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**THE CHEN SHUI-BIAN ADMINISTRATION'S
MAINLAND POLICY: TOWARD A *MODUS VIVENDI*
OR CONTINUED STALEMATE?**

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Abstract

This article discusses the main elements of the Chen Shui-bian administration's cross-Strait policy, analyzes the policy's key domestic and international determinants, and offers a preliminary assessment on the policy. Chen's cross-Strait policy adheres to Taiwan's "economic security" approach to national security. Whereas the previous Lee administration sought to safeguard national security by reducing economic dependence on the mainland, Chen's policy strives to normalize cross-Strait economic relations as an important pillar to peace and stability in the Taiwan Strait. Although Chen has accelerated his political maturation, his China policy continues to be constrained by various factors (most importantly, the PRC's insistence on a "one China" precondition for cross-Strait talks) and has succeeded more in reducing tensions and maintaining the status quo than in reaching a *modus vivendi* with the mainland. A benign stalemate without imminent military threat has ensued. Diplomatic setbacks, electoral considerations, and growing frustration with Beijing's spurning of his good will led Chen to move toward to a hardened position, such as his "Taiwan and China, each side is a country across the Taiwan Strait" formula in August 2002.

The March 18, 2000 presidential election in Taiwan, officially known as the Republic of China (ROC), marked an important milestone in the island republic's democratic development and its relationship with the People's Republic of China (PRC or China). It was only the second time that ROC citizens had directly elected their chief of state.¹ Chen Shui-bian, the DPP (Democratic Progressive Party) candidate and a former mayor of Taipei, won by a plurality of 39 percent, defeating the independent candidate James Soong (37 percent), a former governor of Taiwan Province who left the KMT or Kuomintang (the party that once was the ruling party of all China and then of Taiwan for fifty-five years), and the KMT-nominated incumbent, Vice President Lien Chan (23 percent). The election, characterized as competitive, free, and fair, also resulted in the KMT's loss of the presidency for the first time. The first peaceful transfer of executive power in any ethnic Chinese society confirmed Taiwan's progress toward democratic consolidation.

However, Chen's victory also posed challenges for cross-strait relations. The PRC felt threatened by Taiwan's deepening democratization, which the PRC viewed as contributing to Taiwan's growing independence, and intensely distrusted Chen's party and him personally. Chen's ascendance inaugurated a new epoch in Taiwan's political genealogy. Although he was the second, not the first, native Taiwanese to become the ROC president,² he was the first born after Taiwan had split from the mainland after 1949.³ Chen used to be an ardent supporter of Taiwan's independence and the leader of a party

¹ The first democratic presidential election was held in March 1996. In a four-way race, the incumbent, Lee Teng-hui, who also was the chairman of the KMT, won by a landslide.

² The first Taiwan native to become the ROC president was Lee Teng-hui (1988-2000).

³ Chen Shui-bian was born on February 18, 1951, to a poor peasant family in Tainan County. Richard C. Kagan, *Chen Shui-bian: Building a Community and a Nation* (Taipei: Asia-Pacific Academic Exchange Foundation, 2000), 31.

whose platform called for it.⁴ Thus, the PRC long has regarded the DPP and Chen with great suspicion. But as the DPP and Chen came close to power, pragmatism gradually replaced realism. Although not abandoning its principled stance on Taiwan's status, the DPP proclaimed in its 2000 election platform that "Taiwan should also seek to normalize ties with China as its long-term goal."⁵ To use political scientist Robert D. Putnam's "two-level game" analogy,⁶ Chen's new pragmatic middle course reflected the delicate balance of achieving a simultaneous equilibrium between an external game and an internal game. The external game called for a policy appearing nonproactive to the PRC and also acceptable to the US, whose support was crucial to Taiwan's security. The internal game called for a policy representing the largest common denominator among the various DPP factions and opposition parties.

This essay examines the main elements of the Chen Shui-bian administration's cross-Strait policy (in contrast to that of the preceding Lee Teng-hui administration), analyzes the key domestic and international factors that shape the policy, and provides a preliminary assessment of the policy. It finds that Chen's cross-Strait policy exemplifies Taiwan's "economic security" approach to national security. However, its premise concerning the impact of economic interdependence on national security is the reverse of the Lee administration's:

⁴ The DPP program states: "Taiwan's sovereignty is separate from and does not belong to the People's Republic of China. Nor does Taiwan's sovereignty extend to the Chinese mainland. These are both historical facts and actual reality." The program calls for "establishing an independent country in accordance with the reality of Taiwan's sovereignty, enacting a new constitution . . . and turning to the international society based on principles of international law." *Democratic Progressive Party Basic Program* (in Chinese), available at <<http://newcongress.yam.org.tw/dpp/programme.htm>>.

⁵ Democratic Progressive Party, *DPP Year 2000 Policy Manifesto: Our Vision for a New Era* (Taipei: Democratic Progressive Party Headquarters, 2000), 72.

⁶ Robert D. Putnam, "Diplomacy and Domestic Politics: The Logic of Two-Level Games," *International Organization* 42 (Summer 1988): 427-60.

whereas Lee sought to safeguard national security by reducing economic dependence on the mainland, Chen's policy strives to normalize cross-Strait economic relations as an important pillar to peace and stability in the Taiwan Strait. However, constrained by various factors, including the PRC's insistence on a "one China" precondition for cross-Strait talks, the policy hitherto has succeeded more in reducing tensions and maintaining the status quo than in reaching a *modus vivendi* with the mainland. Pragmatic economic opening to the mainland, despite the lack of a formal agreement, has combined with China's own need for a stable external environment to contribute to reducing tensions across the Strait. A benign stalemate over the "one China" issue has ensued, but there is no imminent military threat.

Destabilizing "One China"

Touted by some analysts as the magic formula to allow the various players in the cross-Strait relationship to politically manage this potentially volatile issue, "one China" now has become an apparent obstacle in the cross-Strait relationship. To understand this evolution, a little background on "one China" is necessary.

The PRC defines "one China" as a *principle*—a nonnegotiable position that the other side first must accept before any negotiation can begin and also a logical premise from which all subsequent PRC claims or demands will be derived. Scholars who have studied Chinese negotiating behavior point out that, once the other party agrees to Beijing's principled stance, most likely from a desire to move the talks along, the PRC then holds the other party responsible for fulfilling its obligations under the agreement, as defined by Beijing, and pressures the previously identified interlocutor ("old friend") to deliver.⁷

⁷ See Richard H. Solomon, *The Chinese Negotiating Behavior* (Washington: United States Institute of Peace, 1999).

For example, until recently, the standard PRC syllogism regarding the cross-Strait relationship had been:

There is only one China;
 Taiwan is a part of China;
 The PRC is the legal government of all China;
 (It then follows that Taiwan is a part of the PRC).⁸

This formula oversimplifies a complex issue and does not accord with the realities that the ROC predates the PRC, has been in existence since 1912, and that the PRC never has governed Taiwan, even for a day.⁹ Nevertheless, the PRC has attempted tirelessly to enshrine this syllogism in all key diplomatic documents, for example, the three communiqués with the US (1972, 1978, and 1982), and the many other communiqués signed with other countries upon establishment of diplomatic relations.

