

CROSS-STRAIT RELATIONS AFTER TAIWAN'S 2004 PRESIDENTIAL ELECTION

CHEN-YUAN TUNG
Assistant Research Fellow
Institute of International Relations
National Chengchi University
CTung@jhu.edu

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I. Taiwan's 2004 Presidential Election and Referendum Results

On March 20, 2004, incumbent President Chen Shui-bian and Vice President Annette Lu of the Democratic Progressive Party (DPP) won the re-election by less than 30,000 votes. The DPP ticket won with 50.1 percent of the total votes cast, compared with 49.9 percent for the joint ticket of Chairman Lien Chan of the Kuomintang (KMT) and Chairman James Soong of the People First Party (PFP).

In addition, the historical peace referendum held alongside the election was automatically invalidated as less than 50 percent of the Taiwanese electorate voted on the two questions. The turnout for the referendum on reinforcing national defense was 45.17 percent; the turnout for the referendum on cross-strait negotiations was 45.12 percent.

Out of 16,497,746 eligible voters, 7,452,340 citizens collected ballots on the first referendum question, which asked voters whether Taiwan should boost self-defense by purchasing more advanced anti-missile weapons against the 496 missiles deployed

by China targeting Taiwan. The question was endorsed by 91.8 percent of valid ballots, while 8.2 percent of valid ballot said “no” to the proposal.

On the second question, 7,444,148 persons voted on whether Taiwan should pursue negotiations with China to build a framework of interaction for peace and stability. The question was supported by 92.1 percent of valid ballots, while 8.0 percent of valid ballots expressed disagreement.

What exactly have the results told us regarding the future development of cross-Strait relations? Will the re-election of President Chen start a new era of cross-Strait constructive interaction? Or will the re-election lead to spiral instability and conflicts of cross-Strait relations in the near future? Or will the re-election have no significant impact on current stalemate of cross-Strait relations?

Four years ago, after the 2000 presidential election, many experts on cross-Strait relations said that a crisis was emerging or even imminent in the Taiwan Strait.¹ Nevertheless, over the past four years, relations between Taiwan and China were relatively stable, although deadlocked without bilateral dialogue. In fact, these experts did not appreciate enough the change of DPP policy toward China after May 1999 as well as the essence of China’s Taiwan policy in recent years.

Instead of speculation, this paper provides a framework to objectively analyze both prospects of Taiwan’s China policy and prospects of China’s Taiwan policy, and thus conclude with assessment of cross-Strait relations after Taiwan’s 2004 presidential election. With respect to Taiwan’s China policy, this paper elaborates major principles of DPP policy toward China over the last four years, and President Chen’s statements on cross-Strait relations during and after the election. As to China’s Taiwan policy, this paper analyzes the essence of China’s Taiwan policy prior to the

¹ For instance, see Yu-shan Wu, “May 20 Is Never A Crisis, But After,” *Zhongguo Shibao* (China Times), May 21, 2000.

election, China's reaction to the election, and prospects of China's Taiwan policy after the election.

II. Interpreting the Election and Referendum Results

A. Taiwan Consensus on Cross-Strait Relations

Although both pan-green camp (DPP and Taiwan Solidarity Union)² and pan-blue camp (KMT and PFP) garnered around half of the total votes and divided on many campaign issues, both presidential candidates have shown clear consensus emphasizing Taiwan identity on cross-Strait relations during the presidential election. As a matter of fact, this consensus is reflecting the national identity of the Taiwan people. According to the opinion polls conducted by the Election Study Center, National Chengchi University, in July 1992, 45.4 percent of interviewees identified themselves as both Taiwanese and Chinese, 26.2 percent only Chinese, and 17.3 percent only Taiwanese. In comparison, in December 2003, 43.2 percent of interviewees identified themselves as only Taiwanese, 42.9 percent both Taiwanese and Chinese, and 7.7 percent only Chinese.³

In its resolution regarding Taiwan's future passed on May 8, 1999, the DPP asserts, "Taiwan [named the Republic of China under its current constitution] is an independent sovereign country. Any change in the independent status quo must be decided by all residents of Taiwan by means of plebiscite. Taiwan is not part of the People's Republic of China. China's unilateral advocacy of the 'one-China principle' and 'one country, two systems' is fundamentally inappropriate for Taiwan."⁴ That is,

² During the campaign, Taiwan Solidarity Union (TSU) explicitly supported incumbent President Chen Shui-bian. As a result, TSU belonged to the pan-green camp.

³ Ching-hsin Yu, "Some Observations on the 2004 Presidential Election," presented at the 31st Taiwan-Japan Conference on Mainland China Issues, Taipei, sponsored by the Institute of International Relations, National Chengchi University, March 26, 2004.

⁴ Democratic Progressive Party, *Nianqing Guojia Guanxin Xianfa* [A Young Country, A New Constitution] (Taipei: Democratic Progressive Party, 2003), pp. 18-19.

the DPP's policy is to maintain the status quo of independent sovereign Taiwan, instead of changing it by declaring independence or re-unifying with China. Moreover, on August 3, 2002, President Chen Shui-bian clearly defined cross-Strait relations as "each country on each side" of the Taiwan Strait, which is description of the status quo, not to change the status quo. Throughout the campaign, President Chen has presented consistently the above position.

In an interview by *Zhongguo Shibao* (China Times) on December 15, 2003, surprisingly, Legislative Speaker and Director General of the pan-blue camp Wang Jin-pyng said that the pan-blue camp has never opposed President Chen's definition of relations between Taiwan and China as "one country on each side" of the Taiwan Strait, nor will it stand against Taiwan independence in the future. He added that the pan-blue camp does not rule out the future option of Taiwan independence for the people of Taiwan. In addition, he stressed that the pan-blue camp will stop insisting on the so-called "1992 consensus" and the notion of "one China, with each side making its own interpretation."⁵

One day later, Chairman Lien confirmed Speaker Wang's position. In an international press conference on December 16, Chairman Lien explicitly dropped his party's long-standing goal of Taiwan's eventual unity with China. Chairman Lien emphasized, "We insist on the maintenance of the status quo. We opposed to the idea of so-called immediate independence, and we are also opposed to being labeled reunificationists."⁶ In addition, he pointed out that the Republic of China has been an independent country and the statement of one country on each side across the Taiwan Strait is not disputable at all.⁷

⁵ Hwei-Zhen Jiang, "Wang Jin-Pyng: KMT and PFP Not Oppose Independence and Attract More Voters of Taiwanization," *Zhongguo Shibao*, December 16, 2003.

