, and the U.S. relationship was not an important factor in the last weeks of the campaign.

Beijing's posture and the China factor

In contrast to previous Taiwan presidential elections, Beijing adopted a remarkably low-key posture during the last months of the campaign, avoiding threatening words or actions that might be used by Chen to rally support for his candidacy. Mid-level officials made clear Beijing's opposition to the referendum. Premier Wen Jiabao's report to the National People's Congress in March mentioned Taiwan only briefly and in moderate nonconfrontational terms. The contrast between Premier Wen's tone and former Premier Zhu Rongji's finger wagging in 2000 was sharp and widely noted in Taiwan. Instead of addressing Taiwan directly, Beijing's efforts were aimed at encouraging international opposition to the referendum. Beijing pressed Washington frequently to reiterate President Bush's criticism of Chen Shui-bian and obtained statements criticizing the referendum from France, Japan, and others.

Despite China's low-key stance, candidate Chen frequently accused China of intervening in the election to support his opponents. In January, China crudely forced detained Taiwanese businessmen accused of spying to meet the media and publicly blame President Chen for their predicament. Although China tried to convey a neutral public posture, Chen accused Beijing of permitting pan-blue supporters to campaign among the Taiwanese business community in China and of paying the airfares for Taiwanese businessmen who would return to vote against Chen. In March, Chen claimed that the joint Chinese-French naval exercise conducted near Qingdao was aimed at intimidating Taiwan and influencing the election. In his campaign advertising and at campaign rallies, Chen relentlessly painted Lien Chan as the "Chinese" candidate who mistakenly accepted the "one China" principle and could not be trusted to stand up for Taiwan's interests. This smear tactic, in Chinese culture called putting a red hat on Lien, seemed to resonate with voters, particularly in southern Taiwan where Taiwanese identity is strongest.

Assessing the election outcome

The election gave Chen a narrow 0.2 percent victory, which was certified by the Central Election Commission on March 26. The voting process was both simple and transparent. When the recount demanded by the opposition is conducted, there is little reason to expect that it will alter the election outcome. In the absence of reliable exit polling, there is no way to ascertain with certainty to what extent the shooting incident the day before the election influenced the outcome.

Despite the narrowness of his victory, Chen has strengthened his political position substantially from the 2000 election when he won with only a plurality of 39.6 percent. Chen increased his support by about 1.5 million votes, and the Democratic Progressive Party exceeded the 50 percent threshold for the first time in an island-wide election – an impressive accomplishment. Chen attributes his victory to the strengthening of a sense of Taiwanese identity. This seems accurate, in large part because Chen persistently cultivated awareness of Taiwanese identity during his first term and skillfully appealed to that sentiment in the campaign.

The passions of the campaign and the closeness of the outcome reflect a society deeply divided over its future and its relationship to China. However, the election also shows how far opinion within Taiwan on relations with China has shifted over the past eight years. In Taiwan's first direct presidential election in 1996, the winning KMT still adhered to the National Unification Guidelines, which envisage eventual reunification. In 1996, the pro-independence DPP candidate garnered only 20 percent of the vote. Fast forward eight years. In the 2004 election, the KMT-PFP ticket would not publicly endorse the "one China, separate interpretations" position because it believed doing so would be a liability in the campaign. Even Lien Chan stated that negotiations would be difficult if Beijing insists on a "one China" precondition for talks. For his part, President Chen emphatically and repeatedly rejected "one China," ran on a platform stating that there was "one country on each side" of the Strait, and won majority support. Chen appealed for support arguing that his victory would force Beijing to accept the realities on Taiwan and negotiate with him on a basis of equality.

The referendum results are difficult to interpret. The debate over the referendum was about the legality and wisdom of holding a referendum rather than over the content of the two specific questions. How one interprets the results depends on one's political point of view. Beijing and pan-blue supporters say the fact that the referendum failed to garner the required participation of 50 percent of eligible voters shows it was a failure. President Chen says that the 85 percent of those who did participate and voted for the proposals clearly reflected their views. Chen said his government would take that support into account.

Beijing's reaction

Beijing's first public comment was to exult in what it saw as the failure of the referendum which it had so vigorously opposed. Noting the pan-blue challenge to the election, Beijing avoided commenting on Chen's reelection by stating that it would observe developments. After the Central Election Commission certified Chen's election, the Taiwan Affairs Office released an odd and ominous statement that, if the demonstrations led to disorder and instability in Taipei, Beijing could not sit idly by unconcerned about its compatriots. Taipei immediately dismissed this as interference in Taiwan's internal affairs. Behind this public façade, Beijing was deeply disturbed by the outcome and consequently was hanging on to any shred of hope that the result might be reversed.