⁸ To make acceptance of its “one China” principle easier for Taiwan while maintaining its basic stance, the PRC reformulated a new syllogism, as represented by Vice Premier Qian Qichen’s rendition in January 2001, aimed at the incoming Bush administration and repeated henceforth:

There is only one China;
 Both Taiwan and the mainland belong to the same China;
 China’s sovereignty and territorial integrity cannot be divided.

See John Pomfret, “Beijing Signals New Flexibility on Taiwan,” *Washington Post*, January 5, 2001, p. A1. While telling Taiwan that “anything [could] be discussed” once Taiwan had accepted the “one China” principle, Qian pointed out that this rendition was for “internal” consumption (for Taiwan) only, and did not signal any change on the external front—that is, Beijing still insists upon its “one China” principle; however, it can be stated differently in different contexts (vis-à-vis Taiwan or other states) [*neiwai youbie*].

⁹ A recent article in the influential *American Journal of International Law* opines, “International legal rights should reflect current realities and avoid anachronistic situations . . . the passage of time and actualities of [Taiwan’s] independence [from the PRC] for over 50 years should have legal effects.” And it further points out that “Taiwan satisfies all the generally accepted criteria for statehood . . . and today even a non-state entity may hold territory . . . and the population of a territory may have rights of self-determination that deny the sovereign state the unqualified authority to control that territory and its population.” Jonathan I. Charney and J.R. Prescott, “Resolving Cross-Strait Relations between China and Taiwan,” *American Journal of International Law* 94 (July 2000): 463-5, 471, 477.

Whereas other states may choose to carry on a prudential *policy* by giving diplomatic recognition to Beijing based on their own national interests, agreeing to this syllogism as Beijing interprets it has interfered with their other interests, such as maintaining cordial and prosperous ties with Taiwan and preventing China from attacking Taiwan in the name of “internal affairs”—an event fraught with international consequences.

For example, in the 1972 Shanghai Communiqué, the US avowed a much more nuanced “one China” position, which was to guide the US *policy* for the next thirty years:

The U.S. *acknowledges* that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China. The United States Government does not challenge that position. It reaffirms its interest in a peaceful settlement of the Taiwan question by the Chinese themselves (emphasis added).¹⁰

In essence, the US simply normalized relations with Beijing on a basis that both sides of the Taiwan Strait hitherto could agree on “one China,” although they obviously disagreed on who represented China. The US, while refraining from defining what this “China” means (culturally or politically), insists upon a *process* of conflict resolution (peaceful *settlement*), but does not necessarily endorse any particular *outcome* (e.g., peaceful *reunification*, as Beijing demands),¹¹ as long as it has, in the words of President Bill Clinton, “the assent of the people of Taiwan.”¹²

¹⁰ For the text of the communiqué, see Harry Harding, *A Fragile Relationship: The United States and China Since 1972* (Washington: Brookings, 1992), Appendix B.

¹¹ The importance of this distinction is driven home by the question posed by a Tsinghua University student to President George W. Bush, during his 2002 visit to Beijing. This student wanted to know “why Bush did not use the term ‘reunification’ when he spoke about China and Taiwan and stuck to ‘resolution.’” John Pomfret, “After Listening to Bush, Chinese Wait to Be Heard,” *Washington Post*, February 23, 2002, p. A12.

¹² In a speech given at Johns Hopkins University School of Advanced

This illustration emphasizes that the US has been carrying on a dynamic “one China” policy that calibrates with changing circumstances and interests, rather than employing an immutable principle. Although a full treatment of this point is beyond the scope of this essay, the essence of it applies to the third player in the cross-Strait relationship, namely Taiwan.

There are multiple voices in Taiwan on the issue of “one China.” A succinct summary can be made by comparing the omitted *tenses* of “one China” held by each major party. This illustration shows that semantic omission on the tense of the seemingly innocuous “one China” formula belies fundamental differences. As can be inferred from the analysis above, for the Chinese Communist Party (CCP), “one China” refers to the present tense. However, none of the major parties in Taiwan subscribes to this view. For the New Party (NP), “one China” means the progressive tense; for the KMT, the future tense; and for the DPP, the past tense.¹³ Table 1 is a stylized comparison of the parties’ many stances on “one China.”

As can be seen from this table, the three major parties in Taiwan’s 2000 presidential race shared a high degree of consensus on cross-Strait issues. Formally, they disagreed on what the final outcome should be—the KMT and the New Party espoused eventual unification of Taiwan with the mainland, and the DPP advocated eventual *de jure* independence of

International Studies on March 8, 2000, which paved the way to grant PNTR to the PRC. President Clinton declared that the United States would “continue to reject the use of force as a means to resolve the Taiwan question, making absolutely clear that the issues between Beijing and Taiwan must be resolved peacefully and with the assent of the people of Taiwan.” This formula became a new administration policy. Jay Hancock, “Clinton Talks Up Trade Ties to China; Stabilizing Benefits of Admitting Beijing to WTO Are Stressed; ‘Significant Opportunity,’” *Baltimore Sun*, March 9, 2000, p. A1, and Robert G. Kaiser and Steven Mufson, “Crisis in the Making? Experts Differ on Whether Rising Tensions Will Lead to a U.S.-China Clash.” *Washington Post*, March 16, 2000, p. A22.

¹³ “Yizhong er-an shulaibao” (One China, two sides counting rap), *China Times Online*, retrieved December 28, 2000 <<http://forums.chinatimes.com.tw/special/count/china.htm>>.

Table 1. "One China," Many Versions—Is Truth in the Eye of the Beholder?

	CCP	KMT	NP	DPP
The tense of "one China"	Present—There is only one China.	Future—China is currently divided, but should be unified in the <i>future</i> (cf. National Unification Guidelines)	Progressive—the two sides should commence unification talks	Past—Taiwan has been sovereign and independent from China since 1949
Taiwan's status vis-à-vis China	Taiwan is a part of China; Qian: One China includes both the mainland and Taiwan	Taiwan is a part of China, but Taiwan and the mainland should enjoy equal status	Taiwan is a part of China, but Taiwan and the mainland should enjoy equal status	Taiwan does not belong to the PRC, and Taiwan's sovereignty does not extend to the mainland
How many legal governments?	Only one: Beijing	Acknowledgement of two governments before unification	Acknowledgement of two governments before unification	Beijing is the government of the PRC; Taipei is the government of Taiwan
Who represents Taiwan people internationally?	Beijing	Taipei	Taipei	Taipei
Unification proposal	One country, two systems	Confederation	European model	Rejects unification, seeks <i>de jure</i> independence; may consider some type of "Political integration"

Taiwan. But the issues on which they agreed were much more important: (1) no party backed immediate or rapid unification of Taiwan with the mainland, as long as the PRC remained a one-party dictatorship; (2) all favored maintaining the status quo (in effect *de facto* independence) before their preferred eventual outcome could be realized; and (3) no party would agree to sacrifice Taiwan's sovereignty and democracy when dealing with the PRC (e.g., accepting the PRC's "one country, two systems" unification proposal, under which Taiwan would enjoy a Hong Kong-style "high degree of autonomy" with

Beijing's blessing).¹⁴ That is why the election focused more on domestic issues, such as anticorruption, than on cross-Strait issues. Maintaining the status quo, rather than pursuing either rash unification or independence, is the modal position in Taiwan's political spectrum on national identity, as corroborated by most survey results. For example, a July 2001 survey, commissioned by Taiwan's Mainland Affairs Council, found that 53.6 percent of the respondents were "pro-status quo," 20 percent were "pro-unification," and 16.6 percent were "pro-independence."¹⁵

Nevertheless, it should be pointed out that the positions of the most fervent parties in table 1 also are the farthest apart. The DPP prefers *de jure* independence, but will settle for *de facto* independence if *de jure* independence risks almost certain military action by China. Regardless of the wishes of the people of Taiwan, the CCP is unwavering on unification of Taiwan with the mainland on Beijing's terms, preferably through peaceful means, but by force if necessary. It is especially concerned about the increasingly open talks of independence in Taiwan's vibrant democracy. Hence, Beijing always has insisted on the "one China" principle as a precondition to cross-Strait talks.

