

**TAIWAN STRAIT IV:  
HOW AN ULTIMATE POLITICAL  
SETTLEMENT MIGHT LOOK**

26 February 2004



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## **TAIWAN STRAIT IV:**

### **HOW AN ULTIMATE POLITICAL SETTLEMENT MIGHT LOOK**

#### **EXECUTIVE SUMMARY**

Each side's most preferred solution for resolving the continuing Taiwan Strait issue – in the case of Taipei, widely recognised de jure independence; and in the case of Beijing, reunification of China on the same 'one country, two systems' basis as Hong Kong – are both non-starters. Neither society is likely to accommodate the other or change to the degree necessary to make either option realistically achievable, even ten or fifteen years down the road. If the risk of conflict across the Taiwan Strait – too serious to be accepted with equanimity, as the tensions of the last few months have shown – is to be reduced, then there has to be new thinking about what an ultimate political settlement might look like, and how to get there.

This report follows three earlier ones, published together in June 2003,<sup>1</sup> which demonstrated that for all practical purposes the 'One China' approach that has helped stabilise the region for three decades is dead; argued that the risk of war – while not great – was still real; and suggested a number of strategies for maintaining peace in the short to medium term. While noting the turbulent state of the current debate, heightened as it has been by the campaign for the 20 March 2004 presidential election, this report seeks to stand back from current events and focus on what it would take to produce a longer term solution that both sides could live with.

Four different reunification or reintegration models are considered:

- ❑ China's preferred 'one country, two systems' federal model, a refinement of that applied to Hong Kong. But the degree of subservience to central authority still implied continues to have no attraction for Taiwan.
- ❑ An asymmetric 'federacy' linking an autonomous entity to a larger state, offering Taiwan a stronger separate identity and more actual autonomy, as well as demilitarisation and international security guarantees. But even a very 'thin' federal model would remain hard for Taiwan to accept and the last two elements would be particularly difficult to achieve.
- ❑ A 'confederation' yoking China and Taiwan as sovereign equals in a state that retained full reunification as its ultimate goal. Originally put forward by the Kuomintang party (KMT), this has lingering support in Taiwan but not in Beijing, which continues to find antithetical any notion of sovereign equality.
- ❑ The idea of a 'Greater Chinese Union', somewhere between a confederation and the 'thinnest' possible federation, for which no existing terminology is quite suitable: both sides would recognise a larger common identity, but Beijing would allow Taiwan not only to maintain its political system and way of life but also to have considerable international space, including membership of many international organisations. In its most extreme form – probably not realisable in any foreseeable future – it could be contemplated that Taiwan, while part of a greater sovereign entity, would nonetheless occupy its own UN seat.

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<sup>1</sup> ICG Asia Reports N°53-55, *Taiwan Strait I: What's Left of 'One China'?*; *Taiwan Strait II: The Risk of War*; and *Taiwan Strait III: The Chance of Peace*, 6 June 2003.

Clearly a number of developments will have to take place over many years on both sides of the Strait before any such settlement is achievable. The prerequisites include:

- *Emergence of forward looking leaderships.* This will probably involve political generations not yet on the scene.
- *Evolution of political systems.* Substantial political liberalisation in China is a precondition for progress, but the path toward more pluralism is likely to involve many interruptions and detours, some quite severe.
- *Economic integration.* Commercial relations have never been better and such integration is likely to deepen. Taiwan's economic performance will impact on its willingness to consider a new political arrangement. If its technological and economic lead is eroded, there is likely to be greater willingness; if its economy flourishes, the desire for political integration may be less.
- *The emergence, or re-emergence, of a stronger sense of common identity,* particularly in Taiwan. The evolution of a more tolerant and pluralistic China will likely weaken the search for a wholly separate Taiwanese identity.
- *International attitudes.* Maintenance of a steady course, particularly by the U.S., will be

crucial, with strong discouragement being given both to any use of force and to any unilateral attempt to change the sovereignty status quo. The wider international community can foster progress by encouraging further political liberalisation in China, refraining from de jure recognition of Taiwan but at the same time opening further international space for it, and doing everything possible to encourage links between the two societies.

A successful ultimate settlement will draw on the uniqueness of Chinese history and culture – including a centuries old tradition of indirect imperial governance, with more weight on ceremony than substance, in areas where circumstances made direct administration difficult – and an elastic interpretation of “what it means to be Chinese”. It will respond to the highly distinctive situation in the Strait, and not be a pattern copied from political science or international law text books.

Some variation on the theme of a ‘Greater Chinese Union’ seems the most attractive option. Its loose and flexible form would allow Taiwan to keep its distinct political, economic and social identity and satisfy much of its desire to be treated with more respect internationally, while allowing China to plausibly claim that reunification is a reality.

**Beijing/Taipei/Washington/Brussels,  
26 February 2004**



## TAIWAN STRAIT IV:

### HOW AN ULTIMATE POLITICAL SETTLEMENT MIGHT LOOK

#### I. THE CURRENT DEBATE

While an escalation in tensions was to be expected in the months leading up to the March 2004 presidential elections in Taiwan, recent developments – going so far as to generate a threat from Beijing at one stage that “the use of force may become unavoidable”<sup>2</sup> – have dramatically underscored the fragility of the relationship between China and Taiwan and the importance of finding ways of stabilising it, in the short, medium and long term.

The three earlier reports in this series, published in June 2003 and summarised below, focused on the short to medium term: how the ‘One China’ policy had eroded in recent years (much more than most international observers have appreciated); the nature and extent of the risk of war, or other damaging confrontation, over Taiwan’s status; ways in which potentially dangerous political and military tensions might be defused; and the particular responsibility of the international community, especially the United States, to stand firm in defence of the status quo<sup>3</sup> on the sovereignty issue by not doing anything to advance Taiwan’s de jure independence.

The present report focuses squarely on the long term – what an ultimate political settlement, perhaps ten

to fifteen years hence, might look like, and what the prerequisites are for getting there. To produce such a report when the current environment is so turbulent may appear a little quixotic, but it cannot be too soon to begin focusing attention on what the most realistic longer term option might be. Nor can it be too soon for those capable of influencing the situation to begin moving more systematically in that direction. The heightened sense of anxiety that has arisen from recent developments is a potent reminder that until a long-term solution acceptable to both sides is achieved in the Taiwan Strait, there will always be a risk that a small-scale crisis, driven by domestic imperatives, will turn into a large-scale disaster.

ICG’s first report in this series, *Taiwan Strait I: What’s Left of ‘One China’?*<sup>4</sup> charted the way in which, over the last ten years, Taiwan has come to assert, as part of its new democratic identity, that it is not only a separate political entity, but an independent sovereign country. The longstanding formula, whereby both sides supported ‘One China’ but had differing interpretations of what this meant, is now on the point of final fragmentation. China refuses to compromise its position, and has not renounced the use of force as a means of making the ‘One China’ principle a reality. Taiwan has moved away – far more than most realise – from accepting that it and the mainland are part of one country. Neither side wants war, but positions on the sovereignty issue are now so far apart, and so intensely held, that the risk of it occurring must continue to be taken seriously.

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<sup>2</sup> See Ray Cheung, “Beijing threatens war on Taiwan”, *South China Morning Post*, 18 November 2003, quoting vice-minister of the Taiwan Affairs office, Wang Zaixi.

<sup>3</sup> The expression ‘status quo’ does not imply that the cross-Strait situation is static: it is simply a shorthand way of referring to the present status of Taiwan as a de facto independent society with its own armed forces, political system and currency, but which lacks de jure independence and is to a large degree isolated in the international arena due to Beijing’s opposition.

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<sup>4</sup> ICG Asia Report N°53, 6 June 2003.

*Taiwan Strait II: The Risk of War*<sup>5</sup> addressed in detail the chance of military confrontation, describing what is known about each side's capabilities and intentions, and the significance in this context of the Taiwan-U.S. defence relationship and the U.S. regional strategic presence. The report concluded that despite its ballistic missile deployments, China has no capacity for the foreseeable future to launch a major military assault on Taiwan, and that it is operating far more on the political or psychological level of conflict rather than the military.

Nonetheless, we argued, there is still a real chance of lower-level threats and coercive measures escalating out of control, and it is critically necessary that both parties, and the U.S., both unilaterally and between them, take transparency enhancing and confidence building steps to lower the risk of miscalculation and misunderstanding. The report urged China to reduce or at least freeze its missile deployments; it also recommended that the U.S. continue to be extremely cautious about approving arms sales to Taiwan, and that it visibly slow the pace of enhancement in U.S.-Taiwan military ties if China softens its military posture.

*Taiwan Strait III: The Chance of Peace*<sup>6</sup> examined the many positive economic and social dimensions to the relationship between Taiwan and China which, properly handled, can defuse potentially dangerous political and military tension over Taiwan's status. The report urged the resumption of high level political contacts – with greater emphasis on concrete cross-Strait cooperation and interchanges (in the areas of direct transport links, trade, investment, exchanges, joint oil exploration and fisheries ventures and the like), and less on high-profile arguments about recognition of the 'One China' principle. It noted that one intriguing possibility for both sides to work on would be for Taipei to host at least one event – e.g. baseball – of the 2008 Beijing Olympic Games. Its recommendations are reproduced as *Appendix B* of the present report.

This report also argued that the international community should continue to hold the line against *de jure* recognition of Taiwan as a state. Because Taiwan has progressed as far as it can go unilaterally to assert its independence from China, peace in the Taiwan Strait hinges, to a great extent, on the international community's resolve to oppose not only

the use of force by Beijing, on the one hand, but any attempt by Taiwan to gain recognition as a sovereign state, on the other hand. But that said, the report argued that UN member states – including China itself – should make some greater accommodation with 'status sentiment' in Taiwan by actively supporting Taiwan's membership of international organisations where statehood is not a requirement. And they should also be prepared to support Taiwan's participation – though not membership – where appropriate in organisations where statehood is a requirement (e.g. observer status at the WHO's World Health Assembly).

These reports concluded on the note that, despite apparently irreconcilable positions on the big issues of principle, and a disconcertingly higher profile for military measures since 1995, there is a significant overlap in the short to medium term goals of China and Taiwan in terms of practical, day-to-day matters, and that less rhetorical provocation, and sustained progress in these areas, could provide a path to peace for a number of years yet.

Notwithstanding this optimism, a new surge of cross-Strait tension began just three months later, in September 2003, and has continued throughout the course of the campaign for the 20 March 2004 presidential election. There have been three particular issues triggering this tension, all of them gathering momentum in the highly charged atmosphere of the political campaign: President Chen Shui-bian's call for a new Taiwan constitution in late September, his high-profile visit to the United States in late October, and his pursuit since early December of a referendum to be held in conjunction with the presidential election. How they have unfolded is described in detail in *Appendix A: A Turbulent Time: The Taiwan Strait Issue Since June 2003*.

Regardless of the outcome of the presidential election in Taiwan, recent events are a timely reminder of the urgent need for a more sustainable solution to the relations between China and Taiwan. In this report, ICG steps back from the present, day-to-day antagonistic politics of the 'Taiwan issue' and seeks to identify the kind of environment in which meaningful political negotiations might eventually take place, enabling China and Taiwan – perhaps within the next ten to fifteen years – to reach a peaceful agreement regarding their future relationship.

<sup>5</sup> ICG Asia Report N°54, 6 June 2003.

<sup>6</sup> ICG Asia Report N°55, 6 June 2003.

The next section explores, and assesses the credibility of, various models that have been advanced already or might be considered for an ultimate political solution. There is general consensus, however, that before any kind of substantive solution is thinkable, fundamental changes are needed on both sides of the Strait, especially in the way each side views itself and the other. Section III identifies those internal prerequisites, as well as the role that needs to be played by the wider international community, especially the U.S.

## II. ENVISIONING THE END RESULT: POSSIBLE MODELS FOR A POLITICAL SOLUTION

There have been numerous attempts by scholars, especially in Taiwan, to envision what a 'union-of-a-kind' between China and Taiwan could look like. Models drawing from concepts of federation, confederation, federacy, associated statehood, union, cross-Strait common market and commonwealth abound.

Terminology in this area is notoriously imprecise, with a number of the concepts overlapping, and – particularly when translated across languages – not necessarily conveying clear and commonly accepted content. There is general acceptance that a 'federation' involves a distribution of powers between centre and regional entities within a single sovereign entity. But existing federations around the world represent a wide spectrum of federation models, from those where most power is exercised by the centre to looser or 'thinner' federations where much more authority is exercised by one or more regional entities than by the central government. The term 'federacy' (though occasionally employed loosely as a general synonym for 'federation', or even 'confederation') tends to be used to describe a particular kind of thin federation: an essentially unitary state, but having within it some distinctive unit enjoying significant autonomy.

The term 'confederation' is sometimes used, confusingly, to describe a federation of the thinnest kind, but is more often today used to refer to an association of two or more states agreeing to pool significant powers while retaining their separate sovereign identity, e.g. the European Union. Lesser forms of political and economic 'union', 'association', or 'commonwealth' abound, based on various kinds of shared interest or commitment (e.g. Commonwealth of Nations, Francophonie, African Union, North American Free Trade Association), but these normally involve no dilution of sovereign capacity other than that which may be inherent in the acceptance by their members of commonly binding rules.

This section will examine four specific models:

- The 'one country, two systems' formula favoured by Beijing: essentially a federation, with a single sovereign state but with a clear

division of power between the central authority and the autonomous entity in question;

- a ‘federacy’: a very thin federation, with central authority’s power further diluted by the autonomous entity being demilitarised according to international agreement;
- the ‘confederation’ model put forward by Taiwan’s Nationalist KMT Party chairman Lien Chan, which constitutes a union of two equal, independent sovereign states aspiring to eventual unification;
- an integration model, somewhere between a confederation and the ‘thinnest’ possible federation, for which no existing terminology is quite suitable: described here as ‘Greater Chinese Union’.

Determining an acceptable name for a new Chinese entity will be an emotionally charged process. The term ‘federation’ has been unacceptable to Taiwan as it implies a unitary state with only one central government, giving other regional or provincial or even autonomous governments a lower status; ‘confederation’ has been rejected by China because it implies equal sovereign states. For the same reasons the terms ‘union’, and ‘commonwealth’ are suspect to Beijing; ‘union’ is associated with the European Union comprising several sovereign states; ‘commonwealth’ has the added disadvantage of implying too loose a degree of unity and brings to mind colonialism.<sup>7</sup> It may be necessary for a completely new Chinese term, deriving from a new combination of either existing modern Chinese characters or obscure classical Chinese characters, to be devised to accommodate both sides’ sensitivities.

Whether such a term will prove capable of translation into other languages in a way also capable of satisfying both sides’ sensitivities remains to be seen. Though the Chinese language does not distinguish between singular and plural, the English translation of the name agreed upon could not be expressed in the plural (i.e. ‘Commonwealth of Chinese Nations’) because of China’s hypersensitivity to any insinuation of one unified China being quashed. The

least neuralgic terminology for both sides may prove to be an English translation containing, for want of a better word, the term ‘union’ (e.g. ‘Greater Chinese Union’).

#### A. ‘ONE COUNTRY, TWO SYSTEMS’: THE GHOST OF HONG KONG

This federal model, invented by Deng Xiaoping to describe what is now the current relationship between the Special Administrative Region of Hong Kong and the rest of China, continues to be Beijing’s favoured way of embracing Taiwan. But it continues to be equally firmly resisted by most Taiwanese, who remain unattracted by the degree of subservience involved in Hong Kong’s present status. Even before China resumed sovereignty of Hong Kong on 1 July 1997, Taiwan was opposed to this reunification formula, categorically rejecting it in its 1994 White Paper on cross-Strait relations, with the statement that “Communist China’s ‘one country, two systems’ position is the greatest obstacle to unification”.<sup>8</sup> Though some of the more pessimistic Hong Kong scenarios have not materialised, Taiwan’s position since has remained no less hard.

The ‘one country, two systems’ formula, together with the Basic Law (enacted by the government of the People’s Republic of China (PRC) to become Hong Kong’s mini-constitution upon reversion), constitutes the main pillar of Beijing’s Hong Kong policy. It was intended to enable the Hong Kong Special Administrative Region (SAR) to exercise a high level of political autonomy and allow Hong Kong people to rule Hong Kong. The status of the Chief Executive is ‘state leader’, an official term in China usually applicable to people of vice-premier or Politburo member rank and above, which means he or she receives the highest deference in the rank-conscious Chinese hierarchy, above that of provincial leaders.<sup>9</sup>

The Basic Law also vests the Hong Kong SAR with considerable powers to conduct its external affairs, including the right to conclude treaties and to be a member of international organisations. But, extensive as these powers are, they do not carry connotations of sovereignty or diplomacy. In fact, a distinction is

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<sup>7</sup> Taiwanese scholar Yung Wei has suggested the use of ‘intra-national commonwealth’ in order to accommodate the views of both Beijing and Taipei. Yung Wei, “Recognition of Divided States: Implication and Application of Concepts of ‘Multi-System Nations’, ‘Political Entities’ and ‘Intra-National Commonwealth’”, *The International Lawyer*, Vol. 34, N°3, Fall 2000, pp. 1008-1011.

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<sup>8</sup> Sheng Lijun, *China’s Dilemma. The Taiwan Issue*, London: L.B. Taris Publishers, p. 101.