⁶ Kathrin Hille, "Taiwan's Opposition Alters Tack," *Financial Times*, December 17, 2003, p. 3.

⁷ Zhen-zhen Li, "Lien: The Republic of China Sovereignty Independent, No Issues of Unification and Independence" (in Chinese), *Zhongguo Shibao*, December 17, 2003.

Furthermore, Chairman Lien explained in another interview in early February 2004, “Beijing’s insistence that Taiwan reaffirm its commitment to a one-China policy before talks is a nonstarter.” He also rejected a “one-country, two systems” approach for Taiwan.⁸ In mid-March, Chairman Lien reiterated, “The Republic of China is a sovereign nation. We will never merge, be taken over or united with the People’s Republic of China.”⁹

B. The Meaning of Referendum Results

During the campaign, President Chen advocated that Taiwan should revise the current constitution or even introduce a new constitution by 2006 through a referendum. The invalidity of the peace referendum shows that if the pan-blue camp boycotts constitutional reforms through a referendum, it will be very difficult to achieve the goal proposed by the DPP. The DPP government needs either to compromise with the pan-blue camp in the convention of constitutional reforms to avoid the boycott of the pan-blue camp or to promote constitutional reforms by reaching consensus through the mechanism of the legislature.¹⁰ Of course, this kind of constitutional reforms would not change the status quo of Taiwan’s sovereignty.

Although the peace referendum was invalidated, the results are still significant for the Chen Shui-bian administration of the next term. It shows that participants had a very high degree of consensus because both questions were endorsed by about 92 percent of valid ballots. Particularly, in the circumstance of the explicit boycott of the pan-blue camp, such a high degree of consensus should reflect the strong support of the pan-green supporters on these two questions proposed by the Chen Shui-bian

⁸ Mark Magnier and Tyler Marshall, “Opposition Candidate Picks Middle Ground,” *Los Angeles Times*, February 8, 2004, p. 4.

⁹ Allen T. Cheng, “Lien Denounces Military Threats from Beijing,” *South China Morning Post*, March 14, 2004, p. 6.

¹⁰ Meeting notes with a senior Taiwanese official, March 26, 2004. Meeting notes with a senior Taiwanese official, May 12, 2004.

administration. In particular, President Chen would have more confidence to negotiate with the Chinese government over a framework of interaction for peace and stability since his supporters are on his side.

For instance, in the acceptance speech of winning the presidential election in the evening of March 20, 2004, President Chen emphasized that even though the two referendum questions did not legally pass, the government will abide by the overwhelming majorities voiced for “strengthening defense and entering into talks with China based on equality.” “Under the precondition of ensuring Taiwan’s sovereignty, dignity and security, we will immediately initiate a task force to promote a peace and stability framework for cross-Strait relations,” President Chen promised.¹¹

III. Prospects of Taiwan’s China Policy

A. The DPP Principle: Democracy, Peace, and Prosperity

Ever since May 2000, Taiwan’s China policy of the Democratic Progressive Party (DPP) administration could be characterized by three pillars, which can be abbreviated as the DPP principle: democracy, peace, and prosperity. The first pillar is democracy. In the DPP resolution regarding Taiwan’s future adopted in May 1999, the status quo of an independent sovereign Taiwan can only be changed through a democratic process with the Taiwanese explicit consent.

The second pillar is peace. Upon taking office, President Chen has consistently reiterated the position: in accordance with the principles of “goodwill reconciliation, active cooperation, and permanent peace,” both sides across the Taiwan Strait must mutually promote constructive development in cross-Strait relations. It was based on these premises of reconciliation, cooperation, and peace that President Chen proposed

¹¹ Dennis Engbarth, “Chen Triumphs,” *Taiwan News*, March 21, 2004, p. 1.

to the Chinese leaders in his inaugural speech: let us jointly deal with the question of a future “one China.”¹²

In addition, President Chen pledged that during his term in office, as long as China does not hold the intention of using military force against Taiwan: he would not declare independence, he would not change the national title, he would not push forth the inclusion of the so-called “state-to-state” description in the Constitution, and he would not promote a referendum to change the status quo in regard to the question of independence or unification. Furthermore, he added, there was no question of abolishing the Guidelines for National Unification and the National Unification Council. These pledges are known as the so-called “four noes, one have-not” or “five noes.”

On December 31, 2000, President Chen pronounced that the integration of bilateral economies, trade, and culture across the Taiwan Strait should be a starting point for gradually building faith and confidence in each other. This, he suggested, could be the basis for a new framework of permanent peace and political integration.¹³

On January 1, 2003, President Chen urged both sides across the Taiwan Strait to strive towards building a framework of interaction for peace and stability and to make this a primary goal at this stage of cross-Strait development. He stressed consultation and promotion of direct transportation links, as well as exchanges on other relevant economic issues, could constitute a first step forward and set the stage for further economic and cultural interaction.¹⁴

¹² “President Chen’s 520 Inaugural Speech: Taiwan Stands Up: Advancing to an Uplifting Era (Excerpt),” Mainland Affairs Council, <http://www.mac.gov.tw/english/english/macpolicy/cb0520e.htm> , accessed May 7, 2004.

¹³ “President Chen’s Cross-century Remarks,” Mainland Affairs Council, <http://www.mac.gov.tw/english/english/macpolicy/ch9001e.htm>, accessed May 7, 2004.

¹⁴ “President Chen’s New Year Day’s Message (excerpt: cross-strait relations),” Mainland Affairs Council, <http://www.mac.gov.tw/english/english/macpolicy/ch9211e.htm>, accessed May 7, 2004.

During and after the election, President Chen has reiterated his firm position on promoting peace by maintaining the status quo. Even though Taipei, Washington, and Beijing have quite different definition of the status quo across the Taiwan Strait, President Chen pledged not to change the status quo per se by means of changing its national name, national flag, and constitutional territory in order to maintain stability of trilateral relations among Taiwan, the United States, and China.¹⁵

The third pillar is prosperity. Since May 2000, to better balance the needs of economic development and national security concerns, the Chen Shui-bian administration has discarded the long held “no haste, be patient” policy and adopted a new policy of “active openness and effective management.” Thereafter, Taiwan has gradually but surely come to relax its regulation on both cross-Strait trade and investment.