Policy choices and implications

With the election over, President Chen, Beijing, and Washington all face difficult policy choices and challenges. As Beijing has no good options, leadership divisions on Taiwan policy are a real possibility. The March 26 warning from Beijing that it could not sit idly by if there was instability on Taiwan may be a first manifestation of internal differences over Taiwan. China's leaders must confront the reality that political opinion in Taiwan on cross-Strait relations has moved significantly away from its "one China" framework. President Chen has more explicitly rejected "one China" as a precondition for dialogue, but refusing to talk with his administration for four more years will only give Chen

reason and room to consolidate support on Taiwan for a stronger Taiwanese national identity. Beijing will likely press the U.S. more strongly to constrain Chen, but that alone is not a policy for cross-Straits relations. Premier Wen's National People's Congress work report reiterates the importance Beijing is likely to place on expanding cross-Straits economic and cultural ties. Beijing needs to reconsider its missile deployments and its uncompromising opposition to Taiwan's participation in international organizations, because these have fed rising Taiwanese nationalism, which is the greatest threat to China's interests.

President Chen faces specific choices on cross-Straits negotiations, constitutional reform, the three links, and defense spending. The larger question is how far can he push his personal mission for strengthening Taiwan's national identity without damaging relations with the U.S. and provoking a conflict with the PRC. His choices will shape the climate of cross-Straits relations. Perhaps Chen's most crucial issue is whether in pursuing constitutional reform he will seek to redefine the status of Taiwan and its relations with China. He said different things at different times and to different audiences during the campaign on this issue. In an interview with the *Washington Post* published March 30, Chen stated that his pursuit of constitutional reform would not challenge the status quo. However, he made clear that the status quo that he was referring to was that Taiwan was a sovereign independent state that was not part of the PRC. Hence, the status quo means one thing to Chen and quite another to the U.S. when it calls on both sides not to unilaterally change the cross-Straits status quo that relates Taiwan to China. In the same interview, Chen also said that he had adhered to his 2000 inaugural commitments to the "five noes" in promoting his referendum and implied that the same commitments would apply in promoting constitutional reform. A key indicator of the limits on constitutional reform will be how Chen restates the "five noes" assurances in his forthcoming inaugural address.

Cross-Straits transportation is the issue on which meaningful discussions are most likely to occur in Chen's second term. The amendments to Taiwan's statute on cross-Straits relations adopted last fall and Beijing's policy statement in December on the three-links create a framework under which private associations could be authorized to negotiate agreements if both sides choose politically to pursue the issue. Taipei senses the priority Beijing places on expanding economic ties and may choose to exploit its leverage to get political concessions. Chen's handling of this issue will be another indicator of his approach to cross-Straits relations.

Economic relations

Cross-Straits trade relations continued to expand rapidly in late 2003 and early 2004. According to Beijing's Ministry of Commerce, cross-Straits trade expanded 30.7 percent in 2003 to reach \$58.4 billion, with China's exports to Taiwan growing 36.7 percent and its imports from Taiwan growing 29.7 percent. While the Mainland Affairs Council's comprehensive statistical analysis on cross-Straits trade for 2003 is not yet published, Taipei's Board of Foreign Trade's figures put 2003 cross-Straits trade (excluding Hong Kong re-exports) at \$46 billion, with Taiwan's exports up 20.0 percent and its imports up

37.9 percent. By either count, Taiwan's exports to China grew rapidly in 2003, but not as rapidly as the 40 percent overall growth of China's imports. Japan, Korea, and ASEAN all saw their exports to China grow by 40-plus percent in 2003, outpacing Taiwan's performance. The trend of Taiwan's exports to China growing more slowly than China's overall imports is continuing in the first two months of 2004.

Hong Kong

Since the beginning of 2004, Beijing has taken a harsh policy on Hong Kong's future constitutional development under the "one country two systems" framework. In January, China instructed Chief Executive Tung Chee-hwa to delay discussion on future electoral arrangements until the central government had addressed the issue. In February, Beijing's *Xinhua New Agency* ran stories recalling 20 year-old statements by Deng Xiaoping stating that Hong Kong should be governed by "patriots." In March, *Xinhua* labeled the Hong Kong Alliance in Support of the Patriotic Democratic Movement in China as unpatriotic and Beijing's vice minister of commerce labeled former Democratic Party leader Martin Lee a traitor for his testimony before the U.S. Congress. On March 26 *Xinhua* said the NPC Standing Committee would shortly issue an interpretation of Hong Kong's Basic Law to make clear Beijing's position on whether changes to the existing arrangements for the selection of the Chief Executive could be made in 2007.

Taipei was so preoccupied with its campaign and the fallout from the election on March 20 that these Hong Kong developments received scant attention in the Taiwan media or public debate. In private, however, many in Taipei were aware of Beijing's moves. Opinions in Taipei were pessimistic about the prospects for democratic development in Hong Kong. In his *Washington Post* interview, President Chen stated that Beijing's moves were a clear warning to Taiwan and only strengthened the consensus in Taiwan that the "one country, two systems" formula is unacceptable.

At the same time, statements by pro-Beijing elements in Hong Kong and by Chinese observers in Washington indicate that Beijing's hardline approach to constitutional development in Hong Kong was being influenced by the growth of Taiwanese nationalism in democratic Taiwan and by perceptions of the instability following the March 20 election. Hence, developments in Hong Kong and Taiwan were each eliciting policy responses in Beijing that were complicating Beijing's handling of policy in the other area.