<sup>9</sup> Colin Mackerras (ed.), *Dictionary of the Politics of the People’s Republic of China*, London: Routledge, 1998, p. 165.



made between 'foreign affairs', i.e. international diplomacy, which are the responsibility of Beijing, and 'external affairs' relating to economic and cultural affairs, which Beijing authorizes Hong Kong to conduct on its own.<sup>10</sup>

According to an opinion poll conducted by the Mainland Affairs Council in Taiwan before Hong Kong's handover, 76 per cent of responders opposed "one country, two systems" as a formula to solve problems across the Strait (6 per cent were supportive).<sup>11</sup> The Taiwanese are understandably proud of their democratic society and are quick to point out that the residents of Hong Kong never enjoyed full-fledged democratic rights under British rule. Hong Kong's SAR Chief Executive is appointed by Beijing through a symbolic selection process. The residents of Hong Kong are not allowed to choose all members of the legislature in direct elections. A repeated phrase in Taipei is: "Taiwan is not Hong Kong". Both the Democratic Progressive Party (DPP) and the KMT maintain that it would be unreasonable to presume that Taiwan would agree to a reunification formula that does not safeguard "everything Taiwan already has".<sup>12</sup>

Before the handover in July 1997, many observers painted pictures of impending doom for the former British colony's individual freedoms. But predictions that personal liberties would be significantly curtailed did not materialise.<sup>13</sup> Five years after the handover, Beijing was praised for showing "a high degree of self-restraint in leaving

the Hong Kong authorities to govern Hong Kong".<sup>14</sup> Beijing has been acutely aware that Hong Kong serves as a testing ground of China's ability to accommodate political, social, and economic diversity. China's leaders know that trouble in Hong Kong would be disastrous for their hopes of wooing Taiwan.

However, as already noted, Hong Kong's Chief Executive is not elected by universal suffrage nor does the Basic Law ensure that the electoral system will produce any kind of effective opposition.<sup>15</sup> Beijing's choice of Chief Executive, Tung Chee-hwa, has become highly unpopular, in part because of his government's ineffective measures to offset the economic downturn following the Asian financial crisis in 1997, but also because Tung is viewed as a Hong Kong leader who either follows Beijing's instructions or tries to anticipate Beijing's wishes. A landmark court case regarding residency rights in which pressure from Beijing affected the ruling, as well as Tung's attempt to push through an anti-subversion law under Article 23 of the Basic Law, re-evoked fears of Beijing's intention to keep a tight rein on Hong Kong. The most sensitive clause of the proposed new law provoked public uproar because it stated that any organisation of which Beijing disapproves on security grounds could be proscribed in Hong Kong. Among several other controversial provisions was one that dispensed with the need for a search warrant.<sup>16</sup>

Before the new law was to be debated in Hong Kong's legislative body in July 2003, the chairman of the U.S. House of Representatives International Relations Committee, Henry Hyde (Republican,

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<sup>10</sup> Yash Ghai, *Hong Kong's New Constitutional Order: The Resumption of Chinese Sovereignty and the Basic Law*, Hong Kong: Hong Kong University Press, 1997, p. 433-441.

<sup>11</sup> Taiwan's Mainland Affairs Council has regularly conducted opinion polls on this subject since January 1991. Respondents are asked: Is the 'one country, two systems' formula applicable to solving the problems across the Strait? In December 2002 opposition to the 'one country, two systems' formula had slightly weakened (72.5 per cent); 9.1 per cent of respondents were supportive of the formula. [http://www.mac.gov.tw/english/english/pos/9112/9112e\\_8.gif](http://www.mac.gov.tw/english/english/pos/9112/9112e_8.gif)

<sup>12</sup> ICG interviews in Taipei, December 2002 and February 2003. See "KMT rejects 'one country two systems'", 20 July 2001 Central News Agency, Taipei [http://th.gio.gov.tw/show.cfm?news\\_id=9834](http://th.gio.gov.tw/show.cfm?news_id=9834)

<sup>13</sup> Though personal liberties were not curtailed by any official decree after the handover, ever since 1997 there has been an ongoing debate in Hong Kong regarding the degree of self-censorship that Hong Kong media outlets subject themselves to.

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<sup>14</sup> Report by Civic Exchange, an independent, non-profit think tank in Hong Kong, and Washington-based non-profit organisation National Democratic Institute for International Affairs: "Accountability without Democracy: The Principal Officials Accountability System in Hong Kong", section 2.2, September 2002. <http://www.civic-exchange.org/publications/2002/POASE.pdf>

<sup>15</sup> The Chief Executive is appointed by Beijing. In late 2004 the number of legislators facing popular election will increase from 24 to 30. After 2007 the Basic Law has provisions that allow, but do not require that all members of the legislature will be elected by universal suffrage.

<sup>16</sup> See Michael C. Davis, "Civil liberties, not security, should be emphasized in Article 23 debate", *South China Morning Post*, 29 September 2002; Jonathan Fenby, "Subverting Hong Kong's Autonomy", *Time Magazine (Asia)*, 7 October 2002; Siu-Kai Lau (ed.), *The First Tung Chee Hwa Administration – The First Five Years of the Hong Kong Special Administration Region*, Hong Kong: Chinese University Press, 2002.

Illinois), compared the loss of civil liberties in Hong Kong to the “wearing away of a rock through a constant flow of water on it”.<sup>17</sup> The House passed a resolution, approved 426 votes to 1, calling on the Chinese and Hong Kong governments to withdraw their proposal implementing Article 23 because it would reduce the basic human freedoms of the territory's residents.<sup>18</sup> About 500,000 Hong Kong residents marched in protest of Article 23 on 1 July 2003, marking the largest demonstration in Hong Kong since the Beijing government's crackdown on the Tiananmen democracy movement in 1989. As a result of the political crisis Chief Executive Tung was forced to concede to further consultations on the wording of the new law and postpone the legislative vote. Throughout the autumn 2003, pressure built up to introduce democratic reforms, including the selection of the Chief Executive by popular vote. The heated debate regarding Article 23, in addition to Beijing's demand, announced on 7 January 2004, that the central government be consulted before discussions about political reform in Hong Kong were initiated, have only reinforced the view held by many Taiwanese that the Hong Kong model is an unacceptable foundation for political integration between Taiwan and China.<sup>19</sup> That sentiment has been further reinforced by the publication in early February by *Xinhua*, the official Chinese news service, of a series of blunt reminders about the subservience of the ‘two systems’ principle to that of ‘one country’.<sup>20</sup>

China's formula for a Taiwan Special Administrative Region is somewhat different from Hong Kong's status as a SAR. China would basically grant the Taiwan government a higher degree of autonomy in political, governmental, fiscal and legal matters, and it would promise, as it did to Hong Kong, continuity in social and economic systems and way of life, as well as permit continued and expanded engagement in economic and other non-political aspects of international relations. The Taiwan version of the

formula offers privileges not given to other SARs (Hong Kong and Macau) in that it would allow Taiwan to administer its own military system and, most significantly, to keep its own armed forces so long as they did not threaten the mainland. Beijing would promise not to station troops on the island.<sup>21</sup>

However, several policy-makers in China conceded in off-the record discussions that Beijing's promise to allow Taiwan its own armed forces is a token gesture to stress Beijing's flexibility rather than a serious commitment; in any sovereign state the armed forces adhere to a central military command. “When Beijing says the Taiwanese can keep their own army, it means the kind of armed forces needed for domestic purposes, on par with the Hong Kong police”, one Beijing official said.<sup>22</sup>

In addition, according to China's legislative and constitutional theory the sovereign may make laws for any part of China on any subject (including the autonomy and substantive law of sub-national units) with whatever content it deems prudent, and may freely revise them.<sup>23</sup> Taiwan's government as a ‘local government’ would possess only such power as the sovereign chooses to give it.

Taiwan rejects the formula of ‘one country, two systems’ because it would establish a relationship of principal and subordinate. The high degree of political autonomy promised to Taiwan could be a temporary arrangement, merely to be changed after a transitional period. Beijing's promises are seen as devoid of any substantial legal content. In the case of Hong Kong, the Joint Declaration between Britain and China is an international agreement and binds the government in Beijing to have the provisions of the Basic Law of the Hong Kong SAR stand in accord with the provisions of the International Covenant on Civil and Political Rights, which is incorporated into Hong Kong law. Presently, Beijing refuses to grant international bodies any role in determining the status of Taiwan. Contrary to its

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<sup>17</sup> Hyde made the remarks while at a committee meeting that put forward a resolution to express support for freedoms in Hong Kong (HR 277). Transcript: “Hyde Voices Concern for Erosion of Freedom in Hong Kong”, 18 June 2003, U.S. Department of State, available at: <http://usinfo.state.gov>

<sup>18</sup> U.S. Department of State Transcript: “Resolution Warns That Hong Kong's Basic Freedoms Are in Danger”, 26 June 2003, available at <http://usinfo.state.gov>

<sup>19</sup> See e.g. P. Pan, “Hong Kong Postpones Timetable For Reforms”, *Washington Post*, 7 December 2003.

<sup>20</sup> See Philip Bowring, “No more nice guy”, *International Herald Tribune*, 14-15 February 2004.

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<sup>21</sup> See Li Jiaquan, “One Country, Two Systems Concept: Its Formation and Development”, *Beijing Review*, 4-10 January 1998, pp. 16-18; Jiang Zemin's Report to 15<sup>th</sup> Party Congress of the Chinese Communist Party, section VIII, in BBC Summary of World Broadcast, 15 September 1997.

<sup>22</sup> ICG interviews, Beijing, November 2002 and March 2003. Beijing has not made clear its position on Taiwan's right to continue purchasing military equipment after political reintegration takes place.

<sup>23</sup> See Jacques deLisle, “The Chinese Puzzle of Taiwan's Status”, *Orbis*, Vol. 44, N°1, Winter 2000.

commitments vis-a-vis Hong Kong, it currently rejects the idea of a treaty or any other measure of international law that would bind Beijing to honour its promises toward Taiwan.<sup>24</sup>

Taiwan's present Guidelines for National Unification (GNU), adopted in 1991 by the KMT government-established National Unification Council (NUC) and still formally in place,<sup>25</sup> see unification as a process of short-term, medium-term, and long-term phases, as a series of steps based on the democratic evolution of Chinese society and government. According to the Guidelines, the acceptable path to reunification presupposes democratisation, economic development and establishment of the rule of law in China to facilitate a 'one country, one system' (the system being one reminiscent of Taiwan's today).<sup>26</sup> The Taiwanese formula has also been nicknamed 'one country, one good system'.<sup>27</sup>

Overall, to use 'one country, two systems' as a basis for deliberation of Taiwan's future is as outdated as to use the 'One China' principle as a reference point about the China-Taiwan relationship. Chen Shui-bian's view that China needs to acknowledge Taiwan's status as an independent sovereign country is, as stated in ICG's Taiwan Strait Report I, a mainstream view in Taiwan today. American officials, both under the Clinton administration and present Bush administration, have consistently advised their counterparts in Beijing to "cast the 'one country, two systems' concept in to the trash can, and start afresh".<sup>28</sup> Only by devising a new formula, based on novel thinking and hitherto unexplored avenues, will Beijing have a chance to achieve a lasting peace with Taiwan.

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<sup>24</sup> Jeremy T. Paltiel, "Dire Straits: Rescuing the Taiwan Problem from the zero-sum game of international sovereignty", *China Perspectives*, N°34, March-April 2001, pp. 22-23, 27.

<sup>25</sup> The National Unification Council was established in 1990 by the KMT government to deliberate policies and formulate guidelines for reunification, which were adopted in February 1991. In his inaugural address in 2000, DPP President Chen Shui-bian promised not to abolish the Guidelines on National Unification and the National Unification Council as a goodwill gesture to China though he refused to yield to China on the all important 'One China' principle. See ICG Report *Taiwan Strait I*, op. cit. pp. 10-12, 44-46. For text of GNU see: <http://www.mac.gov.tw/english/index1-e.htm>

<sup>26</sup> Jacques deLisle, "The Chinese Puzzle of Taiwan's Status", *Orbis*, Vol. 44, N°1, Winter 2000, pp. 42-44.

<sup>27</sup> Sheng Lijun, *China's Dilemma*. op. cit., p. 101.

<sup>28</sup> ICG interviews, Washington DC, April 2003.

## B. FEDERACY: COULD TAIWAN BE DEMILITARISED?

One of the least explored models for unification in the Taiwan Strait is federacy, which has been defined as a "political system in which an otherwise unitary state develops a federal relationship with a territorially, ethnically, or culturally distinct community, while all the other parts of the state remain under unitary rule".<sup>29</sup> Federacy has also been called "an asymmetrical relationship between a federated state and a larger federate power, providing for potential union on the basis of the federated state maintaining greater internal autonomy by forgoing certain forms of participation in the governance of the federate power".<sup>30</sup> While, as noted below, the China-Hong Kong 'one country, two systems' model is itself in a sense a form of federacy, the particular variation discussed here would mean in the case of Taiwan much more real independence, and much less residual supervisory authority for Beijing.

A federacy defines the present relationship between Denmark and Greenland, as well as between Finland and the Åland Islands. Despite the obvious differences in size and significance of the entities involved, there are some interesting similarities between the China-Taiwan and the Finland-Åland cases. The people inhabiting the Åland Islands have a strong local identity that sets them apart from a mainland-Finnish identity; they speak a different language (Swedish) than the majority of Finns and, contrary to the Swedish-speaking minority living on mainland-Finland, Åland residents do not, as a rule, speak any Finnish. Mainland-Finns are not allowed to own land in Åland. Åland has its own parliament, its own tax laws and its own general legislation, but in matters of foreign affairs adheres to Helsinki.

While several of the characteristics of the relationship between Finland and Åland are at first glance reminiscent of Deng Xiaoping's 'one country, two systems formula', the case is worth mentioning because of two unique and divergent elements, both related to demilitarisation. First, the Åland Islands have been demilitarised because of their strategic location. The islands are located between Sweden

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<sup>29</sup> Stepan, Alfredo, "Federalism and Democracy: Beyond the U.S. Model", *Journal of Democracy*, October 1999, p. 20.

<sup>30</sup> Elazar, Daniel J., "International and comparative federalism. (Federalism: Aftermath of the 1980s and Prospects for the 1990s)", *Political Science & Politics*, Vol. 26, N°2, June 1993, p. 190.

and Finland, at the entrance to the Gulf of Bothnia, dominating access to St. Petersburg, and are of importance to three states: Sweden, Finland and Russia. In the 1920s and 1930s the Åland Islands were described as a “pistol aimed at the heart of Sweden”<sup>31</sup> (just as Taiwan would be perceived by Japan, if the People’s Liberation Army or the armed forces of a unified China would have the right to station troops on Taiwan). Secondly, demilitarisation is guaranteed by international endorsement.

The provisions of the agreement on autonomy were approved by the Council of the League of Nations in 1921, and incorporated into the Finnish legal system by a separate Åland Guarantee Act in 1922. The agreement did contain the possibility of applying to the Council of the League of Nations, which Åland never did. However, the original provision is still in force and may be activated by the United Nations. Although Finland is in charge of Åland’s foreign affairs, the Åland Islands are represented separately in the Nordic Council. Åland vessels use the Åland flag; Åland has its own postal stamps; and people holding separate Åland regional citizenship carry Finnish/EU passports marked with the word ‘Åland’.<sup>32</sup>

Though the Åland Islands are demilitarised, Finland still has the right to defend them. There are no naval or army bases on Åland, but the Finnish naval and air forces are responsible for surveillance of the area, and would defend them against military aggression.<sup>33</sup>

Could Taiwan be demilitarised by international treaty? Obviously at present the question seems utopian. In both Beijing and Taipei demilitarisation is dismissed as out of the question, and Beijing’s official position rejects the need for international guarantees for Taiwan’s security. However, it was evident in several discussions with Chinese officials and scholars that the necessity of accommodating Taiwan’s security concerns by some form of loosely worded international guarantee is under consideration among think tank researchers in Beijing. In the words of one well-connected Chinese official: “China would not accept the kind of hands-

on international guarantees that have been applicable in the Balkans, for example Kosovo. But could Beijing one day in the future accept a statement or document approved by the United Nations General Assembly, which acknowledges a treaty or an agreement negotiated between both sides of the Taiwan Strait? If that would resolve China’s longstanding desire to achieve some form of unification? Certainly”.

Were Taiwan to be demilitarised (with China retaining the right to defend the island from attack), it would have profound implications for South China Sea. It could reduce the security concerns of a unified China’s neighbours, especially those of Japan. The idea of demilitarisation, guaranteed by international treaty, fits into several proposals for a Peace Zone of the Taiwan Strait.

### C. CONFEDERATION: A UNION OF TWO EQUALS

A month before the KMT party congress in late June 2001, KMT Chairman Lien Chan introduced a draft package of policy guidelines to promote the goal of Taiwan and China forming a confederation.<sup>34</sup> The KMT proposal cited four confederations from history, noting that though different in nature and not directly applicable to the Taiwan Strait, they shared general principles: all its members were equal; they coexisted under the same roof; and they retained the powers of foreign affairs and national defence while also enjoying autonomy in domestic jurisdiction.<sup>35</sup> A Taiwan Strait confederation would conform to the principles of parity, separate jurisdiction, peace and gradual process as well as “take good care of the will of the Taiwan people in being their own masters, as well as the objective of democratic unification”.<sup>36</sup>

The KMT think tank responsible for drawing up the confederation proposal maintained that a confederation, as it defined it, was more suitable than a commonwealth or federation in the special

<sup>31</sup> Rene Nyberg, “Demilitarisointi ei estä puolustamasta Ahvenanmaata”, *Sotilasaikakauslehti*, Vol. 66, N°1, 1991, p. 12 [“Demilitarisation does not rule out defending the Åland Islands” in Finnish journal of military affairs].

<sup>32</sup> See Ruth Lapidoth, *Autonomy. Flexible solutions to ethnic conflicts*, Washington DC: United States Institute of Peace, 1996, pp. 70-77.