With respect to hard figures on cross-Strait trade, for December 2000 only 53.9 percent of trade commodities were permitted as imports from China to Taiwan whereas by September 2003 these figures had jumped to 77.5 percent. Moreover, based on Taiwan’s Mainland Affairs Council (MAC)’s estimates, Taiwan’s trade with China increased by 34 percent in 2002 and 24 percent in 2003, respectively. Accordingly, in 2003, Taiwan’s exports to China accounted for 24.5 percent of Taiwan’s total exports, while Taiwan’s imports from China accounted for 8.6 percent of Taiwan’s total imports. In fact, China has been Taiwan’s largest export market since 2002 and largest trade partner since 2003.

In terms of regulating Taiwan’s investment to China, the Taiwanese government

¹⁵ “President Chen’s Press Conference,” Office of the President, Republic of China, February 3, 2004. Tyler Marshall and Mark Magnier, “Taiwan’s Chen Defends Move on Referendum,” *Los Angeles Times*, February 8, 2004, p. 1. “President Chen’s Interview by the *Washington Post*,” Office of the President, Republic of China, March 30, 2004. N. K. Han and Sofia Wu, “President Chen Reaffirms Commitment to Constitutional Reform,” Central News Agency, March 31, 2004. Jason Dean, “Taiwan’s Chen Touts Peace, Bigger U.S. Role in Region,” *Wall Street Journal*, April 1, 2004, p. A12. Meeting notes with senior Taiwanese officials, March 26, 2004. Meeting notes with a senior Taiwanese official, April 19, 2004.

relaxed restrictions on Taiwanese investment in China's high-tech industry and it also did away with the investment ceiling of US\$ 50 million. Instead, the Taiwanese government established a review commission with clear standards on investment projects of over US\$ 20 million. Furthermore, the government has also opened the way for Taiwanese financial firms to establish branches in China. By March 2004, based on Taiwanese official statistics, Taiwan's cumulative outward foreign direct investment (FDI) in China was US\$ 35.6 billion, or 47.5 percent of Taiwan's cumulative outward FDI.

Furthermore, Taiwan has put forward a three stage schedule that allows for China's investment in Taiwan: Taiwan will allow China's investment in the real estate sector in first stage, in some service industries and the manufacturing industry in the second stage, and in the capital market in the third stage.

Finally, after the revision of the Statute Governing the Relations between the People of the Taiwan Area and the Mainland Area in October 2003, the Taiwanese government is reviewing and relaxing regulations regarding Taiwan's investment to China, introducing Chinese technology to Taiwan, cross-Strait financial exchange and taxation issues, expanding mini three links¹⁶, China's investment to Taiwan, and issuing Chinese business visas to Taiwan.

Evidently complying with the DPP principle, President Chen emphasized the following points with respect to cross-Strait relations in his inaugural speech on May 20, 2004:¹⁷

1. By 2008, a new version of the Taiwan Constitution would be introduced to the people of Taiwan. Issues related to national sovereignty, territory

¹⁶ Since January 2001, the "mini three links" have legalized trade and travel between Taiwan's offshore islands, Quemoy and Matzu, and adjacent ports in China.

¹⁷ "President Chen's Inaugural Address 'Paving the Way for a Sustainable Taiwan'," Office of the President, Republic of China, May 20, 2004.

and the subject of unification/independence should be excluded from the present constitutional re-engineering project. Procedurally, we shall follow the rules set out in the existing Constitution and its amendments. (peace principle)

2. Taiwan is a completely free and democratic society. Neither single individual nor political party can make the ultimate choice for the people. If both sides are willing, on the basis of goodwill, to create an environment engendered upon “peaceful development and freedom of choice,” then in the future, the Republic of China and the People’s Republic of China – or Taiwan and China – can seek to establish relations in any form whatsoever. We would not exclude any possibility, so long as there is the consent of the 23 million people of Taiwan. (peace and democracy principles)
3. Both sides across the Taiwan Strait must demonstrate a dedicated commitment to national development and promote cultural, economic and trade exchanges --- including three links. (prosperity principle)

B. Constructing a Framework of Interaction for Peace and Stability

The inaugural speech will be the guideline and foundation of Taiwan’s China policy for the second term of the Chen Shui-bian administration. After the election, President Chen is committed to carry out his mission of stabilizing the cross-Strait relations without compromising with Taiwan independence fundamentalists. The most important task for President Chen in his second term would be constructing a framework of interaction for peace and stability, starting from creating an environment of goodwill reconciliation and negotiation on concrete functional

issues.¹⁸ Evidently, Taiwan has kept adopting very moderate stances and opening-up measures on cross-Strait exchanges in response to China's harsh rhetoric attacks and threats against Taiwan after the election.

President Chen's proposal of the peace and stability framework has long history and policy consistency, not just an election tactics. In its resolution regarding Taiwan's future passed on May 8, 1999, the DPP asserts, "Taiwan and China should engage in comprehensive dialogue to seek mutual understanding and economic cooperation. Both sides should build a framework for long-term stability and peace."¹⁹ On November 15, in his white paper on China policy, presidential candidate Chen Shui-bian called for "building up a stable interaction mechanism" and the establishment of a transitional system for cross-Strait dialogue in order to sign a bilateral peace agreement.²⁰

On January 1, 2003, President Chen proposed for the first time the idea of building "a framework of interaction for peace and stability" across the Taiwan Strait. In the first two decades of the 21st century, he said, the two sides of the Taiwan Strait should begin crafting a common niche for economic development, thereby fostering an environment conducive to long-term cross-Strait engagement. He added, "Consultation and promotion of direct transportation links, as well as exchanges on other relevant economic issues, could constitute a first step forward and set the stage for future economic and cultural interaction. This will enable both sides to work together, abiding by the principle of 'democracy, parity, and peace,' in an effort to resolve long-term issues through existing foundations and with increasing

¹⁸ Meeting notes with a senior Taiwanese official, March 26, 2004. Meeting notes with a senior Taiwanese official, April 19, 2004. Meeting notes with a senior Taiwanese official, June 24, 2004. Meeting notes with a senior Taiwanese official, July 22, 2004.