¹⁴ The political realignment after the 2000 election resulted in two ideologically distinct groupings: The People First Party (PFP), founded by James Soong, joined the KMT and the NP to form the pro-unification Pan-Blue Coalition, whereas a new Taiwan Solidarity Union (TSU), founded by former president, Lee Teng-hui, joined the DPP to form the pro-independence Pan-Green Coalition.

¹⁵ The studies commissioned by Taiwan's Mainland Affairs Council contain six response categories, as can be found in MAC's earlier data presentations. In the July 2001 study, "status quo now/ decision later" (32.1 percent) and "status quo indefinitely" (21.5 percent) are now reclassified as "pro-status quo"; "status quo now, reunification later" (16.7 percent) and "reunification asap" (3.3 percent) are now reclassified as "pro-reunification"; and "status quo now / independence later" (10.2 percent) and "independence asap" (6.4 percent) are now reclassified as "pro-independence." Cf. "Unification or Independence," available at <<http://www.mac.gov.tw/english/POS/p9007e.htm>>; <http://www.mac.gov.tw/english/POS/9007/9007e_1.gif>.

Beijing maintains that, in 1992, the two semi-official organizations authorized to conduct cross-strait negotiations, Taiwan's Straits Exchange Foundation (SEF) and China's Association for Relations Across the Taiwan Straits (ARATS), reached an agreement on the issue of "one China." Although the KMT, then in power but now in opposition, admits that an agreement on "one China" exists, its interpretation is quite different from Beijing's.

The two sides do not agree about the 1992 formula, "*yige zhongguo, gezi biaoshu*" (one China, each side's own statement). Beijing insists that the formula meant "each side, through verbal means, expresses its insistence of one China (*gebiao yizhong*)." In contrast, the KMT says that it meant "one China, each side has its own meaning (*yizhong gebiao*)." Evidently, the formula was an agreement to disagree¹⁶—a *modus operandi* that enabled the two sides to move forward in their dialogue, resulting in the 1993 historic talk between the two agencies' chiefs.¹⁷

Among the three major candidates in the 2000 presidential election, Chen appeared to be the least favored by Beijing. Because of the DPP's pro-independence platform, Beijing had great mistrust toward the DPP and Chen personally. Four weeks prior to the election, on February 21, 2000, Beijing issued a white paper that declared a new condition for using force against Taiwan: if Taiwan refuses, *sine die*, peaceful unification through negotiations (the two old "ifs" were declaration of independence by Taiwan or foreign occupation of Taiwan).¹⁸ Just days before the election, Chinese Premier Zhu

¹⁶ Alan M. Wachman, *Challenges and Opportunities in the Taiwan Strait: Defining America's Role*, Conference Report (New York: National Committee on United States-China Relations, 2000), 23.

¹⁷ The Chen Shui-bian administration disavows that there ever was an inked agreement in 1992; instead, it refers to a "1992 spirit" (reconciliation by agreeing to disagree), rather than a "1992 agreement."

¹⁸ The State Council, *The One-China Principle and the Taiwan Issue White Paper*, February 21, 2000, available at <http://gptaiwan.org.tw/~cylin/China/2000/2000_2_21.htm>.

Rongji went on television to sternly warn Taiwan voters against choosing Chen lest they lose their chance to vote. However, Beijing's "paper missile" and Zhu's finger-wagging backfired. A split between Lien and Soong and popular fatigue with the KMT led to Chen's narrow victory. Stunned by Chen's victory, the PRC initially was paralyzed over how to respond. Warned that military actions against Taiwan would jeopardize its chance of receiving permanent normal trading relations (PNTR) from the US Congress, Beijing decided to exert political pressure on Chen, but not force. It insisted that Chen first had to accept the "one China" principle as a precondition (*qianti*) before cross-Strait dialogue could begin—a policy known as "listening to (his) words and watching (his) actions (*tingqiyan, guanqixing*)."

For his part, knowing how fragile his presidency would be and faced with a potentially serious external security threat and a hostile legislature controlled by the opposition party, Chen struck a conciliatory tone. He billed himself as Taiwan's "Richard Nixon," someone with unquestionable qualifications (loyalty to Taiwan) to improve cross-Strait relations, and offered to make a journey of peace to the mainland. He said that the two sides should resume talks without preconditions and that he was willing to discuss "one China" as a topic (*yiti*) in cross-Strait talks, but he maintained that he could not accept "one China" as a precondition as Beijing defined it. Hence, the two sides remain deadlocked over the "one China" issue, despite their evidently mutually beneficial economic relationship.

Evolution of Chen's Cross-Strait Policy

Table 2 provides a succinct timeline of the most important events, policies, or announcements regarding cross-Strait policy since Chen Shui-bian's March 18, 2000 electoral victory. In the twenty-two months from March 2000 to January 2002,

Chen's cross-Strait policy can be analyzed in three distinct stages, each with complex determinants and objectives, but all with an overall goal of reducing tensions and maintaining stability across the Taiwan Strait.

Table 2. Timeline of Chen's Cross-Strait Policy

2000	
March 18	Taiwan held its second direct popular presidential election. Chen Shui-bian, the candidate of the Democratic Progressive Party (DPP), won the presidency with a plurality of 39.3 percent, marking the first peaceful transfer of executive power. The Kuomintang (KMT) was defeated for the first time in fifty-five years. The election results took the PRC by surprise. Beijing announced that it would "listen to his (Chen's) words and watch his deeds."
May 20	In his inaugural speech, Chen declared the conditional "five no's": As long as the CCP regime had no intention to use military force against Taiwan, he pledged that during his term in office, he would not <ul style="list-style-type: none"> • declare independence • change the national title • push forth the inclusion of the so-called "state-to-state" description in the Constitution • promote a referendum to change the status quo in regard to independence or unification, or • abolish the Guidelines for National Unification or the National Unification Council.
November	A task force proposed to Chen its conclusions—"three acknowledgements, four recommendations." It advised Chen to respond to the PRC's "one China" demand in accordance with the ROC's Constitution, a one-China document (because the ROC existed before the PRC).
2001	
January 1	The Three Mini-Links policy was inaugurated, which established the first direct shipping and transport links since 1949 between the two Taiwan-controlled offshore islands, Quemoy and Matzu, and Xiamen and Fuzhou in the PRC.
	In his New Year's address, President Chen urged Chinese leaders to renounce the use of force against Taiwan and allow Taiwan to raise its international profile so the two sides could establish a new framework for political integration.
April	Midair collision between a Chinese fighter and a US Navy reconnaissance plane.