<sup>33</sup> Rene Nyberg, “Demilitarisointi” op. cit. 1991, p. 11-14.

<sup>34</sup> See “A Brief on the ‘Confederation’ Concept in the Draft Platform of the Kuomintang Party”, Taipei: National Policy Foundation, July 2001, [www.gio.gov.tw/taiwan-website/5-gp/election/major/major02b.htm](http://www.gio.gov.tw/taiwan-website/5-gp/election/major/major02b.htm)

<sup>35</sup> Ibid. The confederations mentioned are Swiss Confederation (1291-1796), Confederation of the United States of America (1778-1787), the German Confederation (1815-1866), the United Arab Republic (1958-1961).

<sup>36</sup> Ibid.

circumstances prevailing in the Taiwan Strait. Even though the two sides would live under one roof, neither would be a subordinate entity to the other (as in a federation, where there is only one central government). And a commonwealth, while made up of sovereign independent states, was seen as a form of organisation that did not aspire to unification as an end goal.<sup>37</sup>

The proposal suggested constructing a Taiwan Strait confederation after each side first formulated its own internal consensus and then worked out an agreement through mutual negotiation. According to the KMT draft proposal, a confederation would constitute a transitional agreement between China and Taiwan that would lead to eventual unification under the principles of democracy, freedom, and equitable prosperity. The proposal stressed that confederation was neither the KMT's immediate goal, nor the final solution of cross-Strait relations. The KMT's mainland policy would continue to maintain the Guidelines for National Unification (GNU) as its foundation, and would strive to resume cross-Strait dialogue on the basis of the 1992 consensus of 'One China with respective interpretations'. Once dialogue took place regularly and confidence-building measures were established, a Taiwan Strait Peace Zone would be formed to encourage a confederation between the two sides. Confederation was regarded as neither Taiwan independence nor precipitate unification. Democratic unification would remain the end goal.<sup>38</sup>

As on previous occasions when the idea of confederation has been floated in Taiwan, the KMT confederation proposal received mixed reactions. Many politicians described the idea as worthy of contemplation and constructive, but predicted that it would be totally unacceptable to Beijing. It was also criticised as too complex to be easily sold to voters. DPP commentators emphasized the need to consult Taiwan's people in any arrangement changing the present status quo, although one DPP legislator praised the proposal as an impetus to find a common bottom line and to create inter-party unity on the issue of cross-Strait relations. He also said that

because both pro-independence and pro-unification advocates had all opposed the confederation model it was not a "bad idea" and could attract middle-of-the-road voters.<sup>39</sup>

Lien wanted to have his guidelines incorporated in the party platform, but in the event, because of the opposition voiced both by different factions within the KMT and other parties, the proposal was shelved before the party congress. KMT officials were wary of alienating voters before the December 2001 elections for the Legislative Yuan after two opinion polls showed about 44 per cent of respondents in favour of and about 35 per cent opposed to the idea of a confederation.<sup>40</sup>

That said, if Taiwanese voters were today forced to make a choice, the confederation model outlined by Lien would most probably be the only acceptable formula for political integration, above all because Taiwan would not be in a subordinate position to China in this model.<sup>41</sup>

China had already made public its opposition to Lien's idea of a confederation when he first aired it in his memoirs published six months earlier, in January 2001. The present official line of Beijing is well documented in ICG's Taiwan Strait Report I.<sup>42</sup> In Beijing's view, Taiwan is not and cannot be looked upon as a sovereign independent state. As one Chinese scholar explained to a Taiwanese reporter after Lien's

<sup>37</sup> Myra Lu, "Cross-strait confederation idea stirs debate", *National Affairs*, 13 July 2001, quoting Su Chi, who penned the proposal. Su Chi was formerly Chairman of the Mainland Affairs Council and presently works as researcher at the KMT think tank, National Policy Foundation.

<sup>38</sup> See "A Brief on the 'Confederation' Concept in the Draft Platform of the Kuomintang Party", Taipei, op.cit.

<sup>39</sup> Myra Lu, op. cit., quoting DPP legislator Shen Fu-hsiung evaluating the positive aspects of the proposal. Shen's comments on middle-of-the road voters were quoted in "DPP discusses Lien's confederation model", *Taipei Times*, 5 July 2001.

<sup>40</sup> ICG interviews in Taipei, February 2003. Lien Chan first raised the confederation idea in his memoirs published in January 2001. The results of the two polls probing voters' attitudes toward the confederation model were not published, but according to a KMT member closely associated with the process, the poll results indicated sufficient opposition to convince Lien Chan that the time was not yet ripe for the proposal to be submitted to a vote at the KMT party congress. See also "KMT shelves confederation proposal", *Taipei Times*, 25 July 2001, [http://th.gio.gov.tw/show.cfm?news\\_id=9913](http://th.gio.gov.tw/show.cfm?news_id=9913); Myra Lu, "Cross-strait confederation idea stirs debate", *National Affairs*, 13 July 2001.

<sup>41</sup> ICG interviews in Taipei, December 2002, March 2003. Based on his own interview in June 2000 at the Mainland Affairs Council in Taiwan, Jeremy Paltiel goes so far as to say that there appears to be a fairly broad consensus for a confederal solution to cross-Strait relations even among nationalists. Jeremy T. Paltiel, "Dire Straits", op. cit. p. 26.

<sup>42</sup> ICG Report, *Taiwan Strait I*, op.cit.

memoirs were published, cross-strait unification under a confederation would be unification in form only, and not a unification of sovereignty. He went on to say that the unification of sovereignty, in the sense of international representation, is crucial to China.<sup>43</sup>

It is noteworthy that none of the remarks by Chinese commentators on Lien's confederation model were outright condemnatory though each one objected to it because of the sovereignty issue. The scholar called the confederation proposal "positive and friendly".<sup>44</sup> Vice Premier Qian Qichen did not reject the model though specifically asked about it in an interview with the *Washington Post*. He reiterated his already previously publicised remarks that as long as there is no talk of separatism, anything can be discussed.<sup>45</sup> Though the matter-of-fact tone of China's reactions was possibly due to Beijing's attempt to remain as conciliatory as possible to a KMT initiative and reserve harsher expressions for any DPP initiative, it is one more indication that China is moderating its views.

Even in a possible new environment of trust described later in this report, it is improbable that the KMT confederation model would be acceptable to China without significant modification. However, in off-the-record conversations with officials and scholars in China in spring 2003, it was apparent that China is slowly coming to terms with the need for it to seek more elastic interpretations of sovereignty.<sup>46</sup>

#### D. A UNIQUELY CHINESE SOLUTION: 'GREATER CHINESE UNION'

Looking back at history, it is evident that Deng Xiaoping's 'one country, two systems' formula of reunification was based upon China's traditional dual approach to governance. This approach first evolved under the Han dynasty some 2000 years ago, and the Manchus further developed it to rule the vastly expanded Chinese empire. In regions where cultural and material circumstances were suitable, officials engaged in direct administration. Where

circumstances did not permit direct administration of an area, usually due to long distance or to underlying cultural incompatibilities between the local residents and Confucian administrators, imperial governance was implemented indirectly. In this case, a highly refined system of ceremonial protocols bound the local chief to the emperor's authority and through conferral of a noble title delegated responsibility to him.<sup>47</sup> Social institutions, and the importance attached to ceremony, comprise part of the glue that has held the Chinese together over the millennia. Chinese identity "involved no conversion to a received dogma, no professions of belief in a creed or a set of ideas".<sup>48</sup> Rather it stressed ritual form. The Confucian concept of *li*, interpreted as 'civility' or 'ritual behaviour', had an institutionalised role in the state. *Li* implies acceptance of a mutual set of understandings that allows peaceful interaction even when people disagree. "Orthopraxy" (correct conduct) became more relevant than orthodoxy (correct opinion or belief).<sup>49</sup>

Taking these ideas from imperial China a step further, any viable political solution in the Taiwan Strait will require the same sort of elastic interpretation of 'what it means to be Chinese' in which ritual and appearances may be more profound than actual content. Approached in this way, a necessary precondition for any ultimate political settlement in the Taiwan Strait would have to be Taiwan's acknowledgement that it belongs to the Chinese nation at large, and that its fate is linked in some fashion to that of the Chinese mainland: recognising, in a sense, that its geography is its destiny. This may not be quite as difficult to achieve as it may seem. Even current Taiwanese President Chen Shui-bian has accepted the notion, if not of unification, of 'political integration' in the long-term,<sup>50</sup> and in an environment of mutual trust both

<sup>43</sup> "PRC's Qian: confederation can be discussed", *United Daily News*, 5 July 2001, <http://www.taiwanheadlines.gov.tw/20010105/20010105p1.html> The scholar was Jia Qingguo, Vice-President of Beijing University's Institute of International Affairs.

<sup>44</sup> *Ibid.*

<sup>45</sup> *Ibid.*

<sup>46</sup> ICG interviews, Beijing, March 2003.

<sup>47</sup> See Thomas Bartlett, "The Role of History in China's View of the World Today", *Pacific Review*, Vol. 13, N°1, February 2001, p. 118.

<sup>48</sup> James W. Watson, "Rites or Beliefs? The Construction of a Unified Culture in Late Imperial China", in Lowell Dittmer and Samuel S. Kim, (eds.) *China's Quest for National Identity*, Ithaca: Cornell University Press, 1993, p. 93.

<sup>49</sup> *Ibid.*, p. 99. See also Linda Jakobson, *A Million Truths. A Decade in China*, New York: M. Evans, 1998, pp. 202-203; Robert P. Weller, *Alternate Civilities. Democracy and Culture in China and Taiwan*, Boulder: Westview Press, 1999, pp. 26-27.

<sup>50</sup> In line with the complex semantics of any concept relating to the Taiwan Strait, it should be noted that Chen Shui-bian has spoken of long-term 'political integration' (in Chinese

sides can be expected to be more forthcoming. For mainland Chinese themselves national identity is still work in progress: what it meant to be Chinese during Mao Zedong's era has evolved into something else today, and will continue to evolve.<sup>51</sup> And the same holds true when envisioning the identity development of Taiwanese.

Deriving inspiration from imperial China's philosophy of loose governance, political integration in the Taiwan Strait will most probably be based on the 'thinnest' of thin federation models, and getting very close to a confederal model: a 'Greater Chinese Union', with each side, at least initially, retaining an extremely high level of independence in managing its own affairs. Taiwan would give Beijing 'face' by acknowledging this sense of belonging to a 'Greater Chinese Union' in return for Beijing acknowledging Taiwan's need to not only safeguard its political system and way of life, but also – more difficult for Beijing to accept but, as discussed below, not impossible – to enjoy more international space.

The recognition of common identity might entail ritualistic meetings of a supreme council formally in charge of the 'Greater Chinese Union'. These meetings could be held annually e.g. on the birthday of modern China's founding father Sun Yat-sen (a revolutionary leader revered on both sides of the Strait), or on May Fourth (a historic anniversary commemorated on both sides), or on Confucius' birthday, or on specific occasions to officially announce a pre-negotiated project of cooperation.<sup>52</sup>

China and Taiwan would be equal political entities in this 'Greater Chinese Union' or whatever the new political entity is ultimately called. It could have all the ceremonial trappings necessary to facilitate the image of a unified China, i.e. its own anthem and

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*zhengzhi tonghe*), not 'unification' (in Chinese *tongyi*). Though the concepts are different in Chinese they share one common character (*tong*). ICG interview, Taipei, February 2003.

<sup>51</sup> Lynn T. White, "War or Peace Over Taiwan"? *China Information*, Vol. XIV, N°1 (Winter 2000), pp. 4-6; see also Lowell Dittmer and Samuel S. Kim, (eds.) *China's Quest for National Identity*, Ithaca: Cornell University Press, 1993; Edward Friedman, "Chinese Nationalism, Taiwan Autonomy and the Prospects of a Larger War", *Journal of Contemporary China*, Vol. 6, N°14 (1997).

<sup>52</sup> Admittedly, 'sovereignty' and 'nation' are modern concepts, unknown in imperial China, so any attempt to adapt traditional approaches of governance to the present day can only be allusive.

own flag. Both China and Taiwan would be represented in the supreme council, with each entity being responsible for the jurisdiction and governance of its own territory – just as they are de facto today.

The paradigm of China-Taiwan relations – the 'One China' principle – is, after all, already at present based to a great extent on appearance more than actual substance. For example, China continues to insist that the 'Taiwan issue' is an inner-Chinese affair that warrants no international interference; yet it continuously demands international assurances of its own interpretation of the 'One China' principle. Outsiders, following the lead of the United States, continue to play along with diplomatic fictions giving China the 'face' it seeks.<sup>53</sup> The Taiwan Relations Act is itself testimony that Taiwan's destiny is not merely a solely Chinese affair.

For any peaceful settlement to be reached in the Taiwan Strait, 'One China' has to be defined in the loosest of terms, along the lines that China's Qian Qichen already touched upon in July 2000: in the world there is one China, and both mainland China and Taiwan are part of China.<sup>54</sup> Taiwan cannot be expected to proclaim that it is part of the PRC. It is worthwhile to bear in mind that in Chinese 'China' – *Zhong Guo* or *Zhong Hua* – can allude to the 'nation', but also to 'Chinese civilisation'.

Taiwan presently regards acknowledgement of belonging to 'One China' prior to entering into political talks with Beijing as compromising its position before negotiations on political integration have even begun. However, in the event that the cross-Strait environment including democratisation in China and the enhancement of mutual trust evolves in the next two decades in the way discussed later in this report, Taiwan can be expected to agree that in some form or another it is part of China. China, on the other hand, needs to meet Taiwan halfway on matters of both 'internal' and 'external' sovereignty.<sup>55</sup>

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<sup>53</sup> Jean-Pierre Cabestan, "Integration without Reunification"? *Cambridge Review of International Affairs*, Vol. 15, N°1, 2002, p. 95.

<sup>54</sup> *Mingbao*, 14 July 2000, p. B17.

<sup>55</sup> While these are not strictly terms of art, and conceal a multitude of complexities, the distinction between internal and external sovereignty is a useful way of focusing the issues for policymakers. As defined by He Baogang, "Internal sovereignty denotes a state's entitlement to control the population and borders, its ability to set the policy-

**Internal Sovereignty.** The less difficult part of the equation may well prove to be the internal division of power: Chinese officials have, after all, for centuries been adept at devising various such arrangements. Presently Beijing states that the Republic of China (ROC) ceased to be a sovereign state when the PRC was proclaimed on 1 October 1949 and consequently the ROC cannot have a constitution: that is something only for a central government. But there are of course many examples elsewhere of regional entities or sub-units within a larger polity having their own constitutions.

At the outset, both sides will need to mutually recognise the validity of the constitutions and constitutional arrangements of their counterparts. If Beijing were to recognise the legitimacy of Taiwan having its own constitution, it would help to alleviate Taiwan's concerns of accepting an inherently subordinate position before negotiations regarding the future have even started. It would also serve as recognition by Beijing of Taiwan's democratic system. In this context Beijing needs only to acknowledge the de facto situation, that the Taiwanese government does indeed exercise effective legislative authority over the territory of Taiwan, Penghu, Kinmen and Matsu.

In any integration model, Taiwan will need to be convinced that the change will mean an improvement in its external status, which is discussed below. But Taiwan also needs credible assurances that its political institutions cannot be changed without the initiation and consent of the Taiwanese people. International guarantees may be necessary in this respect, perhaps in the form of an endorsement of the agreement reached between Beijing and Taipei by the United Nations, or by the United States and Japan jointly.

It is highly probable that even in an environment of enhanced cooperation and trust, Taiwan would

demand security guarantees from the United States, i.e. that the Taiwan Relations Act or a revised but similar act passed by Congress, which would also acknowledge the formation of a 'Greater Chinese Union', stay in force for a predetermined period of time after the initial founding of this new political entity. (Because a 50-year period would be reminiscent of the agreement between China and Britain regarding Hong Kong, it may be appropriate to choose another time frame.) Beijing would do well to understand that the "ghost of Hong Kong" will continue to walk in Taiwanese domestic politics. Any reference to the Hong Kong model will not be conducive to swaying Taiwan to the side of political integration.

In terms of ultimate implementation, however averse Beijing may presently be to the idea of referendums, an ultimate peaceful settlement in the Taiwan Strait will certainly require a mandate by the voters of Taiwan. This could be determined by a referendum or in conjunction with Taiwan's presidential elections in which the winning candidate had clearly advocated and spelled out a platform for integration during the campaign.

**External Sovereignty.** What can be done under the 'Greater Chinese Union' model to meet to some significant extent Taiwan's other presently articulated need, for greater international status? International law as it has so far evolved does not readily offer solutions to the dilemma in the Taiwan Strait. There is not much in-between ground when dealing with sovereignty: in international law it is a zero-sum game. While two sovereign powers may divide or even share<sup>56</sup> sovereignty over another territory, there is no established doctrine of limited sovereignty internationally, capable of being asserted without ultimate subordination to another sovereign power – hence the difficulty in contemplating an ultimate solution in the Taiwan Strait based on existing concepts of sovereignty.<sup>57</sup>

International sovereignty, however, is not what it was. Modern technology and communications have made borders infinitely more permeable, and states in practice have come to accept innumerable intrusions, limitations and international law restraints on what might in the past have been regarded as areas of

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making agenda, and its capacity to control exchange rates and taxation policy within its legal jurisdiction. External sovereignty covers representation in international organisations, establishing diplomatic relations with other countries, and negotiating and signing international treaties": see "The Question of Sovereignty in the Taiwan Strait", *China Perspectives*, N°34, March-April 2001, p. 7, citing Stephen D. Krasner's distinction between international legal sovereignty and domestic sovereignty in *Sovereignty: Organized Hypocrisy*, Princeton University Press, 1999, pp 3-12. See also Ruth Lapidoth, *Autonomy. Flexible solutions to ethnic conflicts*, op. cit., p. 19.