¹⁹ Democratic Progressive Party, *Nianqing Guojia Guanxin Xianfa* [A Young Country, A New Constitution] (Taipei: Democratic Progressive Party, 2003), p. 19.

²⁰ The Campaign Headquarter of Presidential Candidate Chen Shui-bian, "The White Paper of Cross-Century China Policy," Mainland Affairs Council (ed.), *Important Documents of the Government's Mainland Policy* (Taipei: Mainland Affairs Council, 2004), pp. 149-162.

confidence.”²¹ As a matter of fact, President Chen’s suggestion was a positive response to China’s aspiration of the 20-year strategic opportunity period in its 16th Congress of the Chinese Communist Party held in November 2002.

In his statement of proposing the peace referendum on January 16, 2004, President Chen announced the second question advocating Taiwan engage in negotiation with China on the establishment of a framework of interaction for peace and stability. He elaborated that the negotiation would include, among others, such substantive issues as direct transportation links, the protection of the rights and interests of Taiwanese business people in China, and other topics.²²

In his international press conference on February 3, President Chen further elaborated main elements of the peace and stability framework. He stated, “After March 20 this year, we will invite Mainland China to appoint its special envoy to meet and to work with our special envoy toward the initiation of cross-Strait negotiation, in light of the ‘One Principle and the Four Major Issue Areas’.”²³

The “One Principle” is to establish the principle of peace, President Chen said, adding that both sides must recognize that maintaining peace in the Taiwan Strait is the joint responsibility of both parties and should, therefore, work together to attain the objective of maintaining peace. In particular, he emphasized that both sides should not make unilateral change to the status quo in the Taiwan Strait area.

The “Four Issue Areas,” meanwhile, are: the establishment of a negotiation mechanism; exchanges based on equality and reciprocity; the establishment of a political relationship; and the prevention of military conflicts. President Chen advocated that both sides should have representatives stationed in Taipei and Beijing

²¹ “President Chen’s New Year Day’s Message (excerpt: cross-strait relations),” Mainland Affairs Council, <http://www.mac.gov.tw/english/english/macpolicy/ch9211e.htm>, accessed May 7, 2004.

²² “Presidential Statement,” Office of the President, Republic of China, January 16, 2004.

²³ “President Chen’s Press Conference,” Office of the President, Republic of China, February 3, 2004.

to facilitate negotiations. He suggested that expansion of cross-Strait exchanges and cooperation should include economic issues (direct transportation links, tourism, trade and economic cooperation), and cultural, as well as technology exchanges. He pointed out that the political relations across the Taiwan Strait should be based on mutual recognition of jurisdiction (not sovereignty) and non-interference of each other's diplomatic affairs. Finally, he emphasized that Taiwan and China should prevent military conflicts through confidence-building measures.

In his inaugural speech, President Chen reaffirmed his commitment to establishing the peace and stability framework by establishing a bi-partisan Committee for Cross-Strait Peace and Development to draft "Guidelines for Cross-Strait Peace and Development."²⁴ President Chen plans to form the Committee and begins to work on the Guidelines after the Legislative Yuan election in December 2004.²⁵

C. Commencing Direct Links Negotiation

Since the second half of 2003, Taiwan has indicated increased commitment to the negotiation of direct transportation links. On August 13, President Chen pledged to resume direct links with China by the end of 2004. Two days later, the Taiwanese government issued a policy paper called "The Assessment of the Impact of Direct Cross-Strait Transportation," which further signaled that the Taiwanese government was preparing for direct links negotiation.

On October 9, Taiwan's parliament, the Legislative Yuan, passed the revisions to the Statute Governing the Relations between the People of the Taiwan Area and the

²⁴ "President Chen's Inaugural Address 'Paving the Way for a Sustainable Taiwan'," Office of the President, Republic of China, May 20, 2004.

²⁵ Meeting notes with a senior Taiwanese official, June 24, 2004. Meeting notes with a senior Taiwanese official, July 22, 2004.

Mainland Area. According to the revisions, the Taiwanese government will have to draft bylaws concerning the opening of direct cross-Strait transportation links within 18 months. More importantly, government agencies will be able to entrust private organizations to engage in cross-Strait negotiation on their behalf. That is, Taiwan has agreed to China's preferences for the negotiation channel through private organizations over direct transportation links.

The second question of the peace referendum focused on the establishment of cross-Strait interaction for peace and stability, in which negotiation over direct links is a major issue. Although this referendum question was automatically invalidated as less than 50 percent of the electorate voted on the question, President Chen's supporters has shown strong consensus in supporting him to conduct negotiation with the Chinese government on this issue.

In his acceptance speech of winning the presidential election in the evening of March 20, 2004, President Chen reiterated his commitment to negotiate with the Chinese government on this issue. In his interview by the *Wall Street Journal* on March 31, President Chen reiterated hopes that the two sides across the Taiwan Strait should complete negotiation on direct links by the end of 2004.²⁶ By mid-2004, Taiwan has repeatedly reiterated that Taiwan was willing to negotiate with China on direct links and other economic issues, and privately requested China to resume dialogues on these issues.²⁷

IV. Prospects of China's Taiwan Policy

A. One Center and Two Pillars: China's Taiwan Policy prior to the 2004 Election

²⁶ Jason Dean, "Taiwan's Chen Touts Peace, Bigger U.S. Role in Region," *Wall Street Journal*, April 1, 2004, p. A12.

²⁷ Meeting notes with senior Taiwanese officials, March 26, 2004. Meeting notes with a senior Taiwanese official, April 19, 2004. Meeting notes with a senior Taiwanese official, June 24, 2004. Meeting notes with a senior Taiwanese official, July 22, 2004.

Prior to the 2000 presidential election in Taiwan, Beijing had hinted several times that if Chen Shui-bian were elected, Beijing might use military force against Taiwan.²⁸ After the election, however, Beijing did not adopt a harsh response, but instead, followed a low-key and responsive approach of “listen to what he says, and watch what he does.” Then Chinese President Jiang Zemin, Premier Zhu Rongji, and Vice Premier Qian Qichen all expressed a stance that China could not afford to use military force against Taiwan, as it could jeopardize China’s economic development.²⁹

Diverging from past practice, China began to implement a series of comparatively lenient policies towards Taiwan. First, after July 2000, China has taken up a more lax definition of the one-China principle. Second, after August 2000, Beijing ceased insisting that the one-China principle be a prerequisite for negotiation of three direct links (direct trade, postal, and transportation links). Third, Beijing began to accept the so-called 1992 consensus, which it objected before 2000, and asserted this consensus as the foundation of resumption of cross-Strait dialogue.³⁰ Fourth, after October 2002, Beijing began to define cross-Strait air and sea links as “cross-Strait routes.”

