



China-Taiwan Relations:  
To Be Concerned or Not?

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Despite the basic stability of cross-Strait relations, Beijing has been concerned this spring that Taiwan's President Chen Shui-bian would somehow take steps to realize his dream of a new constitution for Taiwan. In contrast, Washington has been more impressed by the domestic constraints that make constitutional reform affecting Taiwan's sovereignty all but impossible. President Chen has not abandoned his dreams, as he made explicit in this "four wants" speech, but he has focused on the more modest and achievable goal of heightening the public's sense of Taiwan's separate identity – steps that appeal to the Democratic Progressive Party's core supporters and create realities his successor will have difficulty reversing. Treatment of Taiwan at the PRC's National People's Congress in March reflected the continuity of President Hu Jintao's approach to Taiwan. Talks on Chinese tourism to Taiwan and on expanding cross-Strait charter flights have continued but no agreements have been announced. China's anti-satellite test and another major increase in its defense budget have been sources of concern in Taipei, but the Legislative Yuan has not yet passed its arms procurement legislation.

**China's concerns: U.S. government vigilance**

While recognizing that cross-Strait relations are relatively stable, Chinese government and academic experts have consistently emphasized this spring their concern that Taiwan's President Chen Shui-bian would use the last year of his presidency to achieve his campaign goal of giving Taiwan a new constitution that would formalize Taiwan's *de jure* independence. President Hu Jintao's New Year's message was a restatement of existing Chinese policy toward Taiwan, with official news reports emphasizing Hu's reiteration that there would be no let up in the struggle against separatism. The next day the Taiwan Affairs Office (TAO) warned against Chen Shui-bian's continuing promotion of Taiwan independence. A few days later, the Chinese Foreign Ministry urged the U.S. to take steps to check Taiwan independence.

In mid-January, TAO Deputy Sun Yafu came to Washington for consultations and voiced Beijing's concerns that 2007 was a particularly dangerous year in which Chen would try to promote a new constitution for Taiwan. Continued discussion of a "Second Republic Constitution" by pro-independence figures in Taipei has been a particular focus of PRC concern. Reportedly, Sun sought assurances that the U.S. would use its influence to check the separatist actions that Beijing anticipated. When Washington approved transits for

President Chen and later missiles for Taiwan's defense, Beijing was quick to criticize these as sending wrong signals to Taiwan. These expressions of concern reflect Beijing's profound mistrust of Chen, but they are also a useful way to keep pressure on Washington to check Chen.

Washington has evinced less concern, though not because it has a positive assessment of President Chen. U.S. scholars have emphasized the domestic constraints that will prevent any constitutional reform that would affect Taiwan's sovereignty. Those constraints are the lack of consensus in Taiwan on constitutional changes and the extremely high legislative and referendum hurdles that make the prospects of any constitutional reform remote. Moreover, differences within the DPP on the reform issue have led the party to defer the issue for the time being.

For its part, the Bush administration has remained vigilant and has repeatedly urged President Chen to abide by his commitments with respect to constitutional reform. Washington only granted Chen's request to transit the U.S. in January enroute to Nicaragua after it saw that his New Year's address did not launch any troubling constitutional reform initiatives. On several occasions this spring, the State Department spokesman has reiterated the importance the U.S. places on Chen abiding by his commitments. Deputy Assistant Secretary of State Tom Christensen reiterated these points in a congressional hearing on March 27. These frequent U.S. government comments have led to criticisms from Presidential Office Secretary General Mark Chen and DPP Chairman Yu Shyi-kun that the U.S. should stop meddling in Taiwan's domestic politics.

### **Chen promotes Taiwanese identity**

Although President Chen's New Year's address did not contain any unexpected initiatives, a commitment to Taiwanese nationalism was woven through the speech. It seems that, with a new constitution beyond his reach, President Chen has focused on steps to strengthen Taiwan's separate identity, or as he phrases it now the island's "Taiwan-centric consciousness." In January, the Executive Yuan changed the statute of the National Palace Museum to downplay its promotion of Chinese art. That month, the Education Ministry explained that new high school history textbooks published last fall have separate volumes on Chinese and Taiwanese history and that references in the old textbooks to China as "our country" had been removed. In February, steps to change the names of several state-owned corporations were announced. The most symbolic involved the postal service. President Chen personally presided at the ceremony renaming the service "Taiwan Post." The issuance of the first stamp with the word "Taiwan" followed quickly; that stamp commemorated the establishment of the new "228 Memorial Hall." Not to be out done in the name game, Beijing then added "Taiwan Post" to the list of provincial post offices contained on the website of China's postal service.