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<sup>56</sup> As in the case of a condominium, like the former New Hebrides (now Vanuatu), the administration of which was shared between the UK and France.

<sup>57</sup> See Jeremy T. Paltiel, "Dire Straits" op cit., p. 20.



unfettered freedom of action. Even in matters of internal security, notwithstanding the UN Charter's reservation to its member states of 'matters essentially within [their] domestic jurisdiction', it is coming to be accepted that sovereignty implies responsibility as much as control, and that when governments abdicate their responsibility to protect their own people that responsibility shifts to the wider international community, making intervention permissible.<sup>58</sup> There is a burgeoning literature on the concept of 'post-modern' states, those "prepared to define [their] sovereignty as legal rights and to accept mutual interference in internal affairs: the prime example of a post-modern community is the European Union".<sup>59</sup> The post-modern world emphasises neither sovereignty nor a gulf of separation between domestic and foreign affairs. And there is another emerging notion of international sovereignty, such as it now is, being exercisable not only by territorially bound nation states but by combinations of other national, regional and international actors.<sup>60</sup>

China would certainly today resist any description of it as a post-modern state: in Cooper's terminology, it remains very much a 'modern state', concerned with sovereignty issues and non-interference by one country in another's internal affairs. And Beijing claims to be adamant that it will not make any concessions over external sovereignty in dealing with Taiwan. But Beijing's actual behaviour in the past two decades, like that of most other countries, reveals a pragmatic approach to sovereignty when it is in China's best interests. It has been integrating into the international system by joining international organisations, ratifying international treaties, and making concessions to global economic forces – by joining the WTO, China has given up some of its economic sovereignty – and it has signed international treaties on human rights, acknowledging, even if not complying with, the notion of universal human rights across territorial boundaries. In Track II settings Chinese scholars already acknowledge that changing

interpretations of sovereignty have had profound implications within international politics. China has started to accommodate these post-modern trends.<sup>61</sup>

This changing environment, in terms of both how the world as a whole is evolving and a growing flexibility in China's own thinking and behaviour, may well make it possible, in the context of an ultimate political settlement, to find for Taiwan some of the "international space" it presently craves, giving it, in the context of political integration with China, "something it does not already have".<sup>62</sup>

The easiest course for China to embrace here would be for it to waive its objections to Taiwan's membership, in its own right (but as a constituent part of the Greater Chinese Union), of a multitude of international organisations – including all those in the UN family – for which sovereign statehood is presently a requirement for full membership. To the extent that formal rules or constitutional changes would be required to enable more than observer or associate member status,<sup>63</sup> China's clout (and the desire of the wider international community to see the Taiwan Strait issue resolved), together with the changing attitudes toward sovereignty already noted, should make this readily achievable. In sub-organisations and specialised agencies of the United Nations under the Economic and Social Council (e.g. WHO, UNICEF, UNEP), Taiwan could have its own separate delegation which could be called 'Taiwan, Greater Chinese Union'. The same formula could be applied to other international organisations. Taiwan could either be represented within a delegation of a 'Greater Chinese Union' alongside representatives of the mainland, or separately as 'Taiwan, Greater Chinese Union'.

While perhaps under the name 'Taiwan, Greater Chinese Union', Taiwan could have its own representatives within diplomatic missions, or

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<sup>58</sup> See *The Responsibility to Protect*, Report of the International Commission on Intervention and State Sovereignty, co-chaired by (ICG President) Gareth Evans and Mohamed Sahnoun, December 2001, which contains in the body of the report, and in the accompanying *Supplementary Volume*, detailed analyses of the contemporary notion of sovereignty, and its limitations: available online at [www.iciss-ciise.gc.ca](http://www.iciss-ciise.gc.ca)

<sup>59</sup> Robert Cooper, *The Breaking of Nations*, Atlantic Books, London, 2003, p.174.

<sup>60</sup> See He Baogang, *op. cit.*, p.15, citing the work of David Held.

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<sup>61</sup> See Allen Carlson (ed.), "Protecting Sovereignty, Accepting Intervention: The Dilemma of Chinese Foreign Relations in the 1990s", China Policy Series, N°18, September 2002, Washington DC: National Committee on United States-China Relations, pp. 25-28.

<sup>62</sup> ICG interviews, Taipei, 2002-2003.

<sup>63</sup> Today there are 17 entities and intergovernmental organisations that have received a standing invitation to participate as observers in the sessions and the work of the General Assembly and maintain permanent offices at the UN headquarters, though only one of these entities (Palestine) is in any form reminiscent of Taiwan: See <http://www.un.org/Overview/missions.htm#iga>

establish separate general consulates and trade and cultural affairs' offices, China and others might be expected to have difficulty, even in a thoroughly post-modern world, contemplating Taiwan having its own full embassies. China's need to maintain the image of 'One China' would be satisfied as long as there was only one Chinese embassy per capital. By upholding an asymmetric relationship between China and Taiwan, Beijing would remain the more powerful counterpart in the 'Greater Chinese Union'.

The biggest prize for Taiwan in terms of 'international space', but undoubtedly the hardest one for China to accept, would be for it to be seated in its own name in the General Assembly as a full member of the United Nations. A number of observers have predicted, plausibly enough, that if Taiwan were to become a part of the UN, the independence problem would disappear.<sup>64</sup> But while the withdrawal of China's veto in this respect would undoubtedly be an incentive for a majority of Taiwanese to accept political integration with the mainland, is this something that is ever likely to happen?

One model that has appealed to many observers as a possible basis for Beijing being prepared to accede to Taiwan's full membership of the UN is that of Ukraine and Belarus. Although constituent elements of the USSR until its breakup in 1991, and never during that time fully independent sovereign countries (although they notionally maintained some element of control over foreign policy), they were admitted as founding members of the UN in 1945 and accepted thereafter as full UN members in the General Assembly and elsewhere (including even on occasion as non-permanent members of the Security Council).

The reason for Ukraine and Belarus achieving this status was straightforwardly political: Stalin wanted extra votes in the General Assembly, asked for

them at Yalta, Roosevelt and Churchill acceded, and this outcome was confirmed (though not without difficulty) during the labyrinthine negotiations in San Francisco.<sup>65</sup> In the present context, it may well be that there would be a similar willingness among other UN members to embrace a similarly 'political' solution – with Taiwan, while being a member of the 'Greater Chinese Union', being seated at the same time as a full UN member in its own right. Whatever their conceptual reservations, most would undoubtedly be happy to acquiesce in whatever it took to see an ultimate peaceful resolution of the China-Taiwan conflict.

The main problem will undoubtedly be with China itself, which has no motive for supporting this outcome remotely comparable to the USSR's in 1945, and which can be expected to remain deeply unattracted by a course so visibly giving Taiwan the trappings of external sovereignty. Different attitudes may evolve over time, but for the indefinitely foreseeable future it is difficult to contemplate Beijing moving any further than suggested above, i.e. Taiwanese membership of UN sub-organisations and specialised agencies. Under this model, the Chinese seat in the United Nations, occupied since 1972 by the People's Republic of China, would be occupied by the 'Greater Chinese Union'. Beijing would remain the sole representative of the Chinese seat in the Security Council and General Assembly, though Taiwanese delegates would no doubt participate in the work of the Chinese mission to the UN.

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<sup>64</sup> He Baogang, "The Question of Sovereignty in the Taiwan Strait", *China Perspectives*, N°34, March-April 2001, p. 11. He Baogang notes that to achieve final reunification, the sequence of action is important. He suggests allowing Taiwan in to the UN for example as an observer or as an autonomous entity before pursuing reunification because reunification requires good will, and like a marriage should be a voluntary bond. As long as China continues to pressure Taiwan with threats of force, Taiwan's advocates of unification must, He writes, risk being regarded as "traitors" to Taiwan. These advocates could develop into a dynamic force if Taiwan were admitted to the UN.

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<sup>65</sup> For a splendid account of this and other matters in issue at San Francisco, see Stephen C. Schlesinger, *Act of Creation: The Founding of the United Nations*, Westview, 2003.

### III. PREREQUISITES FOR A POLITICAL SOLUTION

A political solution entails a mutually agreed upon peaceful settlement which would establish the framework for a normal and non-antagonistic relationship between China and Taiwan.

As just stated, the *de jure* independence of Taiwan, in other words a separate Taiwanese nation-state with international recognition and full representation in its own right in all international organisations, including the UN General Assembly, cannot realistically be considered a political solution for the indefinitely foreseeable future. Whatever kind of conditions emerge in China during the next ten to fifteen years, it just cannot be presumed any regime in Beijing would accept a full-fledged sovereign independent Taiwanese state in this sense. Even in the unlikely event that Taiwan secured support for *de jure* independence from a majority of the international community, the relationship between China and Taiwan would remain extremely volatile and antagonistic. Of course it is possible for analysts to be surprised by events – none more so than the rapid collapse of the Soviet Union. Long term prediction is fraught with risk, and it may be that China's political thinking on external sovereignty does in fact evolve differently over the next ten to fifteen years – but that is not the assumption of this report.

Equally, there are limits to likely changes of thinking on the Taiwan side of the Strait. As discussed in the last section, reunification along the lines of Beijing's present 'one country, two systems' model cannot be regarded as a viable political solution because it would be equally unrealistic to presume a change in Taiwanese society so dramatic that the majority of Taiwan's population would voluntarily accept a reunification reminiscent of the Hong Kong model. If this type of reunification is forced upon Taiwan, again, the relationship between Taiwan and China would remain hostile and would not resemble one of normality.

The question of whether or not a political solution in the Taiwan Strait can be reached in the coming two decades is controversial. A repeated view among officials and scholars in both Beijing and Taipei is

that the status quo "is here to prevail".<sup>66</sup> When officials of Taiwan's present ruling party DPP speak of a willingness to discuss reunification once China is a democratic country, they often add that Taiwan's democratisation took thirty years, and the process in China will take even longer.<sup>67</sup> Since the publication of the first three ICG Taiwan Strait reports in June 2003, some members of the opposition party KMT have expressed views that represent a subtle shift in KMT long-time policy of open advocacy of unification with China. While previously independence was opposed outright by the KMT, it is now mentioned as an option. As the presidential contest grew closer in December 2003, KMT chairman Lien Chan said that the decision on Taiwan's future should be taken by future generations and that maintaining the cross-Strait status quo was essential.<sup>68</sup>

Opinion polls are at best merely barometers of the public's mood at any given time, often reflecting the changes in the level of tension between Beijing and Taipei. Nearly all opinion polls in Taiwan indicate that the majority of Taiwanese would prefer the status quo to continue if they were given a choice.<sup>69</sup> On the other hand, depending on the wording of the

<sup>66</sup> ICG interviews, autumn 2002 and spring 2003.

<sup>67</sup> It is fairly usual for observers to discount the speed with which changes have already taken place in China during the last twenty years when contemplating the pace at which China will democratise. Moreover, the length of time it took Taiwan to democratise is debatable. If the starting point is local elections then it did take about 30 years before direct presidential elections were held (1996). But it only took Taiwan ten years to progress from holding direct parliamentary elections in which an opposition party (DPP) participated for the first time (1986) to direct presidential elections. China has already experimented with grassroots-level elections for more than a decade now.

<sup>68</sup> See Huang Tai-lin, "Unification can wait, pan-blue leaders say", *Taipei Times*, 17 December 2003; William Foreman, "Taiwanese Candidate Changes View on China", AP, 21 December 2003. Moreover, several leading KMT politicians have expressed a view that does not dismiss independence in the future. For example, in December 2003, KMT legislator and Legislative Yuan Speaker Wang Jin-ping said the KMT has never opposed Chen Shui-bian's definition of relations between China and Taiwan as "one country on each side" of the Taiwan Strait, nor will it stand against Taiwan independence in the future. Chang Yun-ping, "DPP presses Wang Jin-ping on independence remarks", *Taipei Times*, 17 December 2003. See also Chris Taylor, "Taiwan's Seismic Shift", *Asian Wall Street Journal*, 4 February 2004.

<sup>69</sup> Taiwan's Mainland Affairs Council website provides results of polls conducted since 1991: <http://www.mac.gov.tw/english/english/pos/9112/po9112e.htm>

question, other polls show that most Taiwanese would support independence if it could be achieved peacefully, but at the same time most also would accept unification if China and Taiwan became “compatible economically, politically and socially”.<sup>70</sup> However, polls also show that the number of people who base their choices on ‘rational evaluation’ is on the rise, implying a willingness to come to terms with some sort of political accommodation with the mainland if *realpolitik* requires it and the future of Taiwan hinges upon it.<sup>71</sup>

As documented in ICG’s *Taiwan Strait III*, despite recurring periods of tension, since 1981 China and Taiwan have made considerable progress toward reducing their antagonism.<sup>72</sup> It is possible to hope, and even expect, that despite powerful countervailing forces such as a new Taiwan identity and strong nationalistic trends in China, significant progress toward achieving a lasting peaceful settlement in the Taiwan Strait will be made within the next fifteen years. What must happen for this to take place is the subject of this section.

#### A. FORWARD LOOKING LEADERSHIP

First and foremost, any lasting political solution will require forward looking leadership in both Beijing and Taipei, able and willing to grasp new and innovative ideas. Today, these qualities are not very evident in either Beijing or Taipei; without them there will be no lasting peaceful settlement of the Taiwan issue. Taiwanese scholar Ho Szu-yin added one more dimension to this prerequisite: “What is needed is two enlightened leaderships to coincide at the same historic moment”.<sup>73</sup> Timing is crucial. The

past decade has provided ample evidence of missed opportunities for a mutually acceptable compromise.

Obviously, political chaos on either side of the Taiwan Strait would deter any genuine progress toward building a consensus of Taiwan’s future status. Political instability on the mainland is continuously mentioned in Taiwan Strait-related research studies as one of the most likely instances in which Beijing might feel the urge to use force to settle the issue. Moreover, there are those who maintain that if China continues its present course of engagement with the outside world while at the same time not permitting “the political empowerment of new liberalist-internationalist domestic constituencies”, it will be extremely difficult for China’s leaders to resist the forces of conservative nationalism that threaten a military confrontation over Taiwan.<sup>74</sup>

Looking first at China, Jiang Zemin’s successor Hu Jintao will not have the political clout any time soon to put forward a fresh initiative deviating from Jiang Zemin’s “8 points proposal” or Deng Xiaoping’s concept of “one country, two systems”. It is debatable whether a suitable environment to conduct meaningful negotiations will have arisen during the period that Hu Jintao or any other so-called fourth generation leader is in power, but whoever China’s leader is when the other preconditions for negotiating a political solution are met, he will have to feel confident about his power base before venturing into unknown territory regarding Taiwan. As one Chinese scholar in Beijing noted, to deal with the Taiwan issue a Chinese leader “needs the visionary skills, the self-confidence and the political clout of Deng Xiaoping, coupled with a realisation of the changing realities in Taiwan, to dare to put himself on the firing line”.<sup>75</sup>

In Taiwan, regardless of whether Chen Shui-bian is re-elected in March 2004 or the Nationalist Party KMT regains the presidency, the political leadership in Taipei will, in all probability, remain weak and to a large degree hostage to manoeuvring by Beijing. It is hard to envision a peaceful change of the status quo being brought about without the consent of the majority of Taiwanese voters. That, in turn, will

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<sup>70</sup> Peter P. Pan, “New National Identity Emerges in Taiwan”, *Washington Post*, 2 January 2004.

<sup>71</sup> As is the case when examining any opinion poll, the wording of the questions put to responders is crucial. For example, in a poll carried out in 2002 probing Taiwanese attitudes toward a reunification model based on “one country, two systems” the answers varied considerably, depending on whether the question elaborated on the meaning of “one country, two systems”, or did not contain any explanation of the model, or referred to Hong Kong. ICG interview with Liu I-Chou, Director of Institute of Public Opinion at National Chengchi University, Taipei, 8 February 2003. With “rational evaluation” is meant “basing their decisions on the changing environment”. Emile C.J. Sheng, “Cross-Strait Relations and Public Opinion on Taiwan”, *Issues and Studies* 38, N°1, March 2002, p. 25-26.

<sup>72</sup> ICG Report, *Taiwan Strait III*, op. cit.

<sup>73</sup> ICG interview, Taipei, November 2002.

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<sup>74</sup> Remarks by Richard Baum, in Bruce Herschensohm (ed.), *Across the Taiwan Strait. Democracy: The Bridge Between Mainland China and Taiwan*, Lanham: Lexington Books, 2002. p. 7 (based on a conference at the Claremont Institute in Pasadena, California, 6 June 2000).

<sup>75</sup> ICG interview, Beijing, March 2003.

require a leader capable of steering the Taiwan population toward, and then rallying it around, a 'union-of-a-kind'.<sup>76</sup> At least under current conditions, none of the present political leaders show signs of having the political will to do so. An ultimate political settlement in the Taiwan Strait seems likely to have to await the next generation of leaders on both sides.