US President George W. Bush, in a TV interview, declared that the US would “do whatever it takes” to help Taiwan defend itself in the event of a military attack by China.

President Bush approved the sale of a robust package of arms to Taiwan.

May

President Chen made his second overseas trip, making “transit” stops in Los Angeles, New York, and Houston, meeting two dozen American lawmakers while en route to Central America.

In Guatemala, Chen enunciated his second “five no’s,” aimed at assuaging Beijing’s backlash against his “transit” through the US and Washington’s arms sales to Taiwan.

- Taiwan’s recent arms purchases and his travel to the US were not intended to provoke Beijing
- Taiwan would not misjudge or miscalculate the current state of cross-Strait relations
- Taiwan was not a vassal state or pawn of the United States
- Taiwan would not cease in its efforts to improve relations with the PRC
- Taiwan was a sovereign state and would not become a pawn in power politics.

August 26

The 120-member Economic Development Advisory Conference (EDAC) decided to replace the “no haste, be patient” policy, which put a US\$50 million cap on any single investment in the mainland, with the new policy of “active opening, effective management,” in an effort to build a more stable cross-Strait trading environment. The Chen administration embraced the EDAC’s recommendations.

September

The World Trade Organization (WTO) cleared the way for China and Taiwan to enter the trade body in its November meeting in Qatar.

The Asia Pacific Economic Cooperation (APEC) forum’s meetings were held in Shanghai. Beijing refused Chen’s choice of Lee Yuan-tzu, a former ROC vice president, as his “representative” at the APEC summit, resulting in Taiwan’s absence from the summit.

October 10

In his National Day address, President Chen Shui-bian said that Taiwan would make more effort to normalize relations with mainland China.

November

Taiwan lifted longtime restrictions on direct investment in China, scrapping the US\$50 million limit on individual investments in China, automatically approving projects of less than US\$20 million, and allowing Taiwanese banks to transfer money directly to and from Chinese banks through special offices or offshore accounts. This signified the end of the “no haste, be patient” policy, enacted in 1996.

The WTO formally approved the accessions of China and Taiwan. Analysts believe that the WTO may provide to the PRC and the ROC a venue for healthy interactions or diplomatic wrangling.

December

Chen’s DPP won important victories in the parliamentary elections, becoming the largest party in the Legislative Yuan.

Taiwan declared the Three Mini-Links a success and extended the policy for another year.

2002

January

Taiwan allowed the first group of mainland tourists to visit Taiwan.

Taiwan opened its doors to more than 2,000 products from China in a bid to dampen the row over adding "issued in Taiwan" on ROC passports.

Source: Author's compilation

March 2000-January 2001: Stabilizing a Volatile Relationship

Different parties greeted the election results with different reactions. Whereas undoubtedly some DPP fundamentalists viewed Chen's victory as a mandate to further push for independence, many others worried about Beijing's reactions. Chen's election victory also presented a fresh diplomatic challenge to the US, which was concerned about rash actions either by the victorious DPP or by the impatient Beijing regime that could escalate cross-Strait tensions and embroil it in unwanted hostilities. Despite publicly praising Taiwan's maturing democracy, the US worked behind the scenes to defuse a potentially volatile situation by dispatching envoys to Taipei and Beijing to reiterate basic US policies and interests.¹⁹

These pressures from various sides—DPP ideologues, KMT sceptics, Beijing hardliners, and American intermediaries—presented Chen with a delicate balancing act: how to stabilize cross-Strait relations but still preserve all options

¹⁹ After the election, the Clinton administration sent Lee Hamilton, the respected former chairman of the US House of Representatives' Committee on International Relations, to Taiwan. Hamilton returned to the US with much more assurance. In addition, Raymond Burghardt, Director of the American Institute in Taiwan, the unofficial US "embassy" in Taiwan, reportedly met Chen several times after the election and contributed some input to Chen's inaugural speech.

for dealing with Beijing in the future. His first task was to gain credibility.

In his inaugural speech, Chen promised that, as long as the CCP regime had no intention to use military force against Taiwan, during his term in office, he would not declare independence, change the national title, push forth the inclusion of the so-called “state-to-state” description in the Constitution, nor promote a referendum to change the status quo in regard to the question of independence or unification. Furthermore, there would be no question of abolishing the Guidelines for National Unification or the National Unification Council.²⁰ These concessions were collectively known as his first “five no’s.” Chen argued that his conciliatory speech won trust from the US government and avoided giving the PRC any pre-text to attack Taiwan.

In November, a task force called by Chen proposed to him the so-called “three acknowledgements” and “four recommendations,” which amounted to minimal “common denominators” among the various voices in Taiwan. The task force advised Chen to respond to the PRC’s “one-China” demand in accordance with the ROC’s Constitution—a one-China document.²¹

Then, in his New Year address on January 1, 2001, Chen urged Chinese leaders to renounce the use of force against Taiwan and to allow the island to raise its international profile so the two sides could establish a “new framework for political integration (*zhengzhi tonghe*).”²² Chen’s advisers added that

²⁰ Chen Shui-bian, “Taiwan Stands Up” (presidential inaugural speech), May 20, 2000, available at <http://th.gio.gov.tw/pi2000/dow_2.htm>.

²¹ This constitution was promulgated in 1947 when the KMT still ruled all China and before the PRC was founded in 1949. Thus, adhering to it would imply that Taipei’s “one China” refers to a unified China that existed in the *past* under KMT rule, and, while it is presently divided, Taiwan does not rule out a *future* unified China with Beijing. For details, see “One China, Two Sides Counting Rap.” *China Times Online*.

²² Associated Press, “Taiwan President Seeks China Peace,” *New York Times*, December 31, 2000.

the concept of political integration could include, but was not necessarily the same as, unification.²³ But some analysts argue that Chen actually proposed a European-style process of economic integration, with spillover to the political realm. In other words, Chen's formula assumed that unification of Taiwan with the mainland was one, but not the only, choice, and that integration presupposed normalization of economic ties—his main objectives in the second period (see below).

Chen's approach appeared also to have been inspired by the reconciliation experience between the two parties of other divided nations, particularly the June 2000 summit between the leaders of South and North Korea. Table 3 compares the dynamics of the three most notable divided nations after World War II: Germany, Korea, and China. It shows that size asymmetry, regime asymmetry, and Beijing's Hallsteinian doctrine on "one China" have contributed to the comparatively underdeveloped reconciliation between the PRC and the ROC.²⁴

From an advocate of Taiwan's independence, to the cautious wordsmith arguing "independence is not the only choice," to the bold politician proposing an integrative political framework with the rival PRC, Chen has accelerated his political maturation.

Although cross-Straits relations remained in a stalemate following Chen's inauguration, mainly due to the two sides' impasse over the "one China" issue, tensions between Taiwan

²³ For three useful elaborations on Chen's "political integration" theory, see Steve Tsang, "Proposals and Prospect of Cross-Straits Integration" (in Chinese), *China Times* (online), September 25, 2001, available at <http://www.future-china.org/spcl_rpt/vote2000/cn2bian_mnu.htm>; Chang Ya-chung, "Cross-Straits Integration: The 'Whole China' and the Establishment of the 'Third Entity'" (in Chinese), September 29, 2001, available at <http://www.future-china.org/spcl_rpt/vote2000/cn2bian_mnu.htm>; and Shen Fu-hsiung, "Chen's 'One Country, Two Countries,'" *Taipei Times*, September 10, 2001.