As 2007 is the 60<sup>th</sup> anniversary of the Feb. 28 crackdown, the DPP has taken a number of steps to capitalize politically on the anniversary. President Chen stated on the eve of the anniversary that Chiang Kai-shek (CKS) should be held responsible for 228. Various

DPP legislators have called for removing military honor guards from the CKS mausoleum and CKS memorial hall. In March, the Executive Yuan announced that the CKS memorial hall would be renamed the “Taiwan Democracy Memorial Hall” and that the Chinese style wall around the memorial would be removed. The Minister of National Defense (MND) Lee Jye has agreed that all CKS statues will be removed from military bases.

### **“Four Wants, One Without”**

While a lame duck with diminished influence, President Chen demonstrated again that he has a flair for unanticipated news flourishes. In a speech on the anniversary of the founding of the Formosan Association for Public Affairs, Chen said there are four things Taiwan wants: independence, name rectification including joining the UN as “Taiwan,” a new constitution, and economic and social development. Moreover there was one thing Taiwan did not have – the usual left–right political issues. Rather, what makes Taiwan unique is that its fundamental political issue is national identity – the independence-unification divide. Once again, Chen’s government and party were found scrambling for explanations of why his remarks were not a contradiction of his previous commitments not to implement such policies. And now four weeks later, there is still no authorized English translation of his remarks on the Presidential Office website because of the question of how to translate the key phrase *siyao imei*. The president’s preferred translation is now “Four Imperatives and One Non-Issue.”

Chen’s remarks came on the eve of the National People’s Congress (NPC) in Beijing. As such, senior Chinese leaders could hardly avoid commenting. The first reaction came from Foreign Minister Li Zhaoxing who has often reacted harshly, saying Chen’s statement showed why history would judge him a criminal and warning that such steps could trigger Beijing’s Anti-Secession Law. But the more authoritative reaction came from Politburo Standing Committee Member, Jia Qinglin on March 8. Jia characterized Chen’s speech as a dangerous step toward secession and reiterated that China would resolutely oppose Taiwan independence. A week later, when Premier Wen met the press at the end of the NPC, he passed up an opportunity to comment on Chen’s statement. Washington at first declined comment, saying it had not seen the text of Chen’s remarks. Subsequently, the State Department spokesman called the remarks “unhelpful” and pointedly reiterated the importance of Chen’s abiding by his previous commitments for cross-Straits stability, U.S. national interest, and Taiwan’s welfare. On balance, both Beijing and Washington reacted mildly, recognizing that Chen no longer had the power to implement his dreams while in office.

The “Four Wants” mark a sharp contrast with Ma Ying-jeou’s “Five Does,” first enunciated in March 2006. Ma’s five goals are: to resume cross-Straits dialogue on the basis of the 1992 consensus, to reach a peace accord to stabilize relations for 30-50 years, to normalize cross-Straits economic relations including direct flights, to reach a “modus operandi” on Taiwan’s international space, and to encourage cultural and educational exchange.

## **NPC statements**

Premier Wen Jiabao's work report to the NPC made only brief mention of Taiwan. Wen's remarks reflected continuity in approaches to Taiwan developed under President Hu Jintao over the past two years. After reiterating Beijing's firm opposition to all secessionist activities, Wen emphasized Beijing's goal of promoting peaceful cross-Strait relations. No sense of urgency or threat was reflected in his statement. In response to a question at his post-NPC press conference, Wen added that priority would be put on opening regular weekend charter flights, on simplified procedures for charter cargo flights, and on arrangements for tourists from the mainland to visit Taiwan. The handling of Taiwan at the NPC indicates that there is no controversy in the leadership over the broad outlines of current policy toward Taiwan as the party prepares for the all-important 17<sup>th</sup> Party Congress in the fall.