## B. CONVERGING POLITICAL LIBERALISATION

Much has been written about the impact possible democratisation in China would have on the attitudes of Taiwanese toward political integration. For example, in a survey on the 2000 Taiwanese presidential elections, 56 per cent of the respondents supported unification if the economic, social and political conditions between China and Taiwan converge.<sup>77</sup> Though Chinese officials and academics complain that Taiwan's leaders use the differences in political systems as an excuse to put off negotiations, most of them acknowledge in private conversation that substantial political reform in China is an essential part of the equation when looking for a solution to China's and Taiwan's future relationship. In the same breath they concede that genuine liberalisation of the Chinese political system will be an arduous path.<sup>78</sup> One Chinese diplomat's retort is telling: "It is impossible for us Chinese to see how the Taiwan question could be resolved when we feel so uncertain about the future of China".<sup>79</sup>

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<sup>76</sup> The complex process of determining an acceptable terminology to depict any agreed upon framework for an ultimate political solution in the Taiwan Strait is discussed at the beginning of this report's section: "Envisioning the End Result: Models for a 'Greater Chinese Union'".

<sup>77</sup> Emile C.J. Sheng, "Cross-Strait Relations and Public Opinion on Taiwan", *Issues and Studies* 38, N°1 March 2002, p. 25-26. In this survey, funded by the National Science Council and conducted under the supervision of Professor Huang Show-duan at Soochow University, responders were asked two questions. The first one probed support for unification if the economic, social, and political conditions on both sides of the Strait converge. The second question asked did the responder agree or disagree with the following statement: If a peaceful relationship can still be maintained with China after a declaration of Taiwan independence, Taiwan should then declare independence and become a new country. 62 per cent agreed. In other words, a majority agreed with both statements.

<sup>78</sup> ICG interviews, PRC, 2002-2003.

<sup>79</sup> ICG interview, U.S., May 2003.

Though it is relatively safe to state that political liberalisation in China is a precondition for a long-term political solution in the Taiwan Strait, even this requires some qualification. En route to evolving into a more open and accountable society, China will undoubtedly encounter a great many problems, in all probability experiencing several ugly incidents in which authorities clash with citizens pushing for more far-reaching reform. These incidents, in turn, will evoke repulsion in Taiwanese society, just as did the quelling of the Tiananmen movement of 1989. Witnessing the *process* of democratisation in China will not necessarily make Taiwanese any more supportive of cementing their future with China.

In addition, political liberalisation alone, or even the unlikely development of China transforming into a democratic nation in the next fifteen years, will not automatically ensure support in Taiwan for complete political integration between China and Taiwan. The European Union is made up of democratic nations, some of which are economically integrated and share a strong mutual cultural heritage (for example Germany and Austria or Finland and Sweden). But, notwithstanding the extent to which large elements of traditional sovereignty have already been pooled – and to which that process can be expected, albeit with bumps along the way, to continue – the citizens of these nations are a long way from being prepared to completely submerge their separate identity.

The Taiwanese political system also needs to transform before a lasting political accommodation with China will become feasible to negotiate. Not only is a confident and enlightened Taiwanese leadership a prerequisite, but a more mature political culture (and perhaps even a change in the presidential election procedures) will be necessary.<sup>80</sup>

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<sup>80</sup> Chen Shui-bian of the opposition party DPP won the 2000 elections with 39.3 per cent of the vote. Chen's ability to govern was also weak from the start because the DPP did not command a majority in the legislative body and though the DPP made gains in parliamentary elections in late 2001 the KMT and its allies retained its majority. One way to strengthen the position of the president would be to adopt a more stabilising, for example a French-style, presidential electoral system, with a mandatory second round of elections if none of the candidates secure more than 50% of the ballots in the first round. Another young democracy, South Korea, has enforced a 'one term only' rule to ensure the incumbent president does not spend the latter part of his five-year term concentrating on re-election; this too might serve to moderate Taiwan's roller-coaster politics.

Debates on reunification or independence and Chinese or Taiwanese identity evoke heated emotions and fierce accusations in Taiwan today. Mudslinging only deepens divisions within society. Meanwhile, the island's fragile democratic system is still coping with the political and social upheaval following the defeat of the long-standing ruling party KMT in the presidential elections of 2000.<sup>81</sup> In this unruly political environment any leader would find it difficult to enter negotiations that will have a profound effect on the future of the population, especially when the electoral system allows a president to be elected with less than 50 per cent of the vote. With the passing of time, Taiwan's civil society and political culture can reasonably be expected to evolve, reducing fragmentation and partisanship, but nothing is inevitable.<sup>82</sup>

### C. CONTINUED ECONOMIC INTEGRATION

Deepening economic integration is what China's leaders at present are banking on to persuade the Taiwanese about the desirability of reunification.<sup>83</sup> In the words of a high-level official in Beijing: "We have to be a desirable partner, we realise that now. Offering economic prosperity in the form of business, job and investment opportunities is the best way to ensure that the Taiwanese will want to be a part of China".<sup>84</sup>

ICG Taiwan Strait Report III deals extensively with Taiwan's growing economic dependence on China, China's own vulnerability vis-à-vis the significance

of Taiwanese investment on the mainland, and the political leverage linked to this interdependence.<sup>85</sup>

Economic relations have never been better. Taiwanese companies continue to invest in China at record rates, regardless of whether the company shareholders or directors support reunification or Taiwanese independence. Taiwanese investment is a critical source of job creation and local tax in China, while China is a growing production platform for Taiwan's electronic industry.<sup>86</sup> Because of the differences in the level of economic development and also in past development strategies adopted on either side of the Taiwan Strait, the two economies are complementary.<sup>87</sup> Whatever political advances or lack of them in the following decade, it is safe to predict that economic integration will deepen.

In the longer term, Taiwan's economic dependence on China will be one of the most critical factors for political integration. The argument cuts both ways. If Taiwan's economy stumbles and Beijing's economic pressure is successful, so that Taiwan's present economic and technological edge does indeed erode significantly, Taiwanese voters might conceivably be persuaded to accept some kind of reunification with a politically more liberal China, provided that there would be guarantees that the step would lead to a fundamental improvement of Taiwan's economic prospects and not compromise its present political system.<sup>88</sup> From a different perspective, if the Taiwanese economy flourishes in the next decade and Taiwan retains its economic

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<sup>81</sup> See Sheng Lijun, "Peace over the Taiwan Strait"? *Security Dialogue*, Vol. 33 N°1 2002, pp. 94-97.

<sup>82</sup> In May 2002 the DPP approved a proposal to amend Taiwan's constitution to change the composition of the legislature (Legislative Yuan). Due to the present distribution of power in the legislature it is highly unlikely that a major constitutional reform bill like this one will be passed in the near future. If approved, the amendment would stabilise the present picture of the Legislative Yuan, which is a mixture of parties and factions within parties jockeying for advantage, and over time possibly foster a more stable two-party system. ICG interviews, Taipei, February 2003. See also "Fine-tuning Democracy", editorial in *Asian Wall Street Journal*, 31 May-2 June 2002; Remarks by Szu-Yin Ho in Bruce Herschensohn (ed.), *Across the Taiwan Strait*. op. cit., pp. 32-33.

<sup>83</sup> ICG interviews, Beijing, March 2003.

<sup>84</sup> ICG interview, Beijing, March 2003.

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<sup>85</sup> ICG Report, *Taiwan Strait III*, op. cit., section B, "Economic Relations: Political Impact", pp. 7-15.

<sup>86</sup> Ibid. See also Appendix 3 (pp. 33-35) "Taiwan's WTO Membership and U.S. Interests", in "Beginning the Journey: China, the United States and the WTO", report by independent task force sponsored by the Council on Foreign Affairs, Washington DC, 2002.

<sup>87</sup> Chien-min Chao, "Will Economic Integration between Mainland China and Taiwan lead to a Congenial Political Culture"? *Asian Survey*, Vol. XLIII, N°2, March/April 2003, p. 287.

<sup>88</sup> The completion of Shanghai's new Yangshan harbour, scheduled for 2005, will strengthen Shanghai's position as a regional transportation centre vis-à-vis Taiwan, further strengthening Shanghai's aspirations to become the leading economic centre in the region. See Sheng Liqun, "Peace over the Taiwan Strait"? *Security Dialogue*, Vol. 33 N°1, pp. 97-98; Sheng Liqun, *China and Taiwan, Cross-Strait Relations under Chen Shui-bian*, London: Zen Books, 2002, p. 124.

supremacy, the desirability of political integration may well be weaker.<sup>89</sup>

#### D. A GREATER SENSE OF COMMON CHINESE IDENTITY

China presumes that economic integration will, in the long term, weaken the separate identity of Taiwan. Not only economic interdependence, but also the growing number of Taiwanese who are either studying in Chinese universities or becoming a part of the arts, sports, and entertainment scene on the mainland are expected to contribute to a mutual sense of belonging to the same entity. One Chinese professor predicted that the “identity development of Taiwanese will not solely continue in a one-way direction, in other words, toward a stronger separate feeling, but a multi-faceted sense of identity will be fostered”. This kind of evolution is undoubtedly a precondition for any lasting political accommodation between China and Taiwan.

In the event that China’s economic growth continues and genuine political reform takes place, China will, in ten to fifteen years time, be the unrivalled regional power; not only economically, but also in the sphere of international politics. Therefore, the lure of belonging to a ‘Greater China’ has to be assessed in any attempt to foresee what might sway Taiwan into entering a ‘union-of-a-kind’ with China. This sentiment is naturally intertwined with the realisation of economic imperatives, already mentioned above, but goes beyond pure economic calculations.

At present, the lure of a “Greater China” only reinforces the mindset of those who are already inclined to accept future political integration with China while simultaneously aggravating the divisions within Taiwanese society. Those who dream of an independent Taiwan reject the notion outright. But if during the next ten to fifteen years China impresses the outside world by successfully implementing political reform in the way that it has done during the past twenty years in the realm of economic reform,

China would be a markedly different society. Admittedly, this is a big if. However, in order to envision an environment in which an ultimate political solution could be reached, one has to take into account the repercussions of China’s transformation into a more pluralistic, tolerant civil society in the spheres of culture, education and international politics. Attaining recognition in China would be an aspiration for many kinds of Taiwanese talent, be it in the field of film, literature, art, entertainment, sports, academia or science.

Economic integration took off because of the commercial interests that Taiwanese companies sought in China. But interaction was unquestionably facilitated by the congeniality of common denominators, including language, customs, ancestry, *guanxi* (networks of personal relationships) and geographic proximity. Once the divergent political systems cease to spur on the separate identity of Taiwan, cultural commonality could be regarded by a majority of Taiwanese as a worthy foundation upon which to build their future. At present, so much emphasis is put on the stark contrast in political systems that it often obscures the fact that Taiwan’s social base is still identifiably Chinese.<sup>90</sup> Even today, southern Fujian feels more like Taiwan than northern China. Similar temples are devoted to the same deities; people speak the same language; they enjoy similar delicacies; family traditions are the same. As former dissident Taiwanese journalist and presently National Security Council member Antonio Chiang remarked: “When Taiwanese speak of their separate identity, they mean we have to preserve our democracy”.<sup>91</sup>

There are scores of polls probing the Taiwanese sense of identity. Do Taiwanese consider themselves foremost Chinese, then Taiwanese? Or the other way round? Or do they perceive themselves as only Taiwanese, or only Chinese? The concept of identity is very prominent, and indeed fashionable, in contemporary social science.<sup>92</sup> However, there is not much consensus on

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<sup>89</sup> This does not mean that to avoid political integration, Taiwan would benefit from reducing its economic dependence on China nor refrain from pursuing the “three links” (*santong*). As the ICG Taiwan Strait Report III points out, the economies of China and Taiwan are already intertwined to a high degree. A slowdown in the development of economic and trade ties would bring harm to the Taiwanese themselves. ICG Report, *Taiwan Strait III*, op. cit., p. 8.

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<sup>90</sup> See Robert P. Weller, *Alternate Civilities: Democracy and Culture in China and Taiwan*, Boulder: Westview Press, 1999, p. 11.

<sup>91</sup> Linda Jakobson, “The Taiwan That Beijing Doesn’t Want to See”, *Washington Post*, 12 March 2000.

<sup>92</sup> See e.g. Rawi Abdelal, Yoshiko M. Herrera, Alistair I. Johnston, Terry Martin, “Treating Identity as a Variable: Measuring the Content, Intensity, and Contestation of Identity”, paper presented APSA, 30 August-2 September

how to define identity or how it affects knowledge, interpretations, preferences and actions. It is futile to draw conclusions about responders' preferences regarding Taiwan's political future ten or fifteen years from now based on their present sense of identity.

Taiwanese society is still in a state of continuous flux. Taiwan's transformation from one-party rule to a democracy has been instrumental in shaping people's views on questions of identity. These perceptions will continue to evolve, alongside new perceptions of China if and when China follows a similar path of democratisation. Polls in Taiwan have indicated that the proportion of respondents with a rational, even pragmatic, approach toward cross-strait relations has increased steadily in the last ten years.<sup>93</sup> As noted earlier, polls also show that most Taiwanese would support independence if it could be achieved peacefully, but at the same time most also would accept unification if China and Taiwan became "compatible economically, politically and socially".<sup>94</sup>

In a more open and diverse Chinese political culture a public discussion of the future status of Taiwan would be permissible, which in turn would influence perceptions in China. As long as an uncensored exchange of views is not allowed, Chinese public opinion will remain boxed in and one-dimensional, with nationalistic voices expressing frustration that unification has not occurred and demanding more forceful measures from the government. The present stalemate and distrust between the two sides of the Taiwan Strait is only made worse because communication between the two governments takes place through the media. Two totally different players conduct a lopsided dialogue; on the one side is China's state-controlled media and on the other are Taiwan's unfettered publications, of which many have their own agenda in the reunification-independence debate.

In an open society, Chinese would become exposed to the complexities of the Taiwanese predicament.

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2001, p.3, available at <http://www.people.fas.harvard.edu/~johnston/>

<sup>93</sup> See Emile C.J. Sheng, "Cross-Strait Relations and Public Opinion on Taiwan", *Issues and Studies* 38, N°1 March 2002, p. 17, 24-39; Bernice Lee, "The Security Implications of the New Taiwan", Adelphi Paper 331, Oxford University Press, 1999.

<sup>94</sup> Peter P. Pan, "New National Identity Emerges in Taiwan", *Washington Post*, 2 January 2004.

Though initially a freer press in China would generate a turbulent exchange of views, over time a realisation and appreciation of Taiwan's fundamental concerns could lead to more tolerant views among leading circles in China. This evolution will of course not happen overnight. Some doubt that it will take place within fifteen years or more.

ICG's previous Taiwan Strait reports outline several steps that both sides need to take to alleviate the present level of distrust. Report III examines the many positive economic and social dimensions to the relationship between Taiwan and China that can defuse dangerous political and military tensions over Taiwan's status. Already today the depth of contacts in various areas (transport, customs, fisheries, energy development, investment, trade and tourism) provides abundant possibilities to increase contact between the two sides.<sup>95</sup> The dynamics of the relationship between China and Taiwan will differ tremendously from the present state of antagonism, if avenues for meaningful interaction multiply and, in addition, the conditions described above become reality – both sides have confident and enlightened leaders, economic integration continues, Taiwanese democracy matures, China is successful in implementing political reform, and the United States and other key outsiders actively encourage political dialogue.

With more trust will presumably come more tolerance, and a willingness to accept at present unthinkable solutions to the key sticking points between the two sides: the question of sovereignty and Taiwan's desire for more international space. It is hard to imagine Taiwanese accepting political integration with China within the next fifteen years unless they are allowed a wider degree of participation in the international arena. The question of sovereignty requires fresh thinking especially in China, but also to some extent in Taiwan.<sup>96</sup> For although in the short-to-medium term, staying clear of the politically volatile issue of Taiwan's legal status is recommended, once the intensity of distrust has receded and the two sides are coexisting in an environment markedly different to presently prevailing conditions, the question of sovereignty can no longer be avoided.

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<sup>95</sup> See ICG Report, *Taiwan Strait III*, op. cit.

<sup>96</sup> Jean-Pierre Cabestan, "Is there a Solution to the China-Taiwan Quarrel"? *China Perspectives*, N°34, March-April 2001, p. 5.



Several truce proposals, popular especially among U.S. scholars in recent years, attempt to devise some kind of mutually accepted framework for relations between Taiwan and China, and for Taiwan's place in the international community, during the long interim before a final resolution of the Taiwan question can be reached.<sup>97</sup> Generally speaking, they suggest China promising, during a specified length of time, not to use force to compel Taiwan into unification in return for Taiwan promising not to declare independence. These proposed interim agreements are outdated because they do not acknowledge Taiwan's political leaders' statements that Taiwan is an independent country and therefore no declaration of independence is needed.<sup>98</sup> The proposals stay clear of the delicate issue of sovereignty and are intended, in the words of one U.S. administration official, "to avert a war and kick the can down the road for as long as possible".<sup>99</sup> In any ultimate political solution in the Taiwan Strait, this paramount question has to be addressed.

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<sup>97</sup> Interim agreements have been proposed in recent years by, among others, Harry Harding, Alastair Iain Johnston, Kenneth Lieberthal, Joseph S. Nye, Stanley Roth, and Lynn T. Whyte: Harding, "Toward a Modus Vivendi in the Taiwan Strait", paper presented at conference "Twenty Years after the Taiwan Relations Act", at Institute of European and American Studies, Academia Sinica, Taipei, 9-10 April 1999; Johnston, "Solving the China-Taiwan Standoff: A Modest Proposal", 2002, <http://www.people.fas.harvard.edu/~johnston/>; Lieberthal, "Cross-Strait Relations" paper presented at conference "The PRC After the Fifteenth Party Congress: Reassessing the Post-Deng Political and Economic Prospects", arranged by Institute of National Policy Research and Mainland Affairs Council in Taipei, 19-20 February 1998; Nye, "A Taiwan Deal", *Washington Post*, 8 March 1998; Roth, "The Taiwan Relations Act at Twenty - and Beyond", presentation at Woodrow Wilson Center, 24 March 1999, <http://usinfo.state.gov/regional/ea/uschina/rothtw.htm>; Whyte, "War or Peace Over Taiwan", *China Information*, Vol. XIV, N°1, Winter 2000.