²⁴ For more details, see Tun-jen Cheng and Vincent Wei-cheng Wang, "Between Convergence and Collision: Whither Cross-Straits Relations?" *Cambridge Review of International Affairs* 14 (April 2001): 239-56.

Table 3. Divided Nations: Comparative Dynamisms

	Germanys (FRG/GDR)			Koreas (ROK/DPRK)			Chinas (ROC/PRC)			
	1954	1974	1990	1954	1974	2000	1954	1974	2000	
Political Relations										
Cross-Recognition	No	Yes	Yes	No	No	Flux	No	No	No	
Permanent Representatives	No	Yes	Yes	No	No	No	No	No	No	
High-Level Contacts	No	Yes	Yes	No	Yes*	Yes	No	No	Flux	
United Nations Membership	No	Parallel	Parallel	No	No	Parallel	Yes ^{ROC}	Yes ^{PRC}	Yes ^{PRC}	
Economic Relations										
Trade Ties	Yes	Yes	Yes	No	No	Yes*	No	No	Yes*	
Cross Investments	No	No	Yes	No	No	Yes*	No	No	Yes*	
Direct Transport	Flux	Yes	Yes	No	No	No	No	No	Flux	
Bank Loans	No	No	Yes	No	No	Yes*	No	No	No	
Security Aspects										
Foreign Defense Treaty	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	
Foreign Troop Presence	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	
Nuclear Weapons	No	No	No	No	No	Yes ^{DPRK}	No	Yes ^{PRC}	Yes ^{PRC}	
Nonaggression Pact	Flux	Yes	Yes	No	No	Flux	No	No	No	
<i>Socio/Humanitarian Aspects</i>										
Telephone Ties	Flux	Yes	Yes	No	No	Yes*	No	Yes*	Yes*	
Postal Links	Yes	Yes	Yes	No	No	Yes*	No	Yes*	Yes*	
Monetary Convertibility	No	Yes*	Yes*	No	No	Yes*	No	No	Yes*	
Family/Tourist Visits	Flux	Yes	Yes	No	No	Yes	No	No	Yes^{ROC}	
# of integrative forces	2	11	13	0	1	9	0	1	6	
RESULT (as of 2000)		Unification			Division			Division		

Notes: **Integrative** forces are in bold face. Yes* denotes a *de facto* but unofficial relationship.

Source: Authors' update and adaptation of John J. Metzler, *Divided Dynamism: The Diplomacy of Separated Nations—Germany, Korea, China* (Lanham, MD: University Press of America, 1996), 203-6.

and China quickly subsided and there was no threat of a military crisis. Instead, the PRC adopted a policy of forming a united front with Taiwan's opposition parties and business leaders to isolate and weaken Chen's administration.

*January-September 2001: Toward Normalization of
Economic Relations*

Recognizing that its traditional tactics of military intimidation, diplomatic isolation, and condescending proposal for peaceful unification had produced few concrete results in enticing Taiwan to start reunification talks with the mainland, Beijing adopted an interrelated two-pronged new policy: build a united front and create economic interdependence. While the former efforts had failed, as evidenced by the December 2001 legislative election (discussed below), the latter strategy began to show some results.

Beijing initially chose to ignore Chen Shui-bian. This posture reflected Beijing's tested negotiating strategy (what James Mann, a respected China-watcher, called "Show Us That You Care"),²⁵ and revealed Beijing's deep disappointment at Chen's victory. But more importantly, it showed that Beijing assumed that Chen, winning with a slim plurality and challenged by a legislature led by the hostile KMT, would be weak and not last long. Therefore, Beijing felt that it could afford to wait out Chen's four-year term and deal with a successor who was more acceptable from its standpoint (e.g., James Soong).

Refusing to deal with the Chen administration directly, Beijing began to actively court Taiwan's opposition parties to build a united front to further pressure and isolate the Chen administration. Heavyweights from the KMT, NP, People's First Party (a party formed by Soong after the election), and

²⁵ James Mann, *About Face: A History of America's Curious Relationship with China, from Nixon to Clinton* (New York: Vintage, 2000), 88.

even some moderate leaders of the DPP were given red-carpet treatment, whereas the SEF-ARATS channel was totally bypassed.

Beijing's united front strategy extended beyond the political establishment to the economic realm. China's leaders now realized that the growing economic interdependence across the Taiwan Strait (and particularly Taiwan's growing dependence on the mainland for cheap labor and land amid the island's worst economic downturn since the first oil crisis) might prove to be the most important material foundation for political integration. As one analyst points out, the burgeoning people-to-people and commercial ties across the Taiwan Strait have challenged government policy to keep pace with the commercial reality.²⁶ Table 4 (page 324) shows that cross-Strait trade (still technically indirect trade via third places like Hong Kong) in 2000 reached over US\$30 billion. Taiwan had become a very important "foreign" investor in China. In 2000, 13.9 percent of all PRC foreign direct investment (FDI) projects were attributed to Taiwanese investors. In fact, during the two first decades following the initiation of China's open door policy (1979-2000), Taiwan was responsible for the second largest number of FDI projects in the PRC, the third highest amount of contracted FDI, and the fourth highest amount of utilized FDI.²⁷ Taiwan's outward (mainly westward) investments provided a powerful boost to China's export boom in the 1990s, fulfilling the dictates of globalization. Remarkably, these significant cross-Strait trade and investment flows occurred despite a lack of formal agreements between the two sides.

The magnitude of Taiwan's growing economic ties to China, coupled with the fact that China is Taiwan's main security threat, has far-reaching and paradoxical implications for

²⁶ Karen M. Sutter, "Business Dynamism Across the Taiwan Strait: New Considerations for Cross-Strait Relations," *The Virginia Review of Asian Studies* 3 (Fall 2001), 63-77.

²⁷ *Ibid.*, 68.

Taiwan's security and has sparked policy and scholarly debates. Constrained by diplomatic isolation and military threat imposed by the PRC, Taiwan always has relied on an economic approach to its national security. "Economic security" manifests itself in many aspects of the island's external conduct: Taiwan has become a key trader and source of high-tech goods in the global supply chain;²⁸ promotes "substantive diplomacy," anchored on economic relations, to circumvent the imposed limits to its role in conventional diplomacy; and has joined economic intergovernmental organizations in which Taiwan's economic strength can be recognized, e.g., the World Trade Organization (WTO) and the Asia Pacific Economic Cooperation (APEC).

However, on the issue of whether cross-Strait economic relations will contribute or undermine Taiwan's security, there are differences in opinion. One school of thought sees Taiwan's growing economic dependence on the mainland as inimical to Taiwan's security, because this dependence threatens Beijing's undue leverage over Taipei. Former president Lee Teng-hui subscribes to this school. In 1996, he devised the policy of "no haste, be patient" (*jieji yongren*), which limited any single investment project to US\$50 million or less and restricted investments in certain key sectors. Lee's policy sought to make cross-Strait economic ties subordinate to cross-Strait security and turned *against* the tide.²⁹ Albeit not

²⁸ The most articulate example along this vein is the so-called "silicon shield" thesis, which states that due to Taiwan's importance in the global semiconductor market—a fact made painfully clear after Taiwan's devastating earthquake in September 1999—Taiwan's security can be secured by virtue of a "silicon shield," meaning the major industrial democracies that also are heavy consumers of information products will resist a PRC attack, just like they rallied to intervene to liberate Kuwait from Iraq's occupation. See Craig Addison, "A 'Silicon Shield' Protects Taiwan from China." *International Herald Tribune*, September 29, 2000, p. 6.