Why did China adjust its tactics towards Taiwan? China’s Taiwan policy is focused primarily around “economic development” (one center), with the hope that the Taiwan issue does not delay or undermine the progress of China’s economic development. That is, stability of cross-Strait relations is one of major goals of

²⁸ Ming-yi Wang, “Mainland Taiwan Affairs Office of the State Council: White Paper Is Not an Ultimatum,” *Zhongguo Shibao*, February 26, 2000, p. 3. “AFP: PRC FM Spokesman Warns Taiwan on Election Result,” Hong Kong AFP, March 14, 2000. Jing-xiang Lai, “Without ‘Two-State Theory’, There Would Be No White Paper,” *Lienho Bao* [United Daily], March 16, 2000, p. 3.

²⁹ “Jiang Zemin Proposes 16 Words of Taiwan Policy Guidelines,” *Jingji Ribao* [Economic Daily], April 6, 2000, p. 11. Shang-li Xu, “Qian Qichen: Three Links As Soon As Possible; Yeh Ju-lan: Need Equality and Reciprocity,” *Zhongguo Shibao*, May 27, 2000, p. 1.

³⁰ Chi Su, “*Yige Zhongguo Gezi Biaoshu*” *Gongshi de Shishi* [The Historical Fact of “One China, Different Interpretation” Consensus] (Taipei: National Policy Foundation, 2003).

China's Taiwan policy. In addition to this, China's Taiwan policy is essentially founded upon two pillars: "utilizing the United States to suppress Taiwan" and "appealing to the Taiwanese public."³¹

In spite of the apparent leniency, China has not changed four elements of its overall approach towards Taiwan. First, China intentionally ignores the existence of the Republic of China on Taiwan, which continues to be an independent sovereign country as it has been since 1949. Second, China has persisted in and even reinforced its military threats against Taiwan by deploying more missiles (about 500 missiles at the end of 2003) targeting Taiwan across the Taiwan Strait.

Third, China continues to suppress Taiwan's international space. Not only does China object to Taiwan's participation in the World Health Organization (WHO) but also great effort is made to bar Taiwan from joining regional free trade areas in Asia. In fact, due to China's opposition, Taiwan received little help from the WHO during the SARS epidemic in spring 2003 and, as a result, Taiwan suffered greatly. Moreover, with China's dominance in forming the Asia-Pacific regional free trade regime, Taiwan is also faced with fears of being marginalized in the regional economic integration.

Fourth, and most importantly, China has declined overtures to negotiate with Taiwan and resolve bilateral disputes peacefully. Based on the Taiwanese official statistics, between May 20, 2000 and June 30, 2004, Taiwanese senior officials urged the Chinese government to resume cross-Strait dialogue 172 times.³²

B. China's Reaction to the 2004 Election

³¹ Chen-yuan Tung, "The Assessment of China's Taiwan Policy of the Third Generation and Its Prospect," *Asian Survey*, forthcoming. Meeting notes with a senior Chinese official, February 22, 2004.

³² "Patience and Goodwill [Naixin yu Shanyi]," Mainland Affairs Council, <http://www.mac.gov.tw/big5/mlpolicy/891012.htm>, accessed July 24, 2004.

During the period of Taiwan's election campaign, China kept very low profile other than reiterating its existing position on cross-Strait relations because Beijing learned lessons from the previous elections in Taiwan that its intervention could be counter-productive.³³ When interviewed by the Taiwanese media in the March 2004 National People's Congress, Chinese senior military officials did not say anything provocative or threatening to Taiwan. Chinese senior officials in charge of cross-Strait relations chose either silence or reiteration of Chinese existing position. The only thing Beijing clearly opposed during the election was Taiwan's referendum.³⁴

Over the past two years, Beijing has been increasingly relying on Washington to suppress Taipei. For instance, in his meeting with Chinese Premier Wen Jiabao, U.S. President George W. Bush publicly criticized Taiwan 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."³⁵ The Chinese government applauded President Bush's statement and asserted their diplomatic efforts a "complete success" by maintaining the one-China principle in the international community.³⁶

Couple hours after the election, Beijing made no comments on Taiwan's election result because the uncertainty of election disputes in Taiwan. Nevertheless, Beijing issued a statement criticizing that the peace referendum went against the will of the people in Taiwan and was doomed to failure. Three days later, Chinese Foreign Ministry spokesman broke the silence slightly by stressing, "It must be pointed that

³³ Meeting notes with two senior scholars in Beijing, October 2003. Meeting notes with two senior scholars in Beijing, April 2004.

³⁴ Huei-jian Yu, "Avoid Provoking Taiwan's Election, the CCP Demands Silence," *Zhongguo Shibao*, March 6, 2004. Jun-wei Lian, "Taiwan Election Issue, The Chinese Congresses Keep in Low Profile," *Gongshang Shibao* [Commerce Times], March 10, 2004. Ping Liu, "Kuangkai Xiong: PLA Is On Demand," *Zhongguo Shibao*, March 11, 2004.

³⁵ Dana Milbank and Glenn Kessler, "President Warns Taiwan on Independence Efforts," *Washington Post*, December 10, 2003, p. A1.

³⁶ John Pomfret, "China Lauds Bush for Comments on Taiwan," *Washington Post*, December 12, 2003, p. A44.

the election in the Taiwan region is a local election in China. No matter what is the outcome, it cannot change the fact that Taiwan is part of China.”³⁷ Beijing has repeated this stance in both 1996 and 2000.