<sup>98</sup> All three mainstream parties on Taiwan agree that the Republic of China on Taiwan is and long has been an independent and sovereign state. Moreover, in recent months KMT Chairman Lien Chan has moved closer to President Chen's interpretations. Lien sharply criticised President Chen for stating, in August 2002, that there is one country on either side of the Strait, calling Chen a reckless supporter of independence. However, in December 2003, Lien Chan reversed course and repeated Chen's stance, saying: "It wouldn't be a problem to say simply that there is one country on either side". See Macabe Keliher, "Who cares about Taiwan? Not the Chinese", *Asia Times*, 23 December 2003; "Taiwanese Candidate Changes View", AP, op. cit.

<sup>99</sup> ICG interview, Washington DC, April 2003.

## E. WILLINGNESS BY CHINA TO EXPLORE CREATIVE SOLUTIONS

In the short term, a goodwill visit to Taiwan by, for example, Chinese Premier Wen Jiabao, without any preconditions, would go a long way toward promoting an environment of mutual trust and respect between the two sides. Wen has already proved himself a charismatic statesman with the ability to show compassion, e.g. when he visited the families of SARS victims in Hong Kong. A visit by him would be instrumental in showing the Taiwanese public that China is genuine when it says it wants nothing more than to find a peaceful solution to Taiwan's future status and harbours no ill feeling toward ordinary Taiwanese people.

Uninvolved countries and organisations should provide low-key settings away from the media limelight in which Taiwanese and Chinese representatives could regularly hammer out their ideas about a future 'union-of-a-kind'. Though in the past many so-called Track II events have not produced the desired result of the two parties inching toward common ground, these unofficial venues should continue to be used. Once China's leadership genuinely endorses political reform, Chinese participants will be freer to engage in an uninhibited debate of sensitive issues. The more the Chinese political system evolves toward openness during the next two decades, the easier it will be for Chinese officials to return home with proposals outlining new concepts on how to resolve, among others, the question of shared sovereignty, the possibility of demilitarising Taiwan, and providing the island with international security guarantees. Though demilitarisation is today rejected outright, engaging Chinese and Taiwanese scholars in a serious discussion about this option could bear fruit in the future.

The European Union as well as individual European countries and organisations should be significantly more active in hosting 'Track II' settings. Various institutions in the United States regularly arrange seminars for scholars and officials on both sides of the Strait to exchange their views off-the-record. China is eager to develop ties with the EU because it welcomes any counter-balance to what it perceives as a unipolar world with the United States as the sole dominating power.<sup>100</sup> The European experiences of

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<sup>100</sup> ICG interview, Brussels, March 2003. German scholar Gunter Schubert has proposed a significantly more active

integration could be utilised (though not copied) to accommodate China's and Taiwan's concerns when pursuing a 'union-of-a-kind'. As noted in the ICG Taiwan Strait Report III, a Taiwan-China Free Trade Agreement would be important not only from an economic point of view, but also because it would build political trust and have symbolic value.<sup>101</sup> When and if China and Taiwan pursue a 'Greater Chinese Union' a common currency will inevitably be an option to discuss. Experiences gained during the process of adopting the euro provide a wealth of knowledge which Chinese and Taiwanese could be invited to jointly study.

It would be worthwhile to include officials and scholars from outside Beijing when engaging Chinese representatives in discussions about a future framework for integration, especially those from south of the Yangtze River. They are the ones who most concretely have a stake in averting a war in the Strait. Most outsiders are strongly Beijing-biased in their perceptions of China though China is continuously evolving into a more diverse society. In the event that China implements genuine political reform, Chinese south of the Yangtze River could perceivably develop in to a powerful political constituency influencing the direction of China's Taiwan policies.

#### **F. MAINTENANCE OF A STEADY COURSE BY THE UNITED STATES**

The role of the United States and the international community is obviously critical in any contemplation of Taiwan's future. As outlined in the previous ICG Taiwan Strait reports, a peaceful resolution of tensions in the Taiwan Strait require the United States and the international community to remain steadfast that both the use of force and Taiwan de jure independence are equally unacceptable and the two sides must resolve their differences through political dialogue. What positive measures outsiders

should take over the longer-term will be discussed later.

Recent plans by Taiwan's President Chen regarding a new constitution and referendum incensed Beijing's leaders, who fear that every move by Chen is a disguised attempt to consolidate Taiwan's independent status and move toward de jure independence.<sup>102</sup> In addition, Beijing accused the United States of emboldening the Taiwanese leader by showing him too much support.<sup>103</sup> It took U.S. President Bush's public criticism of Taiwan's president, made during China's Premier Wen's visit to Washington in December 2003, to reassure China that the Bush administration was not backtracking on its pledge to adhere to Beijing's interpretation of 'One China' policy.<sup>104</sup>

From Beijing's viewpoint, the Bush administration has done much more than any recent U.S. government to help bring Taiwan out of its international isolation. It has allowed Taiwan's president to make highly visible visits to U.S. cities on 'transit' stops, upgraded the de facto U.S. embassy in Taipei and actively encouraged the Taiwanese military to modernise. All of this was unthinkable a few years ago. Hence Beijing's uncertainty with regard to Washington's intentions when Chen made the issue of a new constitution and holding a referendum the centrepiece of his election campaign.

Every change in Washington's behaviour toward Taiwan is interpreted in Beijing as a sign of the U.S. reversing course on the 'One China' principle. The Bush administration has not allowed Beijing to dictate the rules of conduct in its dealings with Taiwan nor has it felt obligated to follow past

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European engagement to deal with the impasse in the Taiwan Strait. He argues that because the EU is an uninvolved party with no military presence in Asia, the EU's potential 'soft power', i.e. its reliance on diplomatic means, could prove more effective in influencing foreign governments. Gunter Schubert, "Becoming Engaged? The European Union and Cross-Strait Relations", *Twenty-First Century Review*, Chinese University of Hong Kong online publication, July 2003, <http://www.cuhk.edu.hk/ics/21c/>

<sup>101</sup> ICG Report, *Taiwan Strait III*, op. cit., pp. 14-15.

<sup>102</sup> See Appendix A.

<sup>103</sup> ICG interviews, Hong Kong, December 2003. Bush was labelled a pro-Taiwan president in Beijing from the beginning of his term after he approved a substantial arms sale to Taiwan (23 April 2001) and in addition exclaimed that the United States would do "whatever it took" to defend Taiwan from an attack by China (ABC-TV's "Good Morning America", 25 April 2001). On 21 November 2003, China's official Xinhua news agency quoted leading Chinese experts on Taiwan as claiming that "it is America's two-faced policy that has encouraged and condoned 'Taiwan independence' forces". Willy Wo-Lap Lam, "China Plots Showdown with U.S. over Taiwan", CNN.com, 25 November 2003.

<sup>104</sup> See e.g. Joseph Kahn, "Taiwan's Strategic Miscalculation", *New York Times*, 10 December 2003. For a strong defence of Bush's criticism, see Michael D. Swaine, "Trouble in Taiwan", *Foreign Affairs*, March/April 2004, pp.39-49.

practices. Some of the modifications have reflected the changes that have taken place within Taiwan. For example, Washington no longer sees the need to treat the Taiwanese president, who has been elected by popular vote in a democratic society, as an international pariah during transit visits to the U.S., as was the case under previous administrations.

The recent escalation in tension has, however, once again brought to light the role that Washington has in maintaining the delicate balance between supporting a democratic ally while at the same time reassuring a 'diplomatic partner' that the fundamental principle of 'One China' will be adhered to. Developments of the past few months have underscored the importance of the United States' opposition to both de jure independence of Taiwan and any use of force by Beijing. Bush's statement during Wen's visit was crystal clear: The United States opposes any unilateral decision by either China or Taiwan to change the status quo. Because Taiwan cannot attain the status of sovereign state unilaterally – it needs the recognition of other sovereign states – China's threat to use force can presumably be kept in check as long as Beijing perceives no indication that the international front against Taiwanese independence is crumbling. U.S. opposition sends a signal to China and also to the rest of the world.

In both Beijing and Taipei a recurring assessment is Washington's desire to see the status quo continue indefinitely, as an ultimate political solution in the Strait "would not be in the interests of the United States".<sup>105</sup> In Washington several U.S. administration officials resist this stance. According to one Pentagon official, Taiwan is "rarely mentioned among military policy-makers in strategic terms because in today's age of modern technology Taiwan is not strategically important. Taiwan is viewed above all as a nascent democracy to be supported because of shared values". A senior U.S. administration official said that a system change in China is the key factor to a sustainable peace in the Taiwan Strait: "If Taiwan is comfortable with the mainland, what could we do about it? We ourselves would, with all probability, be comfortable too with that type of China".<sup>106</sup>

However, the 'China threat' looms just below the surface in any policy discussion in Washington about Taiwan's future. One school of thought maintains that political liberalisation in China would weaken the hand of those in Washington who view China as a threat. In the event that the United States continues to feel its security interests threatened by a wide array of terrorists, and simultaneously begins to perceive China as an international player more responsive to common interests with the U.S., Washington could seek an even closer relationship of cooperation with a more accountable and pluralistic government in Beijing. In Beijing's view U.S. security guarantees toward Taiwan are the major thorn in U.S.-Sino relations. Washington could – according to this line of thinking – be inclined to prod the Taiwanese to enter political negotiations in order to reduce tension in its dealings with China. All parties agree that Taiwan's future status will remain one of the most sensitive issues in the relationship between the U.S. and China.

Some policy analysts in the United States speculate that over time "support for Taiwan's special status will weaken even in Congress simply because the younger generation of American politicians, oblivious of Cold War considerations, don't have a sense that Taiwan needs to be defended".<sup>107</sup> If the image of a menacing Communist China erodes, and that is a possibility to be reckoned with if meaningful political reform is implemented, Taiwan will find it even harder to captivate American political circles with 'David versus Goliath' allusions.

No one envisions the United States abandoning its commitment to Taiwan if Beijing resorts to coercion, but "there could be political pressure on Taipei to enter into a dialogue with what would be perceived in Washington as a reasonable and responsible Beijing government".<sup>108</sup> (This is precisely what many Taiwanese today fear.) A "reasonable and responsible" government in Beijing would resolve several of the present contentious issues with the U.S: among other things, it would not sell missile technology related to weapons of mass destruction to rogue states, and it would not be guilty of severe human rights abuses. Generally speaking, the perception of China standing in the way of or challenging outright U.S. interests would recede. An active U.S. policy encouraging dialogue, whether

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<sup>105</sup> ICG interviews, Beijing, Taipei, 2002-2003. See also e.g. Muthiah Alagappa (ed.), *Taiwan's Presidential Politics: Democratization and Cross-Strait Relations in the Twenty-First Century*, Armonk: M.E. Sharpe, 2001, pp. 37, 42.

<sup>106</sup> ICG interviews in Washington DC, April 2003.

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<sup>107</sup> ICG interview, Honolulu, January 2003.

<sup>108</sup> ICG interview, Washington DC, April 2003.

overt or behind-the-lines, would, in turn, be used in Taiwan by those who see political accommodation with Beijing as in Taiwan's own best interests.<sup>109</sup>

China's importance in international affairs already affects United States' policy in the Taiwan Strait. When President Bush, in December 2003, responded to Beijing's demands concerning Chen's referendum plans, he did so because the U.S. does not want to see its relations with China deteriorate. Washington needs Beijing's cooperation on several sensitive issues, among others countering terrorism, North Korea, and bilateral trade.

In the United States, Bush was both criticised and praised for his stance during Premier Wen's visit. Some political observers were aghast "at the sight of President Bush standing next to the premier of Communist China...and slapping down the democratically elected leader of Taiwan".<sup>110</sup> Others, though acknowledging that meddling in a democratic country's affairs is not becoming for a U.S. president, agreed that Chen had to be rebuked for unnecessarily rocking the boat at a time when the U.S. is fully engaged with other global commitments and safeguarding its own vital interests, as well as when Taiwan has little to gain by courting confrontation.<sup>111</sup>

Another question that divides American political analysts, although the question is now largely moot, is whether or not the United States should pursue a policy of ambiguity or clarity in the Taiwan Strait. For nearly a quarter of a century, remaining unclear about the extent of U.S. commitment to Taiwan was considered crucial in keeping radical forces in check in both Beijing and Taipei. This policy of so-called strategic ambiguity was compromised on 25 April

2001 when George W. Bush said on ABC-TV's "Good Morning America" that the U.S. would do "whatever it took" to defend Taiwan in the event of China's attack, and prejudiced by a number of other policy positions taken by Washington over the whole 2001-2003 period, as described in ICG's first Taiwan Strait report.<sup>112</sup>

In a background briefing on the eve of Premier Wen's visit in December 2003, a senior Bush administration official confirmed that the administration was no longer committed to maintaining 'strategic ambiguity'. As Bush himself put it in the following days, the United States opposes all unilateral attempts to change the status quo in the Taiwan Strait. The official said actions by both countries had forced the administration to spell out more clearly what it thinks each nation should do to maintain stability in the Taiwan Strait. The administration remains steadfast that "coercion or the use of force" by China is unacceptable. But the bulk of the official's remarks referred to Taiwan, including a sharp criticism of the proposed "defensive referendum" that U.S. officials believe is designed to inspire Taiwan's independence movement. "We don't want to see steps toward independence and we don't want to see moves taken, proposals made, that a logical outsider would conclude are really geared primarily toward moving the island in that direction", the official said.<sup>113</sup>

Nevertheless, strategic clarity can also lead to unwanted consequences if not used with caution and moderation. Clear language is a useful reminder of the U.S.'s stand on the general principles of maintaining peace in the Taiwan Strait. But Washington runs the risk of ascribing more importance to a specific issue than might be warranted if it continually takes a stand on every domestically driven manoeuvre or election tactic. It is in no one's ultimate interests for Washington to become hostage to political gamesmanship by either Taiwan or China.<sup>114</sup>

Beijing wants to see less U.S. involvement in the Taiwan Strait. After becoming president, Hu Jintao targeted neutralising U.S. influence as a priority at the first meeting of the newly reconstituted Central

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<sup>109</sup> Some observers note that a stable democratised China that develops a pro-U.S. policy "may reveal itself to be an even stronger challenge to the survival of ROC". Jean-Pierre Cabestan, for example, also notes that by continuing to guarantee the security and survival of Taiwan, the United States will "be tempted to put more pressure on Taipei, in particular if the PRC continues to soften its unification policy". See Cabestan, "Integration without Reunification", *Cambridge Review of International Affairs*, Vol. 15, N°1, 2002, pp. 96, 101-103.

<sup>110</sup> Daniel Sneider, "Bush's Cozying Up to China: A U.S. Betrayal of Commitment to Democracy"? Honolulu: Center for Strategic Studies, PacNet N°51, 15 December 2003.

<sup>111</sup> See e.g. "The End of Ambiguity", *Asia Wall Street Journal*, Review & Outlook, 10 December 2003; Ross H. Munro, "Blame Taiwan: President Chen Shui-bian caused the crisis, not President Bush", National Review online, 18 December 2003.

<sup>112</sup> ICG Report, *Taiwan Strait I*, op.cit., pp. 26-29.

<sup>113</sup> Glenn Kessler and Mike Allen, "Taiwan Warned By U.S. Nation Asked Not To Provoke China", *Washington Post*, 9 December 2003.

<sup>114</sup> cf. Eric Heginbotham, "Ambiguity Over Taiwan is Better than Clarity", *Asia Wall Street Journal*, 18 December 2003.

Leading Group on Taiwan, the top policy-making task force, which he chairs.<sup>115</sup> There are also outside observers who view a receding U.S. involvement as conducive to promoting a peaceful settlement because the U.S. policy toward China varies with each new administration, creating uncertainties and misunderstandings. Complete neutralisation of American influence is not realistic. Taiwan does not want to feel abandoned by Washington. Moreover, Taiwan is dependent on U.S. security guarantees. The Taiwan Security Act obligates the U.S. to stay involved.

### G. ENCOURAGEMENT BY OUTSIDERS OF A COOPERATIVE SOLUTION

Despite China's rhetoric of the 'Taiwan issue' being strictly an internal affair, in his remarks after meeting with George W. Bush at Crawford in October 2002, Jiang Zemin acknowledged publicly for the first time that the situation in the Taiwan Strait is of concern to other nations.<sup>116</sup> Discussions with Chinese officials in March 2003 confirmed this slight modification in China's official stance.<sup>117</sup> Though China opposes the use of outside mediation, it is likely that it will be increasingly flexible toward the ideas and proposals put forward by representatives of uninvolved countries and organisations.

The international community should in every way encourage Beijing to traverse unexplored avenues toward sharing sovereignty and devise a new integration model for the Taiwan Strait. The political leaders of individual countries, especially the United States and the EU, should in their encounters with China's leaders constantly reiterate that the 'one country, two systems' model has to be abandoned

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<sup>115</sup> Ching Cheong, "Taiwan Policy: Hu Lists Three Tasks", *Straits Times*, 19 June 2003.

<sup>116</sup> "Jiang Claims Unification in U.S. Interest", Agence France Press, 26 October 2002. According to the news report Jiang Zemin said: "An early accomplishment of the peaceful reunification of China with an early solution of the Taiwan question is conducive to peace and stability in the Asia-Pacific and the world at large. It contributes to a stable and growing China-U.S. relationship and will provide more effective safeguards to U.S. interests in Taiwan". Low-key Chinese appeals to American interests on the Taiwan issue have been made before, but several analysts said Jiang's remarks were the first time the approach has been adopted in this high-profile manner by the country's leader.