## **Security issues**

China's first successful anti-satellite test was conducted on Jan. 11. While this test has broader implications, it was a reminder to Taiwan of the pace of People's Liberation Army modernization and the growing threat it poses to Taiwan. At the NPC, Beijing announced a further 18 percent increase in the published defense budget. Taiwan's Defense Ministry, MAC, and several leading politicians criticized these PRC steps, but whether they will stir the Legislative Yuan (LY) into action on Taiwan's arms procurement remains to be seen.

The regular LY session ended in January without passage of the overall government budget or the arms procurement legislation. An effort to schedule a special session on budget issues was unsuccessful. When the LY reconvened in March, the political controversies that blocked the budget in January resurfaced.

On March 6, *Defense News*, citing sources in Taiwan, reported that Taipei had conducted a test of the *Hsiungfeng IIE* land-attack cruise missile (LACM) on Feb. 2 with President Chen and Defense Minister Lee in attendance. The article said that these missiles had a range of 1,000 km and that Taiwan planned to deploy 500 of them. The MND spokesman subsequently said that article was untrue and reiterated that the *Hsiungfeng* missiles are anti-ship, not land-attack, missiles. The *Defense News* story had said that this new missile had been intentionally mislabeled as part of the *Hsiungfeng* series to disguise its characteristics. The status of the program remains uncertain. However, it is highly likely that, if the system were successfully developed, that news would leak to the media. *Defense News* also stated that the U.S. government had been attempting for a year to persuade Taiwan to drop the LACM program.

## **Functional agreements delayed**

Reports from both Beijing and Taiwan have indicated that negotiations and contacts concerning an expansion of charter flights and mainland tourism to Taiwan have continued through the quarter. Even though an agreement on tourism had been expected by the end of last year, no agreements have yet been announced.

Why the delay when both sides' interests would be served by agreement? It appears that there are still a number of unresolved issues on the inter-related charter and tourism questions. Taipei has reportedly proposed that some flights fly through Okinawan airspace rather than only through Hong Kong's, as Beijing has insisted. There is a question of who will be eligible to use the flights: just business people as at present, Chinese tourists, or others? President Chen has said that foreigners should also be able to use the flights. Beijing is reportedly seeking stronger assurances about the reliability of Taiwan tour operators. Another issue is whether tourists from China need to carry their passports when visiting Taiwan, which Taiwan would want and Beijing would resist because it implies its citizens would be traveling abroad. A comment from the TAO in late March about artificially created obstacles indicates that some differences remain.

It is also possible that the political conditions are not yet ripe for agreement. Although TAO officials have said that Chen's "Four Wants" statement will not delay agreement on functional issues, some Chinese academics have explained that such statements make it more difficult for Beijing to reach consensus on agreements. Within the Chen administration any agreement to expand cross-Strait contacts is inevitably politically contentious. So political atmospherics have probably played a role. Nevertheless, spokesman on both sides have expressed optimism that some agreement should be possible before mid-year.

## **Cross-Strait trade**

2006 saw further substantial growth in cross-Strait trade. According to Taipei's Board of Foreign Trade, cross-Strait trade grew 15.4 percent in 2006 to reach \$88.12 billion. As usual, China's statistics gave substantially higher figures. The PRC Ministry of Commerce put 2006 cross-Strait trade at \$107.8 billion, up 18.2 percent. Both sources indicated again that PRC exports to Taiwan were growing faster than Taiwan exports to China. From Taiwan's perspective, its exports to China totaled \$63.33 billion and accounted for 28.3 percent of Taiwan's total exports. This figure for Taiwan's export dependence on China was essentially unchanged from 2005. From Beijing's perspective, imports from Taiwan grew 16.6 percent in 2006. As this percentage increase was less than the increase in China's worldwide imports, Taiwan once again lost market share in China. Taiwan's declining share of China's imports is caused in part by the Chen administration's restrictive policies toward investment in the mainland.

## Looking ahead

In the coming months the political calendars in Beijing and Taipei will affect cross-Strait relations in different ways. In Beijing there is no controversy over Taiwan policy and confidence that long-term trends are working in China's favor. In the short-term, Beijing will continue to rely on Washington to check President Chen. With cross-Strait relations remarkably stable, the Beijing leadership is focused on more pressing domestic issues in the run-up to the 17<sup>th</sup> Party Congress.