Overall, although President Chen was re-elected, from the Chinese perspective (self-justification), China’s policy toward Taiwan was still successful in terms of U.S. non-support to Taiwan independence and the referendum, regarding Taiwan’s election as a local election, and the invalidity of the referendum on March 20. As then Chinese Vice-President Hu Jintao emphasized in March 2003, “The international community generally upholds the basic stand of recognizing one China, and the basic pattern and development trend of cross-Strait relations has not changed.”³⁸ That is, China has no urgency or rationale to resort to military action against Taiwan in the near future.³⁹

C. Prospects of China’s Taiwan policy

During 2000-2003, Beijing has adopted a comparatively lenient approach toward Taiwan as discussed above. China’s goal is focused primarily around economic development and thus maintains domestic social stability.⁴⁰ For the same reasons, in March 2004, Beijing issued an internal circular to the leaders of universities, demanding them to prevent any radical actions of the students against Taiwan independence.⁴¹ In addition, China’s Taiwan Affairs Office of the State Council

³⁷ “Chinese Spokesman Notes US ‘Stance’ on Taiwan Election” (in Chinese), *Zhongguo Xinwen She*, March 23, 2004.

³⁸ “Chinese Vice-President Meets Taiwan NPC Deputies, Stresses One-China Policy” (in Chinese), *Xinhua News Agency*, March 11, 2003.

³⁹ In my visit to Beijing and Shanghai in April-May 2004, although most Chinese scholars worried the current situation across the Taiwan Strait, only a senior Chinese scholar mentioned that China might use force against Taiwan by 2006.

⁴⁰ A scholar in Nanjing, conversation with author, March 11, 2003. Meeting notes with a senior Chinese official, October 23, 2003. Meeting notes with a senior scholar in Nanjing, December 8, 2003. Meeting notes with a senior scholar in Shanghai, December 18, 2003. Meetings notes with eight senior scholars in Beijing and three senior scholars in Shanghai, April-May 2004.

⁴¹ “HK Media: Beijing Activates Emergency Mechanism,” *Zhongguo Shibao*, March 24, 2004, p. A13. Willy Lam, “Chen Shui-Bian after the Election: Lame Duck or Phoenix?,” *China Brief*, Vol. IV, No. 7 (April 1, 2004). Meeting notes with two senior scholars in Beijing, author, April 2004. Meeting

cancelled two routine press conferences because Beijing did not want to fuel the tensions across the Taiwan Strait.⁴²

Currently, China faces a stronger dilemma on the cross-Strait relations after President Chen won the second term. On the one hand, China would like to avoid possible military conflicts in the Taiwan Strait for maintaining domestic economic development and social stability as well as facing possible intervention of the United States. On the other hand, the Chen Shui-bian administration might continue to provoke China and thus the Chinese government faces enormous public pressures to do something on the cross-Strait relations. Even worse, long-term increasing hostilities and tensions might end up with a war because of miscalculation and misperception.⁴³

With this dilemma, China will adopt a strategy of reinforcing both hands, i.e., a hard hand will become harder and a soft hand will become softer. On the one hand, China will show more clearly its resolution and credibility to deter Taiwan from declaring de jure independence. China would act as a true tiger, not a paper tiger. This will be the major focus of China's current Taiwan policy. On the other hand, China will adopt more measures to show its goodwill to the Taiwanese people, including reflecting the fact of growing Taiwan self-consciousness. This might be China's objective in the medium-long term, not in the short term.⁴⁴ Nonetheless, Beijing has not reached the consensus on concrete measures of both hands and on a strategy how to deal with President Chen of the second term.⁴⁵

In the short term, because of lack of mutual trust, particular on the issue of

notes with a senior scholars in Beijing, July 5, 2004.

⁴² Meeting notes with a senior scholar in Beijing and a senior scholar in Shanghai, April 2004.

⁴³ Meeting notes with seven senior scholars in Beijing and three senior scholars in Shanghai, April-May 2004. Meeting notes with a senior Chinese official, July 7, 2004.

⁴⁴ Meeting notes with two senior scholars in Beijing and two senior scholars in Shanghai, April-May, 2004. Meeting notes with a senior Chinese official, July 7, 2004.

⁴⁵ Meeting notes with a senior scholar in Beijing, July 5, 2004. Joseph Kahn, "In U.S.-China Talks, a Sharp and Enduring Focus on Taiwan," *New York Times*, July 9, 2004, p. A3.

Taiwan's constitutional reforms by 2008, and huge gap of bilateral positions on sovereignty, China would not engage with Taiwan in terms of political dialogues. Nevertheless, China would not consider resorting to military means on the cross-Strait relations until Taiwan declares independence, or changes its national name, flag, and redefine its territory in the constitutional reforms in 2006.⁴⁶

There is still some hope for China to engage with Taiwan after 2005 in terms of political or functional dialogues. Beijing would not like to see further deterioration of cross-Strait relations, which will have negative impacts on domestic stability and economic development.⁴⁷ If either side across the Strait does not further provoke each other during the second half of 2004, it is possible to break through on cross-Strait relations in 2005.⁴⁸ In fact, after Taiwan's election, Beijing has shown its willingness to establish low-level dialogues with Taiwan through important scholars with policy significance and expand future dialogues on direct links to other functional and even political issues.⁴⁹

During 2000-2003, Beijing did not engage with President Chen mainly for four reasons: first, Chen Shui-bian won with only 39.3 percent of the total votes cast in the 2000 presidential election, not representing the majority of the Taiwan people; second, the DPP had less than half of the total seats in the legislature and thus the pan-blue camp could exert sufficient pressure on the Chen Shui-bian administration from adopting pro-independence policies; third, the pan-blue camp might win the 2004 presidential election and China can wait for the victory of the pan-blue camp for four years; and, finally, Beijing did not want to give President Chen any credit on

⁴⁶ Meeting notes with eight senior scholars in Beijing and two senior scholars in Shanghai, April-May 2004. Meeting notes with a senior Chinese official, July 7, 2004.

⁴⁷ Meeting notes with a senior scholar in Beijing and two senior scholars in Shanghai, April-May 2004. Meeting notes with two senior scholars in Shanghai, July 2004.

⁴⁸ Meeting notes with a senior scholar in Shanghai, May 2004.