<sup>117</sup> ICG interviews, Beijing and Washington DC, March-April 2003.

and an entirely fresh one formulated to resolve the future status of Taiwan. At the same time Taiwan needs to be equally emphatically reminded, at regular intervals, that de jure independence is a non-starter and will not be supported by the international community. This same assurance should repeatedly be given to China.

Since one of the preconditions for a peaceful settlement in the Taiwan Strait is the democratisation of China's political system, outsiders should seek new forums to encourage China to pursue genuine political and legal reform. Several countries and organisations already fund programs that provide counsel to Chinese officials in charge of revamping the legal system. These efforts need to be strengthened. In addition outsiders, especially countries other than the U.S., could offer Chinese officials more opportunities in the form of prolonged research visits or off-the-record seminars to attain an in-depth understanding of the inner workings of a democratic system of government.

**International Organisations.** Beijing and Taipei should be encouraged to continue efforts to strengthen cooperation in several fields in which cooperation already exists.<sup>118</sup> Meanwhile, the United States, EU countries and all other members of the international community need to more steadfastly than hitherto impress upon China that Beijing's 'squeezing tactics' to marginalise Taiwan are not conducive to building trust across the Taiwan Strait. Especially in the case of Taiwan joining the World Health Assembly as an observer, the international community should act more resolutely and not buckle under to Beijing's opposition. Only by proving to Taiwan that there truly is only one China and that the Beijing government cares about all Chinese people will Beijing have a chance of convincing Taiwanese voters of the desirability of political unification. Beijing's political manoeuvring in such a crucial and core area as health understandably infuriates Taiwan.

The international community, again with the U.S. and EU countries in the forefront, should see to it that Taiwan gets fair treatment within the World Trade Organisation framework and reject China's attempts to undermine Taiwan's role there. Before China and Taiwan became members of the WTO,

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<sup>118</sup> The recommendations put forth in the Executive Summary of ICG Taiwan Strait Report III are listed in Appendix A of this report.

many observers assumed that the inevitable increase in contacts between China and Taiwan within the WTO framework and the possibilities offered by shared WTO responsibilities would enhance their desire to cooperate with one another. However, merely 17 months after China and Taiwan joined the WTO, China was seen as pressuring the WTO secretariat to ask Taiwan to change the island's status to the level of 'economic and trade office', much like Hong Kong's status in the trade body.<sup>119</sup> There is a genuine risk that the WTO is becoming a new arena for traditional tensions between China and Taiwan rather than a tool for mutual interests.

**Sport.** Inspiring China and Taiwan to find ways to promote a shared feeling of 'being Chinese' is another way that outsiders can, in a small way, help defuse tensions in the Taiwan Strait. As mentioned in ICG Taiwan Strait Report III, the idea of Taiwan hosting an Olympic event in conjunction with Beijing's Summer Olympics in 2008 is recommended. A think tank scholar in Beijing has already put forward a proposal to that effect to the State Council.<sup>120</sup> The international community, including the International Olympic Committee, should actively encourage Beijing to permit Taiwan to host the Olympic baseball games. When one contemplates the effect of mega sports occasions in neighbouring countries, few events in Japan or South Korea have evoked 'togetherness' and national unity as fervently as hosting the Olympics. The Soccer World Cup, co-hosted by these two former enemies, went quite a way in dispelling lingering animosity among ordinary citizens and changing perceptions at the grassroots level.<sup>121</sup> Baseball does not evoke much interest in China, but has a passionate following in Taiwan, especially in the area around Kao-hsiung (Gaoxiong), also known as a hotbed for pro-

independence minded forces.<sup>122</sup> This action by Beijing would undoubtedly be viewed in Taiwan as a sincere gesture of goodwill.

Looking beyond the 2008 Olympics, other organisations than the Olympic Committee should be encouraged to grant major sports events to China and Taiwan jointly. Co-hosting international sports events, for example the Asian Games, would widen the scope of cross-Strait people-to-people contacts. Innovative adaptations of 'ping pong diplomacy' would also bring together Chinese and Taiwanese who do not fall in to the normal categories of cross-Strait visitors.

**Space.** Another field of cooperation where China could build goodwill with the Taiwanese public is space. China's decision to send its first man in space, Yang Liwei, to Hong Kong on Yang's first public relations trip after the launch of Shenzhou V was an example of a highly successful bonding event. Regardless of what Hong Kong residents think of the Chinese government and its politics, especially Beijing's efforts behind-the-scenes in summer 2003 to encourage passing of the subversion law, Hong Kong residents gave China's first man in space a spontaneously enthusiastic welcome. Yang Liwei was welcomed as a hero wherever he went in the former British colony. Hong Kong residents were unmistakably proud of China's success and felt they were a part of it. A joint space mission between China and Taiwan would, with all probability, be greeted in Taiwan with genuine enthusiasm. It would also enhance bonding between the two sides, strengthening a feeling of "belonging to a great Chinese nation" in Taiwan.

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<sup>119</sup> Joe Tang, "Chen furious at moves to change Taiwan's WTO status", *South China Morning Post*, 28 May 2003. Monique Chu, "WTO urges Taiwan to change name", *Taipei Times*, 27 May 2003; Lin Chieh-yu & Monique Chu, "Taiwan vows tough fight on WTO name", *Taipei Times*, 28 May 2003; "Beijing alienates all", *Taipei Times*, 28 May 2003. Taiwan was accepted into the WTO as a 'Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu'. Both China and Taiwan entered into the WTO at the end of 2001.

<sup>120</sup> ICG interview, Beijing, March 2003.

<sup>121</sup> Japan and South Korea co-hosted the Soccer World Cup in 2002. Despite scepticism beforehand, the event was perceived to have enhanced people-to-people contacts and helped dispel suspicions at the grassroots level in both South Korea and Japan.

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<sup>122</sup> The scholar in Beijing who submitted a proposal to the State Council suggesting Gaoxiong (Kao-hsiung) as the host city of the Olympic baseball event added that the move would also help deter any possible action by pro-independence forces in Taiwan prior to the Beijing Summer Olympics in 2008. He alluded to speculation that radical pro-independence leaders whose support is concentrated in the Gaoxiong area might scheme to force the issue of independence when Beijing's leaders would presumably be extremely reluctant to resort to military action. ICG interview, Beijing, March 2003.

#### IV. CONCLUSION

This report has described the conditions that will be necessary for political integration to take place in the Taiwan Strait. For the most part, it is up to China and Taiwan to move in a direction facilitating increased cooperation and, above all, trust. An ultimate political solution requires the emergence of a forward looking, confident leadership on both sides of the Strait, substantial political reform in China and a maturing of the Taiwanese political system. New interpretations of sovereignty and “what it means to be Chinese” need to be adopted.

These changes will have to take place within China and Taiwan without outside interference. The influence of outsiders can only be peripheral. However, as the previous ICG Taiwan Strait reports have already stated, the international community does have a role to play in opposing any use of force and promoting a peaceful settlement. Both China and Taiwan are integrated members of the international community. Both are acutely sensitive to the views and actions of other nations, the United States in particular.

Suggesting that China and Taiwan one day seek endorsement of a mutually negotiated agreement from the international community or encouraging the two sides to consider outsiders’ suggestions to facilitate political dialogue does not imply that other countries could or should actively involve themselves in any deal that Beijing and Taipei pursue.

Some new thinking is creeping into the contemplations of Chinese mid-level officials and scholars dealing with the Taiwan Strait.<sup>123</sup> At some point it is possible, even probable, that the top leadership will embrace these at present unofficial ideas circulating in Beijing and Shanghai. Resolving the ‘Taiwan question’ is paramount to China, and this will hold true even in a more democratic China. A more pluralistic China will be more likely to accept the need for compromise. This in turn will conceivably be what is necessary to convince Taiwan that its destiny is linked to China – in one form or another. A loose ‘Greater Chinese Union’ is the best China can hope for within the next few decades.

**Beijing/Taipei/Washington/Brussels,  
26 February 2004**

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<sup>123</sup> ICG interviews, Beijing, March 2003. Beijing’s exploration of “new avenues” is mentioned by several outsiders writing about the Taiwan Strait, e.g. Jean-Pierre Cabestan, “Integration without Reunification”? *Cambridge Review of International Affairs*, Vol. 15, N°1, 2002, pp. 100, 101; see also Gary Klintworth, “China, Taiwan and the United States”, *Pacific Review*, Vol. 13, N°1, February 2001, p. 57.

## APPENDIX A

### A TURBULENT TIME: THE TAIWAN STRAIT ISSUE SINCE JUNE 2003

The three ICG Taiwan Strait reports published simultaneously in June 2003<sup>124</sup> concluded on a relatively optimistic note. But just three months later, new and serious tensions surged again, and have continued throughout the course of the campaign for the 20 March 2004 presidential election.

#### September-October 2003: A New Constitution?

In a speech on 28 September 2003, marking the 17<sup>th</sup> anniversary of the founding of his Democratic Progressive Party (DPP), President Chen Shui-bian announced that he wanted a new constitution drafted by 2006, passed by referendum and enacted by 2008.<sup>125</sup> One month later, in a campaign rally attended by over 100,000 supporters, Chen opened a giant red book to represent the birth of a new constitution, stating it would make Taiwan a “normal, complete, great country”. A new constitution, he said, would complete Taiwan's long march to democracy, one that began in 1979 with a protest against the one-party rule of the KMT (Nationalist Party) and had been consolidated with Chen's election victory in 2000, ending more than 50 years of KMT rule. Although he said he would adhere to earlier promises not to change Taiwan's official name or flag, nor to declare independence – moves to which China has said it would respond with military force – Chen refused to exclude these issues from possible change through a new constitution or plebiscite.<sup>126</sup>

Beijing reacted to Chen's announcement regarding the constitution by warning that the “extreme push for independence” was crossing China's red line and ran the risk of war. “The use of force may become unavoidable”, Wang Zaixi, vice-minister of the Taiwan Affairs office, was quoted as saying.<sup>127</sup>

China also embarked on a far-reaching diplomatic initiative to warn governments around Asia and elsewhere that Beijing remained adamant in its opposition to any moves by Taiwan to change the constitution or hold referendums, viewing them as an excuse to push independence.<sup>128</sup>

Initially, President Chen's rival in the presidential election, KMT party chairman Lien Chan, also opposed Chen's plans, saying that they had hurt the economy and isolated Taiwan. In October 2003 Lien said that “issues such as independence are best left for future generations to decide, since they now create more problems than they solve”.<sup>129</sup> However, as the election campaign became increasingly heated and opinion polls indicated that the controversy over Taiwan's right to hold a referendum led to a rise in Chen Shui-bian's popularity, the KMT changed course. A mere month later, Lien Chan endorsed sweeping constitutional reforms, after which the KMT pushed through its own version of a referendum law in the Legislative Yuan.<sup>130</sup>

The new legislation was a middle-of-the-road solution. It did not include Chen's and the DPP's proposal that the president could at will initiate a referendum to decide on a new constitution. Nor did it permit the official flag or name of the island, Republic of China, to be changed by referendum. But the new referendum law does include a provision (article 17) allowing the president to call for a “defensive referendum” on national security issues when the country is “facing an external threat which may jeopardize national sovereignty”.<sup>131</sup> President

<sup>124</sup> ICG Asia Reports N°53-55, *Taiwan Strait I: What's Left of 'One China'?*; *Taiwan Strait II: The Risk of War*; and *Taiwan Strait III: The Chance of Peace*, 6 June 2003.

<sup>125</sup> “Taiwan president pushes new constitution by 2006”, Reuters, 29 September 2003; Chen's party ‘to push for new charter in 2006’, AP, 29 September 2003.

<sup>126</sup> See Kathrin Hille, “Chen starts push for new Taiwan constitution”, *Financial Times*, 26 October 2003.

<sup>127</sup> “China: Taiwan Independence Push Runs Risk of War”, Reuters, 18 November 2003.

<sup>128</sup> Wang Xiangwei, “Diplomatic initiative to rein in Taiwan”, *South China Morning Post*, 24 November 2003.

<sup>129</sup> “Chen's challenger slams planned vote on new charter”, *Straits Times*, 22 October 2003.

<sup>130</sup> See “KMT adapts to win back voters”, *Taipei Times*, 17 November 2003. See also, on the position of Lien Chan and the KMT, Chris Taylor, “Taiwan's Seismic Shift”, *Asian Wall Street Journal*, 4 February 2004.

<sup>131</sup> The referendum issue is further discussed below. Chen Shui-bian wanted a law allowing the constitution to be changed through a referendum because the DPP cannot get a new constitution approved in the Kuomintang-dominated Legislative Yuan. According to article 174 of the constitution of the Republic of China, amendments to the constitution require three quarters of the vote. The new legislation



Chen's referendum proposals, and the storm they generated, are discussed below.

### October- November 2003: Chen's Visit to the United States

In the midst of the controversy surrounding Chen's plans to have a new constitution approved by referendum, he flew to New York on 31 October 2003 for a 44 hour transit stopover before attending Panama's 100<sup>th</sup> birthday celebrations.<sup>132</sup> In New York he received an award from the International League for Human Rights and had unprecedented access to both the media and American congressmen. In the context of any other government's relationship with the U.S., the protocol treatment the Bush administration gave to Chen was insignificant. But in the context of Taiwan, where enormous significance has been attached to even the smallest such developments, the easing of restrictions made headlines.<sup>133</sup>

Chen was allowed to address a rally in his hotel of hundreds of enthusiastic supporters who had converged on New York from all over the U.S. and as far away as Brazil and Japan. He hosted a lunch for a senator, Jay Rockefeller (D-WV), and seven congressmen, in addition to conversing with eleven other elected representatives in private or group meetings.<sup>134</sup> At the human rights award dinner,

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approved in November 2003 makes it extremely hard to hold a referendum to amend the constitution and bars referendums to draft a new or completely rewritten constitution. See Keith Bradsher, "Taiwan Passes Independence Referendum Law", *New York Times*, 27 November 2003; George Wehrfritz, "Taiwan: Rocking the Boat", *Newsweek*, 22 December 2003; Ralph Cossa, "Taiwan Referendum: Waving A Red Flag", CSIS Pacific Forum, PacNet N°48, 3 December 2003.

<sup>132</sup> Panama is one of the 26 countries in the world that currently maintain diplomatic relations with Taiwan and not with the People's Republic of China.

<sup>133</sup> For the first time a Taiwan president was allowed to make comments to the media on U.S. soil since 1979, when Washington established diplomatic relations with mainland China and severed official ties with Taiwan. He also became the first Taiwan president since the break in diplomatic relations to make a public speech in a major American city. Susan V. Lawrence, "United States and Taiwan: Diplomatic But Triumphant Progress", *Far East Economic Review*, 13 November 2003.

<sup>134</sup> The Taiwanese government provided the media with a meticulous list of all U.S. government officials and elected representatives who Chen either shared a meal with, had a private or group meeting with, or spoke to over the phone. In addition to having lunch with and holding a separate meeting with Senator Rockefeller, Chen had a private meeting with

California Democrat Congressman Tom Lantos offered his congratulations from the podium, saying: "I know that I speak for all of my colleagues across the political aisle in saying we are looking forward to the day when you personally will be received as an honoured guest in the White House". On Chen's second evening in New York, he was allowed to invite more than 400 supporters and about twenty reporters on a dinner cruise that took him past the Statue of Liberty and the United Nations building: to highlight Taiwan's desire to join the UN as a sovereign state, Chen posed for news photographs with the UN building behind him. During the cruise, the Washington-based U.S. official who presides over the U.S.-Taiwan relationship, American Institute in Taiwan chairman and managing director Therese Shaheen, referred to the easing of restrictions concerning Chen's movements, saying "there is a secret guardian angel here that's really responsible for tonight, and that is President George W. Bush".<sup>135</sup> This remark has since been used repeatedly by Chen's supporters and quoted in the Taiwanese media to demonstrate that Chen has the support of U.S.

The Bush administration made a mild attempt to show its displeasure with Chen's referendum plans by cancelling a planned meeting in New York between him and Deputy Assistant Secretary of State Randy Schriver. But it then softened the blow by allowing Chen a telephone conversation in New York with Deputy Secretary of State Richard Armitage.<sup>136</sup> And all in all, Chen's treatment in the U.S. was markedly different from that he received in 2000 on his first transit through the U.S. as Taiwan's president, when he had been confined by the Clinton administration to a Los Angeles hotel and allowed to see just fifteen well-wishers, and in a New York

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another senator, Charles "Chuck" Schumer (D-NY), as well as Rep. Gregory Meeks (D-NY), Rep. Robert Wexler (D-FL), and Rep. Eliot Engel (D-NY). The congressmen attending the lunch were Rep. Gary Ackerman (D-NY), Rep. Sherrod Brown (D-OH), Rep. Nita Lowey (D-NY), Rep. Carolyn Maloney (D-NY), Rep. Charles Rangel (D-NY), Rep. Cliff Stearns (R-FL), Rep. Ed Towns (D-NY). Other congressmen Chen met included Rep. Dan Burton (R-IN), Rep. Peter Deutsch (D-FL), Rep. Roscoe Bartlett (R-MD), Rep. Alcee Hastings (D-FL), Rep. Tom Lantos (D-CA), Rep. Donald Payne (D-NJ), and Rep. Cliff Stearns (R-FL).

<sup>135</sup> Lawrence, "United States and Taiwan: Diplomatic But Triumphant Progress", op.cit.