In Taipei, the presidential election calendar is already influencing policy. President Chen is using his remaining months in office to promote a stronger Taiwan consciousness. Further steps in this direction can be expected. The campaign for the DPP presidential nomination is underway and is pushing candidates toward stronger pro-independence positions. While Premier Su Tseng-chang and former Premier Hsieh Chang-ting have more moderate images on cross-Strait issues, both have expressed reluctance to abide by President Chen's "four noes" commitment, and Hsieh has all but dropped his identification with the "constitutional 'one China'" position by saying the long-term goal is to remove the "one China" features from the constitution. Unfortunately, President Chen is correct in saying national identity is still the core issue in Taiwan politics, and recent LY and particularly presidential elections have exacerbated that divide.

In these circumstances, Washington will need to maintain a steady, predictable policy toward both sides and make its policy clear in public, including when candidates in Taiwan advocate positions which, if implemented, would threaten cross-Strait peace or cause a deterioration in U.S.-Taiwan relations.

## Chronology of China-Taiwan Relations

### January-March 2007

**Jan. 1, 2007:** President Hu Jintao's New Year's message reiterates his four points saying no compromise in opposing separatism.

**Jan. 1, 2007:** President Chen's New Year's address stresses Taiwanese nationalism.

**Jan. 1, 2007:** Chen says RMB exchange requires a clearance/liquidation agreement.

**Jan. 2, 2007:** TAO Minister Chen Yunlin says PRC remains vigilant against separatism.

**Jan. 3, 2007:** DPP leaders urge focus on welfare rather than constitutional reform.

**Jan. 4, 2007:** TAO spokesman criticizes Chen for preaching separatism.

**Jan. 5, 2006:** PRC FM spokesman urges U.S. to contain Taiwan independence.

**Jan. 5, 2007:** U.S. approves President Chen's U.S. transits in San Francisco and Los Angeles to Central America.

**Jan. 7, 2007:** FM Li Zhaoxing calls Secretary Rice to protest U.S. transit decision.

**Jan. 9, 2007:** President Chen overnights in San Francisco en route to Nicaragua.

**Jan.10, 2007:** Chen meets incoming Nicaraguan President Ortega.

**Jan. 11, 2007:** TAO says China will purchase tangerines to help with over production in Taiwan.

**Jan. 11, 2007:** China's first successful anti-satellite test.

**Jan 12, 2006:** President Chen stops briefly in Los Angeles.

**Jan. 14, 2007:** Premier Wen urges Japanese Prime Minister Abe Shinzo to abide by commitments on Taiwan issue.

**Jan. 15, 2007:** National Development and Resources Council Vice Chair Zhang Xiaoqiang leads 13-member delegate to Taiwan for conference on economics.

**Jan. 17, 2007:** Executive Yuan changes Palace Museum statute to downplay study of Chinese art.

**Jan. 18, 2006:** TAO Deputy Sun Yafu in Washington for consultations.

**Jan. 19, 2007:** LY session ends without passing budget or procurement package.

**Jan. 19, 2007:** News of China's anti-satellite test provokes criticism in Taiwan.

**Jan. 23, 2007:** Taipei says 880 missiles and 100 cruise missiles aimed at Taiwan.

**Jan. 25, 2007:** PRC repatriates robbery criminal Li Hanyang.

**Jan. 29, 2007:** Taipei explains changes in new high school history text book that treat Taiwanese and Chinese history as separate.

**Jan. 29, 2007:** MAC Chair Wu says talks on tourism going smoothly; Beijing agrees.

**Jan. 31, 2007:** TAO spokesman Yang Yi condemns changes in history texts but says talks on weekend charter flights proceeding well.