²⁹ Lee's policy has some theoretical support. The cross-Strait relationship contains only one pillar of the Kantian Peace (i.e., economic interdependence), while lacking the other two (i.e., both Taiwan and China are democratic and both are constrained by international organizations and law). Historically, economic

without theoretical support, this policy became increasingly infeasible and counterproductive when cross-Strait economic interdependence continued to grow and Taiwanese investors easily evaded the single-project investment cap by creative expedencies.

Chen, in contrast, inherited a different context. Cross-Strait economic ties had grown too numerous and too fast to be reversed, driven more by market dictates than by government edicts. Influenced by the theories on globalization and (neo)functionalism, Chen regarded normalization of economic ties as a crucial step toward improving the overall cross-Strait relationship. Unlike Lee who had attempted to use the “Three Links” as bargaining chips to extract concessions from China, Chen favored the establishment of direct air and shipping links between Taiwan and the mainland. Chen also expected that the WTO, which both sides joined in late 2001, would provide a framework for conducting cross-Strait dialogue.³⁰

In a highly symbolic development, in August 2001, the Economic Development Advisory Conference (EDAC) decided to

interdependence *alone* seldom can guarantee peace and often causes war, as rivals locked in a security dilemma seek to reduce their dependence (i.e., vulnerability) on each other. The case of Britain and Germany prior to World War I and II best illustrates this. That is why peace should be “triangulated,” as two political scientists put it. Bruce Russett and John Oneal, *Triangulating Peace: Democracy, Interdependence, and International Organizations* (New York: W.W. Norton, 2001).

³⁰ Taiwan’s President Chen Calls for Cross-Strait Dialogue Under WTO,” *Asia Pulse*, October 5, 2001, available at <<http://sg.news.yahoo.com/011005/16/ljw5o.html>>. Curiously, throughout the 1980s and early 1990s, it was the PRC that was more fervent about establishing the Three Links as a step toward unification. For the first time, Beijing faces a Taiwan leader in Chen who openly favors the Three Links. Yet, the PRC now seems less interested in its old demand than in its new demand that Taiwan first must accept the “one China” principle before the Three Links can be discussed. Beijing always has favored direct trade and nondiscriminatory investment policy with Taiwan. Even after both sides joined the WTO, Beijing has insisted that future trade between these two WTO members must still be conducted under the “one China” framework. See Mure Dickie, “WTO Casts China-Taiwan Rivalry in New Light,” *Financial Times*, November 15, 2001, p. 13. Transposing the zero-sum game of sovereignty onto the non-zero sum game of economics clearly complicates the latter.

replace the previous policy of “no haste, be patient” with a new policy of “aggressive opening, effective management” (*jiji kaifang, youxiao guanli*). In November 2001, Taiwan lifted longtime restrictions on direct investment in China, scrapping the US\$50 million limit on individual investments in China, automatically approving projects of less than US\$20 million, and allowing Taiwanese banks to transfer money directly to and from Chinese banks through special offices or offshore accounts. This effectively marked the end of the “no haste, be patient” policy.³¹

In January 2001, Taiwan launched the Three Mini-Links (*xiao santong*) by establishing the first direct shipping and transport links since 1949 between the ROC-controlled offshore islands of Quemoy (or Kinmen) and Matsu, and the PRC’s ports of Xiamen and Fuzhou. Taiwan’s Mainland Affairs Council (MAC) explained that this incremental policy was meant to lay a good foundation for the Three Big-Links—the links between Taiwan proper and the mainland. However, Beijing accused Taipei of delaying the Three Big-Links, but was forced to go along since it had long wanted direct links.³²

In sum, after reducing immediate tensions and stabilizing relations with Beijing in the first few months of his presidency, Chen Sui-bian turned his attention to normalizing cross-Strait economic ties as an important step toward normalizing cross-Strait relations. However, Beijing spurned all his concessions and pleas, ostensibly because Chen refused to accept its “one China” precondition. Meanwhile, China ignored the fact that Chen had met two of China’s demands—retracting former President Lee’s “state-to-state” remarks and prohibitions against the Three Links. Therefore, the quest for a *modus vivendi* remained elusive and cross-Strait relations remained

³¹ Mark Landler, “Taiwan Lifts Restrictions on Investment in China,” *New York Times*, November 8, 2001, p. A3.

³² “China All But Ignores Mini-Links,” *Far Eastern Economic Review* (online), November 8, 2001, available at <http://www.feer.com/2001/0111_08/p010intell.html>.

deadlocked. The next period bears witness to Chen, having made many concessions but not having been rewarded by Beijing, hardening his position, as domestic political considerations in the ROC and the PRC set in.

September 2001 to the Present: The Electoral and US Factors in Cross-Strait Relations

Cross-Strait relations took a turn for the worse in September 2001. The two sides clashed over who should represent Taiwan at the informal APEC summit meeting in Shanghai. The Chen administration wanted to send Lee Yuan-tsu, a former ROC vice president, as Chen's stand-in, but Beijing refused to issue Lee a formal invitation on the ground that Taiwan could send only a high-ranking economics official to APEC (Lee had no known prior background in economics). This row resulted in Taiwan's absence from the summit. Anti-Chinese rhetoric grew, as the races for the December 1 elections got under way. Some analysts surmised that Chen's APEC debacle was guided by electoral concerns to increase the DPP's share in the parliament.

However, the PRC's policy toward Taiwan also was constrained by its domestic politics. As the jockeying to succeed the current leader, Jiang Zemin, got under way, policy toward Taiwan became an important consideration. Because contenders and their supporters could afford to appear "soft" on Taiwan, a breakthrough in China's approach toward Taiwan appeared unlikely.

One last important factor that helped to shape Chen's China policy was the Bush administration's new policies. As a candidate, George W. Bush defined China as a "strategic competitor," not as a "strategic partner" as the Clinton administration had done. Once in power, Bush spent the first few months to fashion a China policy characterized by "de-Clintonization," which, in many ways, translated into a tilt

Table 4. Cross-Strait Economic Statistics (1990-2000)

A. Trade

Unit: US\$ million

Year	Taiwanese data			Chinese data		
	Indirect exports from Taiwan to mainland	Indirect imports to Taiwan from mainland	Total	PRC imports from Taiwan	PRC exports to Taiwan	Total
1990				225.4	32.0	257.4
1991	6,928.3	597.5	7,525.8	363.9	59.5	423.4
1992	9,696.8	747.1	10,443.9	588.1	69.8	657.9
1993	12,727.8	1,015.5	13,743.3	1,293.3	146.2	1,493.5
1994	14,653.0	1,858.7	16,511.7	14,084.4	2,242.2	16,327.0
1995	17,898.2	3,091.3	20,989.5	14,783.9	3,098.1	17,882.0
1996	19,148.3	3,059.8	22,208.1	16,182.2	2,802.7	18,984.9
1997	20,518.0	3,915.3	24,433.3	16,441.7	3,396.5	19,838.2
1998	18,380.1	4,110.5	22,490.6	16,629.6	3,869.6	20,499.2
1999	21,221.3	4,526.3	25,747.6	19,528.5	3,950.1	23,478.6
2000				25,493.7	5,039.6	30,533.3

Sources: Taiwanese data, based on Board of Foreign Trade (MOEA), Investment Commission (MOEA), Department of Economic Affairs of the Mainland Affairs Council (MAC), from *Taipei Journal*, June 2, 2000, p. 3; Chinese data, based on PRC General Administration of Customs, *China's Customs Statistics*, from Sutter, 69.