<sup>136</sup> Ibid.

transit in 2001, when he had been allowed by the Bush administration to see 150 supporters.<sup>137</sup>

In Panama, the Taiwanese president scored what was touted in the media as a major Taiwanese diplomatic triumph when he exchanged greetings and shook hands with U.S. Secretary of State Colin Powell. Whether the encounter was planned ahead-of-time with U.S. officials' approval remains unclear. A Bush administration official afterwards commented that Powell "was not going to run around the corner when Chen Shui-bian comes over to him" nor was the U.S. government going to treat Chen as a "pariah".<sup>138</sup> Back home, the Taiwanese public's response to Chen's high profile overseas trip was swift: Chen's ratings soared in opinion polls. One opinion poll even found that Chen had for the first time taken the lead over his KMT rival Lien Chan.

The warm reception which U.S. officials and elected representatives gave Chen in New York as well as the handshake between Chen and Powell were widely interpreted as sending significant signals regarding U.S. policy toward Taiwan.<sup>139</sup> One observer described Chen's trip as a sign that "U.S. policy toward the island was shifting dramatically".<sup>140</sup>

This was also Beijing's view, although its reaction was much more muted than in June 1995, when President Clinton had allowed former Taiwanese President Lee Teng-hui to visit his former *alma mater*, Cornell University, and Beijing responded by holding missile exercises, marking the prelude to a major crisis in the Taiwan Strait the following year. This time Beijing voiced its displeasure over Chen's activities in New York, warning of "dire consequences" if Chen continued with his "splittist activities",<sup>141</sup> but did not go further than using diplomatic pressure.

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<sup>137</sup> Ibid.

<sup>138</sup> ICG interview, January 2004.

<sup>139</sup> See e.g. David G. Brown, "Illusions, Misperceptions, and Political Spin in Taipei", Honolulu: CSIS Pacific Forum, PacNet N°50, 9 December 2003.

<sup>140</sup> Hugo Restall, "Ambiguity on Taiwan", *Asia Wall Street Journal*, 7 November 2003; See also, e.g., Michael D. Swaine and Minxin Pei, "Where Taiwan Support Stops", *Washington Post*, 7 December 2003; Brown, "Illusions, Misperceptions, and Political Spin", op. cit.

<sup>141</sup> See "Chen's Calculations", *Financial Times*, 17 November 2003.

## November 2003-February 2004: The Referendum Issue

Shortly after the passage on 26 November 2003 of the new law allowing the president to call for a "defensive referendum" on national security issues, President Chen announced – in a 5 December interview with *New York Times* journalists - to hold a referendum in conjunction with the presidential election on 20 March 2004, calling on China to withdraw ballistic missiles aimed at Taiwan and demanding that China renounce the use of force against the island.<sup>142</sup>

Beijing had already made clear that a referendum of any kind was anathema to it, demanding that Washington publicly take a stand against Chen prior to Premier Wen's state visit in December. Premier Wen Jiabao vowed in an interview before that China would "pay any price" to defend China's national unity and said that the Bush administration "must be crystal clear in opposing the use of a referendum or writing of a constitution used by the leader of the Taiwan authorities to pursue his separatist agenda".<sup>143</sup>

The United States acquiesced – it was China's turn to score its own diplomatic victory. Just one month after Chen's U.S. trip, President George W. Bush not only repeated previous assurances that the United States adhered to the 'One China' policy, but at a joint press conference on 9 December 2003 with Premier Wen at his side Bush said the United States opposed "any unilateral decision by either China or Taiwan to change the status quo". Referring to Chen's referendum plan, Bush said that "the comments and actions made by the leader of Taiwan indicate that he may be willing to make decisions unilaterally to change the status quo, which we oppose". Bush also called the United States and China "partners in diplomacy".<sup>144</sup>

Throughout December Chen stood his ground, promising to cancel this "defensive referendum" if China withdraws its missiles or renounces the use of force against Taiwan. He said the referendum, which

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<sup>142</sup> Keith Bradsher and Joseph Kahn, "Taiwan Referendum to Focus on Missiles, Not Independence", *New York Times*, 5 December 2003.

<sup>143</sup> John Pomfret and Philip P. Pan, "Chinese Premier Asks U.S. to Pressure Taiwan Wen Says China Would 'Pay Any Price' to Preserve Unity", *Washington Post*, 22 November 2003.

<sup>144</sup> David E. Sanger, "Bush Lauds China Leader as 'Partner' in Diplomacy", *New York Times*, 10 December, 2003.

he wants to be called a “peaceful referendum”, is a basic right of all people of Taiwan, a measure to strengthen the nation's democracy.<sup>145</sup> According to Chen's aide, the power given to the president according to the new referendum law is also “viewed as a presidential responsibility to safeguard national security”. The defensive referendum's purpose is “to raise international and domestic awareness of the growing danger of China's missile deployment and its determination to use force. The referendum is legitimate, appropriate and not at all provocative. A large and steadily growing number of ballistic missiles is the most visible threat against Taiwan”.<sup>146</sup>

But the international pressure eventually told, and on 16 January 2004 Chen announced that the proposed terms of the referendum would be modified, with voters now simply being asked whether Taiwan should bolster its defence capabilities if China refuses to remove the ballistic missiles aimed at Taiwan and renounce the use of force, and whether there is support for a negotiated ‘peace and stability’ framework. The two specific questions are as follows:<sup>147</sup>

1. The People of Taiwan demand that the Taiwan Strait issue be resolved through peaceful means. Should Mainland China refuse to withdraw the missiles it has targeted at Taiwan and to openly renounce the use of force against us, would you agree that the Government should acquire more advanced anti-missile weapons to strengthen Taiwan's self-defense capabilities?
2. Would you agree that our Government should engage in negotiation with Mainland China on the establishment of a “peace and stability” framework for cross-Strait interactions in order to build consensus and for the welfare of the peoples on both sides?

This did little to assuage overt Chinese hostility with a State Councillor and former foreign minister Tang Jiaxuan stating that the 20 March referendum “no matter how it is packaged...will only cause confrontation and animosity between the two sides, aggravate already strained cross-Strait relations and

push them further to the brink of danger”.<sup>148</sup> China received unexpectedly strong support for its position from French President Jacques Chirac, who said in a widely reported statement at a banquet in honour of visiting Chinese President Hu Jintao on 26 January 2004 that the referendum plan was “a grave error”.<sup>149</sup>

On 11 February China further made its displeasure known with strong statements from Taiwan Affairs Office spokesman Zhang Mingqing that going ahead with the planned referendum would “endanger peace” and “provoke confrontation” with China: “No matter how he packages or defends this referendum, Chen cannot conceal his evil intention of using it to pave the way for future referendums on Taiwan independence”. But at the same time Zhang said that China “did not, do not and will not interfere with elections in Taiwan”, and in a separate announcement, no doubt designed to lower the temperature, China promised to relax visa requirements for Taiwanese businessmen in China.<sup>150</sup>

The United States administration, conscious of strong continuing Congressional support for Taiwan, has also sought to take some heat out of the referendum issue by muting its opposition after the questions were changed: Secretary of State Powell, for example, told a Congressional committee on 11 February simply that “We don't really see a need for these referenda” while stating that Taiwan had every right “as a democratic place” to have them.<sup>151</sup> At the same time the U.S. has been putting a little more visible pressure on China on the question of its missile deployments.<sup>152</sup>

President Chen has made his own further contributions to defusing some of the tensions he injected into the cross-Strait issue during the election campaign by calling, on 3 February 2004, for the creation of a demilitarised zone, an exchange of

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<sup>148</sup> Philip P. Pan, “China Still Rejects Taiwan Referendum”, *Washington Post*, 19 January 2004.

<sup>149</sup> See, e.g., “Taipei cuts high-level contacts with Paris”, *International Herald Tribune*, 30 January 2004.

<sup>150</sup> Edward P. Cody and Philip P. Pan, “China Warns Referendum Will Endanger Peace”, *Washington Post*, 11 February 2004; Steven Jiang, “China ‘Won't Meddle’ with Taiwan”, CNN.com, 11 February 2004.

<sup>151</sup> Chris Cockel, “Powell Sees No Need for Taiwan to Hold Referenda”, *China Post*, 13 February 2004.

<sup>152</sup> “Washington Softens on Taiwan Referendum”, *Financial Times*, 12 February 2004, referring to Defense Under-Secretary Feith's statements in Beijing expressing concern about the missile build-up.

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<sup>145</sup> Lin Chieh-yu, “Chen tells China he may revoke ‘five noes’ pledge”, *Taipei Times*, 23 December 2003.

<sup>146</sup> Joseph Wu, “Independence is the real status quo”, *Taipei Times*, 6 January 2004.

<sup>147</sup> See e.g. “Taiwan's Chen Chalks Out Questions for Referendum”, Reuters, 16 January 2004.

envoys and generally better relations with China,<sup>153</sup> and stating on 19 February that he would continue to honour the promise he made in 2000 and would not, if re-elected, declare independence.<sup>154</sup>

But Chen rather modified the impact of this apparently significant offering by saying, as he has so often before, “Declaring independence is not an issue as we are already an independent country”.<sup>155</sup> While it seems that all the key players have made the judgement that it is in nobody’s interests to further inflame cross-Strait tensions in the highly sensitive pre-election period, there is no doubt that the whole issue of the relationship of China remains an inflammatory one – with as great a need as ever to find ways of containing it in the short and medium term, and resolving it in the longer term.

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<sup>153</sup> See, e.g., Jason Dean, “Taiwan’s Chen Softens Stance”, *Asian Wall Street Journal*, 4 February 2004.

<sup>154</sup> “No independence, says Taiwan head”, BBC News, [bbc.co.uk](http://bbc.co.uk), 19 February 2004; “Taiwan’s President Chen promises no plan for island’s independence”, AFX UK Focus, 19 February 2004. See also “Strait Talk”, Interview in *Time Asia*, 23 February 2003.

<sup>155</sup> AFX UK Focus, op. cit.

## APPENDIX B

### RECOMMENDATIONS FROM *TAIWAN STRAIT III: THE CHANCE OF PEACE*

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#### RECOMMENDATIONS

##### To China and Taiwan:

1. Intensify the breadth and depth of cross-Strait links and joint activities, especially those that can take place in or near the Taiwan Strait.
2. Place greater political emphasis on concrete cross-Strait cooperation and interchanges than on high-profile arguments about recognition of the 'One China' relationship.
3. Work toward Taiwan hosting at least one event (e.g. baseball) in the 2008 Beijing Olympic Games.
4. Resume high level political contacts.
5. Adopt a more consistent policy of promoting business-like and courteous exchanges with and about each other, avoiding inflammatory, provocative and unnecessarily personal statements.
6. In this spirit, end the battle of the 'diplomatic lists', and agree informally on a 'cease-spend' in the dollar diplomacy that seeks to buy impoverished third world countries or micro-states away from each other's list.
7. Work toward a formal customs agreement through bilateral contacts at officials' level within the WTO.

##### To China:

8. Accept that there is no significant support within Taiwan for the 'one country, two systems' formula first adopted two decades ago.
9. Accept that gradual economic integration provides the mechanisms of building mutual trust on which political integration can proceed, and that continued threats of military pressure on Taiwan will undermine the trust and sense of security that are essential prerequisites for political integration.
10. Support Taiwan's membership of international organisations where statehood is not a requirement for membership.

11. Show more flexibility in accepting Taiwan's participation, where and when the subject area makes it appropriate, in organisations where statehood is a requirement.

##### To Taiwan:

12. Finalise legislation on comprehensive direct air and shipping links as soon as possible.
13. End controls on investment, tourism and other exchanges that discriminate against China.
14. Sustain and reiterate from time to time the commitments in President Chen's inauguration speech to avoid formal political moves that could provoke a military response by China.

##### To UN Member States

15. Recognising the sensitivity of the sovereignty issue, and the continuing utility of the 'One China' principle in maintaining peace across the Taiwan Strait, do not undermine that principle by acting in any way to recognise de jure Taiwan as a state.
16. Do not support Taiwan's membership of international organisations where statehood is a requirement for membership, but where and when appropriate do support its participation in such organisations in other ways.
17. Actively oppose, both in public and in diplomatic contacts with China, the threat or use of force in addressing difficulties in cross-Strait relations.

### APPENDIX C

### MAP OF TAIWAN AND ADJACENT AREAS



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## APPENDIX D

### LIST OF ACRONYMS

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ADB	Asian Development Bank	NPT	Nuclear Non-Proliferation Treaty
APEC	Asia Pacific Economic Cooperation	NPC	National People's Congress
ARATS	Association for Relations across the Taiwan Strait	NTU	National Taiwan University
ASEAN	Association of Southeast Asian Nations	NUC	National Unification Council (Taiwan)
ASEM	Asia Europe Meeting	PFP	People First Party
C4I	Command Control, Communications Intelligence	PLA	Chinese People's Liberation Army
CCP	Communist Party of China	PRC	People's Republic of China
CIA	Central Intelligence Agency	ROC	Republic of China
CSCAP	Council on Security and Cooperation in the Asia Pacific	ROCOT	Republic of China on Taiwan
DPP	Democratic Progressive Party	SAR	Special Administrative Region
EEZ	Exclusive Economic Zone	SARS	Severe Acute Respiratory Syndrome
EU	European Union	SCO	Shanghai Cooperation Organization
GDP	Gross Domestic Product	SEATO	South East Asia Treaty Organisation
GNU	Guidelines for National Unification	SEF	Straits Exchange Foundations
IAEA	International Atomic Energy Agency	SNTV	Single Non-transferable Vote
IISS	International Institute for Strategic Studies	TAIP	Taiwan Independence Party
IMF	International Monetary Fund	TRA	Taiwan Relations Act
IOC	International Olympic Committee	TSU	Taiwan Solidarity Union
IW	Information Warfare	UNEP	United Nations Environment Programme
KMT	Kuomintang (Nationalist Party)	UNICEF	United Nations Children's Fund
MAC	Mainland Affairs Council	USSR	Union of Soviet Socialist Republics
MND	Ministry for National Defence (Taiwan)	WFTA	World Federation of Taiwanese Associations
MSS	Ministry of state Security (China)	WHO	World Health Organization
NATO	North Atlantic Treaty Organisation	WHA	World Health Assembly
NP	New Party	WTO	World Trade Organization
		WUFI	World United Formosans for Independence

## APPENDIX E

### ABOUT THE INTERNATIONAL CRISIS GROUP

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The International Crisis Group (ICG) is an independent, non-profit, multinational organisation, with over 90 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

ICG's approach is grounded in field research. Teams of political analysts are located within or close by countries at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, ICG produces regular analytical reports containing practical recommendations targeted at key international decision-takers. ICG also publishes *CrisisWatch*, a 12-page monthly bulletin, providing a succinct regular update on the state of play in all the most significant situations of conflict or potential conflict around the world.

ICG's reports and briefing papers are distributed widely by email and printed copy to officials in foreign ministries and international organisations and made generally available at the same time via the organisation's Internet site, [www.crisisweb.org](http://www.crisisweb.org). ICG works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The ICG Board – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring ICG reports and recommendations to the attention of senior policy-makers around the world. ICG is chaired by former Finnish President Martti Ahtisaari; and its President and Chief Executive since January 2000 has been former Australian Foreign Minister Gareth Evans.

ICG's international headquarters are in Brussels, with advocacy offices in Washington DC, New York, London and Moscow. The organisation currently operates thirteen field offices (in Amman, Belgrade, Bogotá, Cairo, Freetown, Islamabad, Jakarta, Kathmandu, Nairobi, Osh, Pristina, Sarajevo and Tbilisi) with analysts working in over 40 crisis-affected countries and territories across four continents. In Africa, those countries include Burundi, Rwanda, the Democratic

Republic of the Congo, Sierra Leone, Liberia, Guinea, Ethiopia, Eritrea, Somalia, Sudan, Uganda and Zimbabwe; in Asia, Indonesia, Myanmar, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Pakistan, Afghanistan, Kashmir and Nepal; in Europe, Albania, Bosnia, Georgia, Kosovo, Macedonia, Moldova, Montenegro and Serbia; in the Middle East, the whole region from North Africa to Iran; and in Latin America, Colombia.

ICG raises funds from governments, charitable foundations, companies and individual donors. The following governmental departments and agencies currently provide funding: the Australian Agency for International Development, the Austrian Federal Ministry of Foreign Affairs, the Canadian Department of Foreign Affairs and International Trade, the Canadian International Development Agency, the Royal Danish Ministry of Foreign Affairs, the Finnish Ministry of Foreign Affairs, the French Ministry of Foreign Affairs, the German Foreign Office, the Irish Department of Foreign Affairs, the Japanese International Cooperation Agency, the Luxembourgian Ministry of Foreign Affairs, the Dutch Ministry of Foreign Affairs, the Royal Norwegian Ministry of Foreign Affairs, the Swedish Ministry for Foreign Affairs, the Swiss Federal Department of Foreign Affairs, the Republic of China Ministry of Foreign Affairs (Taiwan), the Turkish Ministry of Foreign Affairs, the United Kingdom Foreign and Commonwealth Office, the United Kingdom Department for International Development, the U.S. Agency for International Development.

Foundation and private sector donors include Atlantic Philanthropies, Carnegie Corporation of New York, Ford Foundation, Bill & Melinda Gates Foundation, William & Flora Hewlett Foundation, Henry Luce Foundation Inc., John D. & Catherine T. MacArthur Foundation, John Merck Fund, Charles Stewart Mott Foundation, Open Society Institute, Ploughshares Fund, Sigrid Rausing Trust, Sasakawa Peace Foundation, Sarlo Foundation of the Jewish Community Endowment Fund, the United States Institute of Peace and the Fundação Oriente.

**February 2004**



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\* The Algeria project was transferred from the Africa Program to the Middle East & North Africa Program in January 2002.

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