**Feb. 3, 2007:** Economics Minister Chen mentions new corporate names "CPC Taiwan" and "CSBC Taiwan."

**Feb. 4, 2007:** DPP Chair Yu says he supports changing national name and amending General Provisions of constitution.

**Feb. 7, 2007:** MAC Chair Wu in DC wants foreigners eligible for charter flights.

**Feb. 8, 2007:** President Chen suggests changing name of China Postal Service.

**Feb. 9, 2007:** China Post chairman changes organization name to Taiwan Post amid protests.

**Feb. 9, 2007:** State Dept. spokesman says U.S. does not support name changes.

**Feb. 12, 2007:** President Chen presides at “Taiwan Post” name change ceremony.

**Feb. 12, 2007:** DPP Chair Yu says U.S. has no right to meddle in name changes.

**Feb. 13, 2007:** KMT Chair Ma Ying-jeou indicted on corruption.

**Feb. 13, 2007:** Lunar New Year/Spring Festival charter flights begin between Taiwan and PRC.

**Feb. 14, 2007:** DPP releases poll asserting 51 percent want “Taiwan” as national name.

**Feb. 15, 2007:** MAC says opinion polls show rise of Taiwan identity in 2006.

**Feb. 26, 2007:** President Chen says Chiang Kai-shek responsible for 228 Incident.

**Feb. 28, 2007:** President Chen presides over opening of National 228 Memorial.

**Feb. 28, 2007:** Beijing forum says 228 being manipulated by independence advocates.

**Feb. 28, 2007:** State notifies AMRAAM and Maverick missile sales to Taiwan.

**March 1, 2007:** CSBC Board adopts name Taiwan International Shipbuilding Corp.

**March 2, 2007:** Executive Yuan decides to rename Chiang Kai-shek memorial as “Taiwan Democracy Memorial Hall”

**March 3, 2007:** U.S. Deputy Secretary of State John Negroponte travels to Beijing; Beijing wants missile sale cancelled.

**March 4, 2007:** In speech, President Chen voices his “Four Wants, One Without.”

**March 4, 2007:** Beijing announces 17.8 percent defense budget increase on eve of NPC.

**March 5, 2007:** State Dept. spokesman says Chen’s remarks are “unhelpful.”



**March 5, 2007:** Premier Wen's NPC report emphasizes peace and development in Taiwan Strait.

**March 5, 2007:** FM Li Zhaoxing says Chen a criminal before history.

**March 5, 2007:** TAO statement says Chen's remarks a "dangerous step."

**March 5, 2007:** MAC says Taipei ready to negotiate a currency clearance agreement.

**March 6, 2007:** Taiwan MOFA protests Abe's remarks on comfort women.

**March 6, 2007:** *Defense News* publishes an article on *Hsiungfeng IIE* cruise missiles.

**March 8, 2007:** Jia Qinglin calls Chen's "Four Wants" a dangerous step.

**March 9, 2007:** KMT expels Defense Minister Lee Jye for removing CKS statutes.

**March 13, 2007:** Taiwan announces 43 percent anti-dumping duty on Chinese shoes.

**March 14, 2007:** TAO's Ye Kedong says "Four Wants" will not affect functional issues.

**March 15, 2007:** Acting DPP chair Trong Chai registers referendum proposal to apply to UN under name "Taiwan."

**March 17, 2007:** Premier Wen Jiabao holds NPC press conference.

**March 18, 2007:** Chen Ming-tung releases draft second republic constitution.

**March 18, 2007:** *Xinhua* criticizes draft as an independence step.

**March 19, 2007:** Executive Yuan proposes National Language Development Law.

**March 20, 2007:** Taipei's Investment Commission approves TSMC's 0.18 micron technology investment in China.

**March 21, 2007:** AIT Director Young calls for expanded cross-Strait economic ties.

**March 22, 2007:** PRC Ambassador Zhou Wenzhong urges U.S. to stop arms sales to Taiwan.

**March 23, 2007:** Taiwan Foreign Minister Huang visits St. Lucia for trade talks.

**March 24, 2007:** First DPP presidential primary debate.

**March 26, 2007:** Intel announces plan to build 12-inch wafer plant in China.

**March 27, 2007:** Deputy Assistant Secretary Christensen's testimony at HFAC.

**March 28, 2007:** TAO says draft second republic constitution is aimed at creating *de jure* independence.

**March 30, 2007:** Cross-Strait charter flights for Tomb Sweeping Day begin.