⁴⁹ Meeting notes with two senior scholars in Beijing and a senior scholar in Shanghai, April-May 2004. Meeting notes with a senior Chinese official, July 7, 2004.

cross-Strait relations, which would help him re-elected in 2004.⁵⁰

After the 2004 election, however, the situation in Taiwan might alter China's approach to engage with Taiwan's new administration. First, President Chen was re-elected with 50.1 percent of total votes cast, representing the majority of the Taiwan people. Second, Beijing has at least to face the reality that President Chen will remain in power for another four year and the DPP might continue in power for a long period after President Chen completes his term.⁵¹

Third, Taiwan consensus between the pan-green camp and the pan-blue camp has been clearly expressed during the campaign. There will be no significant difference on Taiwan's China policy no matter the pan-green camp or the pan-blue camp is the ruling party in the future.⁵²

Fourth, the pan-blue camp's constraints on the DPP government will weaken. The pan-blue camp might lose many seats in the next legislative election to be held in December 2004 and thus the pan-green camp might dominate the legislature after 2004. Many Chinese scholars were very aware of this political trend in Taiwan.⁵³ Two senior leaders of the DPP estimated that the pan-blue camp might lose 5 percent of their share of total electorate in the December legislative election.⁵⁴

Beijing's option is either to engage with the Chen Shui-bian administration or to isolate the administration for another four years or even longer. In addition to the above rationale, three other concerns might leave Beijing no choice but to engage

⁵⁰ Meeting notes with a senior Taiwanese official, March 26, 2004.

⁵¹ Meeting notes with a senior scholar in Shanghai, July 5 2004.

⁵² Meeting notes with a senior Chinese official, October 23, 2003. Meeting notes with a senior scholar in Beijing, October 26, 2003. Meeting notes with a senior Chinese official, February 22, 2004. Meeting notes with three senior scholars in Beijing and three senior scholars in Shanghai, April-May 2004.

⁵³ Meeting notes with eight senior scholars in Beijing and three senior scholars in Shanghai, April-May 2004. Meeting notes with a senior scholar in Shanghai, July 5, 2004.

⁵⁴ Notes of the comments made by Wan-ching Yan, Deputy Secretary-general, Strait Exchange Foundation, at the Institute of International Relations, National Chengchi University, March 26, 2004. Meeting notes with a senior Taiwanese official, March 26, 2004.

with Taipei. First, Beijing's isolation of the Chen Shui-bian administration between 2000 and 2003 has increased the inclination of Taiwan's public opinion shifting toward Taiwan independence, or at least more pro-Taiwan identity.⁵⁵ Second, Beijing would like to negotiate with Taipei over direct links. Third, the United States might pressure Beijing to engage with Taipei. The last two concerns will be further elaborated in the next two sections.

D. Negotiation of Direct links and Other Economic Issues

Ever since June 1995, China has completely disrupted cross-Strait negotiation through bilateral semi-official channels, i.e., Taiwan's Strait Exchange Foundation (SEF) and China's Association for Relations Across the Taiwan Straits (ARATS). Furthermore, up until now China has continued to insist that Taiwan must accept the one-China principle before resuming SEF-ARATS negotiation.

After August 2000, however, China asserted that establishing three direct links did not mean that the two sides needed to resolve political issues (the one-China principle) first. China proposed that this issue be solved through private-to-private, industry-to-industry, and company-to-company channels. In addition, in October 2002, China re-defined cross-Strait air and sea links as "cross-Strait routes," minimizing the political controversies of the "direct links." Furthermore, on December 17, 2003, China issued a policy paper on promoting direct links between Taiwan and China, reiterating its flexible position on the negotiation of direct links.⁵⁶

During Taiwan's election campaign, on January 19, 2004, Chinese State Councilor Tang Jiaxuan (secretary-general of the Taiwan Affairs Leading Small

⁵⁵ Meeting notes with a senior Taiwanese official, July 22, 2004.

⁵⁶ See also meeting notes with a senior scholar in Shanghai, November 25, 2002. Meeting notes with a senior Chinese official, October 23, 2003. Meeting notes with a senior scholar in Beijing, October 26, 2003.

Group of the Chinese Communist Party) reiterated China's aspiration to realize three links and establish an economic cooperation mechanism with Taiwan.⁵⁷ Moreover, in China's March 2004 National People's Congress, Beijing stressed that, no matter who would win Taiwan's election and would like to negotiate with China over direct links, Beijing would cooperate and push for direct three links across the Taiwan Strait.⁵⁸

After Taiwan's presidential election, Beijing issued a statement on May 17, stating that three links will be established as long as Taiwan recognizes the one-China principle. This statement created some speculation that China has been changing its previous flexible political position on direct links. On May 24, Beijing clarified that, China still treated three links as an economic issue. As long as regarding direct links as an internal affair of a country, both sides should not politicize it and should continue promoting economic exchanges, despite the fact that President Chen does not recognize the one-China principle. On June 30, requested by Taipei, Beijing further reassured its previous political position made by former Vice Premier Qian Qichen in October 2002. Without the precondition of the one-China principle, negotiating on direct links is still Beijing's priority on cross-Strait relations.⁵⁹

E. Relying More on the United States

After the 2004 election, because of the convergence of Taiwan's public opinion on the Taiwan identity and the possible declining political strength of the pan-blue camp, Beijing would depend less on the pan-blue camp to pressure the Chen Shui-bian administration. Instead, Beijing would rely more on the United States to

⁵⁷ "State Councilor Criticizes 'Defensive Referendum'," Xinhua, January 19, 2004.

⁵⁸ Chun Li, Yu-yan Wang, Li-juan Wang, "Taiwan Advocates Three Links, China Will Cooperate," *Jingji Ribao* [Economic Daily], March 6, 2004, p. 7. "China Firmly Opposes Attempt to Separate Taiwan from Motherland: Premier," Xinhua News Agency, March 14, 2004. See also meeting notes with a senior Chinese official, February 22, 2004.

⁵⁹ Meeting notes with two senior scholars in Beijing and two senior scholars in Shanghai, April-May 2004. Meeting notes with two senior scholars in Shanghai, July 2004. Meeting notes with a senior Chinese official, July 7, 2004.

suppress Taiwan in the future. According to the past experience, Beijing argues that U.S. pressure on Taipei was much more effective than China's rhetorical attacks and military threats against Taiwan, even much better or more feasible than its military attacks against Taiwan.⁶⁰

As mentioned above, in December 2003, Beijing appreciated the efforts of President Bush in containing Taiwan's advocacy of the peace referendum. In fact, Chinese senior officials had heavily pressured the U.S. government several times to suppress Taiwan before President Bush's public statement.⁶¹ In early February 2004, Beijing sent another mission to Washington to urge the United States to take more concrete steps to rein in President Chen. China put pressure on the Bush administration to intervene more decisively to prevent Taiwan from holding the peace referendum on March 20.⁶²

On February 11, Chinese spokesman of Foreign Ministry confirmed that Beijing hoped that the United States could play a more constructive role on the issue of China's unification.⁶³ On March 23, two days after the election, Chinese Foreign Minister Li Zhaoxing urged the United States to do more for peace and stability in the Taiwan Strait (i.e., opposing Taiwan independence) and for the development of relations across the Taiwan Strait (i.e., promoting cross-Strait unification) in a phone conversation with U.S. State Secretary Colin Powell.⁶⁴ In particular, Beijing wants senior U.S. officials to express their disapproval of Taipei making a radical revision of

⁶⁰ Meeting notes with scholars in Shanghai, October 9, 2002. Meeting notes with a senior Chinese official, October 23, 2003. Meeting notes with five senior scholars in Beijing and a senior scholar in Shanghai, April-May 2004. Meeting notes with a senior Chinese official, July 7, 2004.