The U.S. will again be caught in the middle with both Beijing and Taipei seeking to maneuver Washington to their advantage. With both Beijing and Taipei lobbying the U.S., Washington may have unprecedented opportunities to encourage constructive cross-strait dialogue and a strong national interest in taking advantage of those opportunities. Washington's most difficult challenge will be to dissuade Chen from pushing his Taiwanese nationalist mission too far. If Chen's policies appear to be heading toward conflict, Washington will need to make clear that if Taipei chooses a course that is not consistent with U.S. policy, then Taipei cannot expect unqualified American support.

Chronology of China-Taiwan Relations

January-March 2004

Jan. 3, 2004: Chen's campaign manager, Chiou I-jen, says referendum may become campaign liability.

Jan. 7, 2004: Beijing instructs Hong Kong to delay consideration of constitutional development.

Jan. 7, 2004: President Chen tells American group he will abide by "five noes."

Jan. 8, 2004: *China Daily* analysis expresses worries about pan-blue policies.

Jan. 10, 2004: PRC Gen. Guo Boxiong says U.S. should do more to oppose referendum.

Jan. 10, 2004: Association for Relations Across the Taiwan Strait sends Straits Exchange Federation a message concerning arrest of Taiwan spies.

Jan. 15, 2004: Chen says he will go ahead with referendum even if it hurts his reelection.

Jan. 16, 2004: Chen announces referendum questions.

Jan. 16, 2004: PRC presents accused Taiwan spies to press; has them criticize Chen.

Jan. 16, 2004: Secretary Colin Powell says President Chen appears to have shown some flexibility.

Jan. 17, 2004: TAO criticizes Chen's plan for referendum.

Jan. 19, 2004: Vice Premier Tang Jiaxuan sharply criticizes Chen's referendum.

Jan. 27, 2004: President Hu visits France, President Chirac criticizes referendum.

Jan. 30, 2004: Deputy Secretary Armitage in Beijing; expresses reservations about referendum.

Feb. 3, 2004: TAO's Chen Yunlin in Washington; urges U.S. to take strong position against referendum.

Feb. 4, 2004: Taiwan Legislative Yuan delegation in Washington to assess U.S. position on referendum.

Feb. 6, 2004: Deputy Assistant Secretaries Schriver and Lawless testify to Congress.

Feb. 8, 2004: On eve of visit by Hong Kong Chief secretary, Beijing asserts sovereign right to determine pace of democratization in Hong Kong.

Feb. 9, 2004: Vice Foreign Minister Zhou urges firmer U.S. opposition to referendum.

Feb. 10, 2004: *Xinhua* states that “patriots” must lead Hong Kong.

Feb. 11, 2004: Secretary Powell tells Congress U.S. sees no need for referendum.

Feb. 14, 2004: *Xinhua* republishes 1984 Deng Xiaoping talk on “one country, two systems.”

Feb. 21, 2004: In second presidential debate, Chen rejects “one China,” Lien is equivocal about “one country, separate interpretations.”

Feb. 24, 2004: Foreign Minister Li calls Secretary Powell for reassurances on referendum.

Feb. 28, 2004: Lee Teng-hui leads the Taiwan Solidarity Union and the Democratic Progressive Party in a national collaborative “228 hand-to-hand” campaign rally in Taiwan. Two million Chen supporters form human chain along the length of the island.

March 1, 2004: *Xinhua* declares Hong Kong Alliance for Democracy is “unpatriotic.”

March 4, 2004: In U.S., Martin Lee says Hong Kong Democrats oppose independence for Taiwan.

March 5, 2004: Premier Wen’s NPC report uses moderate, nonthreatening language on Taiwan.

March 5, 2004: PRC Vice Minister of Commerce An calls Martin Lee a traitor.

March 9, 2004: KMT’s Lien Chan says talks will be difficult if Beijing insists on “one China” precondition.

March 10, 2004: PRC Vice Foreign Minister Dai in Washington to discuss Taiwan.

March 13, 2004: At NPC press conference, Premier Wen takes moderate line on Taiwan.

March 16, 2004: Japanese Prime Minister Koizumi tells Vice Minister Dai Japan does not support moves toward Taiwan independence.

March 19, 2004: President Chen and Vice President Lu shot in Taiwan.

March 20, 2004: President Chen wins reelection; referenda fail to pass.

March 20, 2004: In victory speech, Chen calls for negotiations on basis of equality.

March 20, 2004: Foreign Minister Li Zhaoxing calls Secretary Powell regarding Chen's election.

March 21, 2004: TAO statement says referendum was a failure.

March 26, 2004: TAO warns that China cannot sit idly if there is instability in Taiwan:

March 26, 2004: White House statement on Chen's reelection.

March 26, 2004: *Xinhua* announces that NPC will issue interpretation of Basic Law.

March 29, 2004: Beijing announces that Dominica has recognized PRC; Taipei breaks relations with Dominica.

March 30, 2004: President Chen gives interview to *Washington Post*.