B. Taiwanese Investments in the PRC

Unit US\$ million

Year	Taiwanese data			Chinese data		
	Cases	Amount	Number of projects	\$ share of total FDI in the PRC	Contracted Taiwanese FDI in the PRC	Utilized Taiwanese FDI in the PRC
1990			1,103	15.2	890.0	222.4
1991	237	174.2	1,735	13.4	1,388.5	466.4
1992	264	247.0	6,430	13.2	5,543.3	1,050.5
1993	9,329	3,168.4	10,948	13.1	9,964.9	3,138.6
1994	934	962.2	6,247	13.1	5,394.9	3,391.0
1995	490	1,092.7	4,847	13.0	5,849.1	3,161.6
1996	383	1,229.2	3,184	13.0	51,401.0	3,474.8
1997	8,725	4,334.3	3,014	14.3	2,814.5	3,289.4
1998	1,284	2,034.6	2,970	15.0	2,981.7	2,915.2
1999	488	1,252.7	2,499	14.8	3,374.4	2,598.7
2000			3,108	13.9	4,041.9	2,296.3

Sources: Taiwanese data from *Taipei Journal*, June 2, 2000, p. 3; Chinese data, based on PRC Ministry of Foreign Trade and Economic Cooperation (MOFERT), from Sutter, 67.

toward Taiwan. Concrete examples include: (1) the State Department spokesman said that the Bush administration

would not repeat Clinton's "Three No's" policy regarding Taiwan; (2) President Chen made an unprecedented "transit visit" to New York and met two dozen members of Congress—with the Bush administration's blessing; (3) in April 2001, the Bush administration approved the sale of a robust package of arms to Taiwan that included four Kidd-class destroyers and eight diesel-powered submarines; and (4) in a TV interview, President Bush declared that the US would do "whatever it takes" to help Taiwan defend itself against Chinese attacks. Chen benefited from these diplomatic gains that resulted mainly from one great power's changing attitude about another.

After the midair collision of a Chinese fighter with a US naval surveillance plane in April 2001, which sent US-PRC relations to a nadir, the PRC, with its WTO entry and Olympics bid in mind, began to moderate its policy toward the US and Taiwan.

Chen was cautious. Fresh from diplomatic victories ("transit diplomacy" and arms sales), Chen enunciated his second "five no's" (see table 2), aimed at assuaging Beijing's backlash. And in his National Day address, he said that Taiwan would make more effort to normalize relations with China.³³

However, evident frustration and electoral considerations caused Chen to harden his position on the PRC's "one China" demand. While meeting former US Secretary of Defense William Cohen in November 2001, Chen categorically turned down Beijing's "one China" demand and appealed for talks between the rivals to begin without any preconditions.³⁴ Chen maintained that Beijing's insistence on the "one China" principle as a precondition for resuming talks had become an obstacle to dialogue. He explained that no document could be

³³ "ROC to Strive for Normal Relations with PRC: Chen," *China Post* October 11, 2001.

³⁴ "Taiwan President Chen Rejects 'One China,'" *Yahoo/News Asia*, November 1, 2001, available at <<http://sg.news.yahoo.com/011101/1/1n26k.html>>.

found that would corroborate that the “one China” principle, as defined by leaders in Beijing, was supported by the so-called 1992 consensus. Because the CCP did not agree with the KMT government that “one China, each side has its own interpretation” was the consensus reached by both sides, there had been no agreement on the “one China” issue.³⁵ Consequently, Chen talked about the “1992 spirit.”

As campaigns kicked into high gear in November 2001, to differentiate his party’s stance from that of the KMT, Chen warned voters that accepting the so-called “1992 consensus” would run the risk of Beijing’s claiming Taipei had accepted the “one country, two systems” scheme. The KMT accused Chen of being disingenuous. Nevertheless, more voters seemed to agree with Chen.

The December 2001 legislative election results made the DPP the largest party in the parliament, although it still lacked a majority. Table 5 shows that, of the 225-seat Legislative Yuan, the DPP won 87 seats, up from 70 seats in 1998; the KMT’s seat share dropped from 123 to 68; the PFP, competing for the first time, won 46 seats; the TSU, also running for the first time, won 13 seats; the NP managed to secure only one seat, down from 10; and 10 seats went to independents. The Pan-Green Coalition now controlled one hundred seats, within striking distance of 113, which would give it a legislative majority.

The election results bolstered Chen’s political capital and shattered Beijing’s earlier strategy of courting Taiwan’s opposition parties and simply waiting for Chen’s term to expire. The DPP, now stronger, not weaker, had to be reckoned with. With his position more secured, Chen was unwilling to make further concessions on the “one China” issue. Chen’s resistance on the “one China” issue and Beijing’s equally strong insistence on this demand means that cross-Strait relations, for

³⁵ “President Chen: ‘One China’ is the CCP’s Excuse for Refusing Dialogue” (in Chinese), *China Times*, November 2, 2001, available at <<http://news.chinatimes.com>>.

Table 5. Taiwan's 2001 Legislative Elections—Before and After

	KMT	DPP	FPF	NP	TSU	Other/ independent	Total
<i>2001 Legislative Yuan (LY) Elections</i>							
1998 election vote shares	46.6%	29.6%		7.1			
1998 election seats won	123	70	NA	1	NA	21	225
1998 election seat shares	54.7%	31.1%	NA	4.9	NA	9.3%	100.0%
Seats prior to 2001 election	110	65	20	1	NA	20	225
Seat shares prior to 2001 election	48.9%	28.9%	8.9%	4.4	NA	8.9%	100.0%
2001 election candidates nominated	98	83	61	3	39	144	458
2001 election vote shares (before allotment)	31.3%	36.6%	20.3%	2.9	8.5%	0.5%	100.0%
2001 election vote shares (after allotment)	32.4%	37.8%	21.0%	0.0	8.8%	0.0%	100.0%
2001 election seats won							
directly elected seats (SNTV)	53	69	35		8		176
allocated seats (PR)	15	18	11		5	10	49
Total seats	68	87	46		13	10	225
Seat shares	30.2%	38.7%	20.4%	0.4	5.8%	4.4%	100.0%
Voter turnout							66.2%
<i>2001 County Magistrate and Mayors Elections</i>							
1997 election positions won	8	12	NA		NA	3	23
2001 election candidates nominated	23	22	6			38	90
2001 election positions won	9	9	2			2	23
Voter turnout							66.5%

Sources: CNN.com, *Election Watch* <<http://www.cnn.com/WORLD/election.watch/asiapcf/taiwan3.html>>, CIA, *The World Factbook 2001* <<http://www.cia.gov/cia/publications/factbook/geos/tw.html>>, Catherine Hsieh, "Campaign Dominated by Familiar Faces," *Taipei Journal*, November 16, 2001, p. 2, and Myra Lu, "Voters Give Ruling Party Legislative Advantage," *Taipei Journal*, December 7, 2001, pp. 1-2.

the near future, will remain in a stalemate, without reaching a *modus vivendi*.