⁶¹ Meeting notes with a senior scholar in Shanghai, December 18, 2003. Meeting notes with a senior American official, January 15, 2004.

⁶² Joseph Kahn, "Beijing Urges Bush to Act to Forestall Taiwan Vote," *New York Times*, February 6, 2004, p. A3.

⁶³ Huei-jian Yu, "CCP: Hopes the US Plays a Role in Cross-Strait Unification," *Zhongguo Shibao*, March 12, 2004, p. A13.

⁶⁴ "China Tells United States to Do More for Taiwan Stability," Agence France Presse, March 23, 2004.

the Taiwan Constitution.⁶⁵ As a matter of fact, the United States has succeeded to temper President Chen's independence-oriented rhetoric, especially during his inaugural address on May 20.⁶⁶

Nevertheless, given Beijing's increasing reliance on the United States to suppress Taipei, the United States will have more leverage to influence China's Taiwan policy. In particular, the cross-Strait policy of the United States is consistently to facilitate cross-Strait dialogue and promote peaceful resolution of cross-Strait disputes, not unification.⁶⁷ In particular, the United States argues that China's insistence that Taiwan accept the one-China principle as a condition of beginning talks was not helpful.⁶⁸ Thus, Beijing has strong suspicion on the role of the United States in the cross-Strait relations in the future.⁶⁹

Parenthetically, President Chen also proposed a new, more central role for the United States in breaking the stalemate in the cross-Strait relations. "We hope the United States can play a more active, constructive role," he said, adding that America "could be a peace bridge, helping facilitate cross-Strait contact, dialogue and consultation."⁷⁰ In her meeting with top Chinese leaders, U.S. national security adviser Condoleezza Rice said that the United States was willing to help establish a dialogue between Beijing and Taipei.⁷¹ Obviously, the United States would play a more important role in cross-Strait relations in the future.

⁶⁵ Willy Lam, "Chen Shui-Bian after the Election: Lame Duck or Phoenix?," *China Brief*, Vol. IV, No. 7 (April 1, 2004).

⁶⁶ Joseph Kahn, "In U.S.-China Talks, a Sharp and Enduring Focus on Taiwan," *New York Times*, July 9, 2004, p. A3.

⁶⁷ Meeting notes with a senior American official, January 15, 2004. Meeting notes with a senior American official, March 10, 2004. Meeting notes with a senior American official, April 7, 2004.

⁶⁸ Joseph Kahn, "In U.S.-China Talks, a Sharp and Enduring Focus on Taiwan," *New York Times*, July 9, 2004, p. A3.

⁶⁹ Meeting notes with five senior scholars in Beijing and a senior scholar in Shanghai, April-May 2004. Meeting notes with a senior scholars in Beijing, July 5, 2004.

⁷⁰ Jason Dean, "Taiwan's Chen Touts Peace, Bigger U.S. Role in Region," *Wall Street Journal*, April 1, 2004, p. A12.

⁷¹ Philip P. Pan, "Rice Rebuffs China on Taiwan Arms Sales," *Washington Post*, July 9, 2004, p. A14.

V. Conclusion

The 2004 presidential election and referendum marked another major political transition in Taiwan, which will definitely have profound implication for future cross-Strait relations. The election has clearly shown that emphasis of Taiwan identity and Taiwan (Republic of China) as an independent country becomes the mainstream of Taiwan's public opinion. Thereafter, no major political parties or popular politicians in Taiwan would accept the one-China principle and advocate unification in the foreseeable future.

With respect to Taiwan's China policy, the Chen Shui-bian administration of the second term would uphold the DPP principle: democracy, peace, and prosperity. Taiwan's future constitutional reforms would not involve the change of the status quo by means of changing its national name, national flag, and constitutional territory. In addition, for the next term, the major mission of the Chen Shui-bian administration would be "constructing a framework of interaction for peace and stability" in the Taiwan Strait with commencing negotiation over direct links and other economic issues as the first step.

In turn, China's Taiwan policy is still focused primarily around "economic development," and essentially founded upon two pillars: "utilizing the United States to suppress Taiwan" and "appealing to the Taiwanese public." Although Beijing had strong suspicion on Taiwan's future constitutional reforms, there is no urgency or rationale to resort to military action against Taiwan in the near future.

Facing the second term of President Chen, China will adopt a strategy of reinforcing both hands, i.e., a hard hand will become harder and a soft hand will become softer. On the one hand, China will show more clearly its resolution and credibility to deter Taiwan from declaring *de jure* independence. This is the major focus of China's current Taiwan policy. On the other hand, in the medium-long term,

China would adopt more measures to show its goodwill to the Taiwanese people. Nonetheless, Beijing has not reached the consensus on concrete measures of both hands and on a strategy how to deal with President Chen of the second term.

Furthermore, Beijing will adopt a “wait and see” approach for the first couple months after the inauguration of President Chen’s second term to observe the credibility and consistency of his China policy. After 2005, China might adopt a more positive approach to engage with Taiwan if cross-Strait relations do not further deteriorate in the second half of 2004. At least, China would accept negotiation with Taiwan over direct links and other economic issues without political preconditions.

Overall, in spite of the uncertainties, perhaps the strongest likelihood is that cross-Strait relations sees a sustained peace and stability, while continuing to be deadlocked in terms of political reconciliation over sovereignty in the next couple years. In the near future, the measures taken by the both sides across the Taiwan Strait since 2000 should help break the impasse in the cross-Strait negotiation of direct links and other economic issues.