Assessing Chen's Cross-Strait Policy

Assessing Chen's cross-Strait policy requires an acknowledgement that epochal politicians, such as Chen, often seek to balance their idealistic (long-term) goals (e.g., becoming "Taiwan's Nixon" to make a "journey of peace" to China or winning the Nobel Peace Prize) with their rational (short-term) goal of getting reelected. To the extent the pursuit of

long-term goals helps or complements the short-term objective, the politician can pursue both. But if the pursuit of the former interferes with the latter, the politician is likely to opt for self-preservation. Chen's cross-Strait policy during the first twenty-two months of his administration exhibits such tensions among his various objectives.

It also is important to discuss Chen's cross-Strait policy in a larger political context. For the most part, the early months of the Chen administration had been a humbling educational experience for the first DPP president. The Chen administration's overall performance can best be described as mediocre.³⁶ However, this checkered score card resulted from many factors: a constitutional no-man's land, featuring a DPP president facing off with a KMT-controlled legislature; inexperience; inability to reach out; pressures from certain DPP ideologues; boycotts by opposition parties; severe economic downturns; capital exodus as a result of globalization; Beijing's stonewalling; and so on. The remainder of this chapter offers a preliminary assessment of Chen's cross-Strait policy.

Accomplishments

Establishment of yardsticks is required before there can be discussions about the accomplishments and failures of Chen's cross-Strait policy. However, regardless of such measures, success seemed remote due to Beijing's intense distrust of Chen

³⁶ One of Taiwan's leading English newspapers, *Taipei Times*, on May 20, 2001, published a series of articles to examine the first anniversary of the Chen Shui-bian administration. The titles of these "one year on" articles are illustrative: "Politics—Position toward China Seen to be Hardening," "National Security—Cross-Strait Relations Are as Chilly as Ever," "Foreign Affairs—No Pitfalls, Some Plaudits, Little Change for Foreign Ministry," "Politics—DPP Wrestles with Authority," "Politics—Embattled Vice President Faces Up to Tough Test," "Politics—After Fumbles, Cabinet Tries to Find Its Way," "Politics—Just Getting Started," "Politics—A Simple Case of Bad Luck." These articles can be found at <<http://www.taipetimes.com/news/2001/05/20/story/>>, followed by document numbers ranging from 0000086565 to 0000086587.

and the DPP. This partly explains why, despite Chen's numerous goodwill measures and concessions, Beijing still chooses to emphasize what yet must be done (Chen's acceptance of the "one China" precondition), rather than what has been done (foreswearing independence, and jettisoning the "no haste, be patient" policy and the "state-to-state" formula). In effect, Beijing's policy of "listening to his words, and watching his actions" has sentenced Chen to an indefinite "probation." Neither does it advance the PRC's own unification agenda or cross-Strait reconciliation.

Yet, cross-Strait relations are so complex, emotionally charged, and the players' interests and perspectives often so diametrically opposed, that any small accomplishments, rather than big breakthroughs, should be the proper yardsticks. In Chen's case, he can argue that expectations for him were so low that he easily could outdo the KMT, which could not "solve" the cross-Strait problem in its fifty-five years in power.

Chen's pro-independence stance and party label are his liabilities. But his personal background—being a native-born Taiwanese after 1949, therefore, having no connection to the bitter civil war between the CCP and the KMT, should be a major asset. In many ways, he is in a unique position to make a clean break with the past.

Table 6 summarizes the main differences between Lee and Chen on their cross-Strait policies. To be sure, there are important differences in both substance and style between Lee and Chen.³⁷ However, there are also important continuities, such as the primacy given to safeguarding the ROC's sover-

³⁷ For example, one can make meaningful distinctions between Lee's own outlooks from 1991-95 and from 1995-2000. In 1991, the earlier Lee abrogated the Temporary Provisions (tacitly recognizing the PRC as the legal authority governing the mainland), convened the National Unification Council, and approached cross-Strait relations in accordance with the National Unification Guidelines. This lasted until Lee issued his own six points as a response to Jiang Zemin's eight points. The later Lee, starting with his 1995 visit to Cornell University and the PRC's military intimidation, was more assertive and gradually moved away from the KMT's traditional pro-unification stance.

Table 6. Taiwan's Evolving Cross-Strait Policy

	Lee	Chen
Definition of cross-strait relations	From "one country, two political entities" (à la National Unification Guidelines) to "special state-to-state relations"	From disowning "state-to-state" theory to "political integration"
Premise of economic policy	Economic dependence on the mainland undermines national security	Normalization of cross-Strait economic ties enhances national security
Trade and investment	"No haste, be patient"	"Active opening, effective management"
Transportation links	"Three Links" were not implemented; some ad hoc measures (e.g., offshore transshipment center)	"Three Mini-Links" inaugurated, paving way for the Three Big-Links WTO catalyst?
Tradeoffs between pragmatic diplomacy and cross-Strait relationship	"Transits," "golf diplomacy," "alumni reunion" to countries that recognize the PRC; more willing to engage in diplomatic tug-of-war with PRC	More circumspect in visiting countries which have diplomatic ties with Beijing; Less likely to engage in "dollar diplomacy" to counter Beijing
Military deterrence: peace through strength?	Yes	Yes
People-to-people exchange	More cautious and restrictive	Further relaxations (e.g., mainland tourists) under study

eighty and *de facto* independence, to military deterrence and the promotion of cross-Strait dialogue.

Another peculiar continuity should be mentioned. Partly due to their negotiating style and partly due to their aversion to taking risk, Beijing leaders often have clung to principled positions and failed to seize the opportunities that arise with a new leader in Taiwan to meet him half way. Rather, a protracted war of attrition only served to alienate the Taiwan leader, who had to consider domestic politics. When Lee Teng-hui first succeeded to the presidency in 1988, Beijing invested great hope in him. Lee sought to normalize relations with China by establishing the National Unification Council, enacting the National Unification Guidelines, terminating the Temporary Provisions (thereby ending hostilities against Beijing and tacitly accepting the PRC's control on the mainland), and offering to meet PRC leaders in international set-

tings and to make a journey of peace to the mainland. However, twelve years later, Beijing heaped the most vitriolic invectives on Taiwan's first democratically elected president. Beijing's inflexibility bears some responsibility for this lost opportunity. Beijing's present treatment of Chen, ignoring his goodwill and concessions and focusing only on agreement on the most difficult condition (one China), risks repeating the experience with Lee Teng-hui. Is Beijing still waiting for a perfect future partner?

Chen's first accomplishment on cross-Strait policy was his promises to forsake *de jure* independence, contingent upon China's refrain from using force against Taiwan. The five no's in his inaugural speech served to reassure Beijing, Washington, and the jittery post-election Taiwan public. Consequently, cross-Strait relations, although still not tension-free, entail no immediate danger.

The second accomplishment of Chen's cross-Strait policy is the "political integration" formula, which allows the various parties in Taiwan to search for a common denominator, and again reassures Beijing that he at least believes that unification is possible.

The third accomplishment is Chen's more realistic economic statecraft vis-à-vis the PRC than has been practiced in the past. How the new policy can be implemented to safeguard Taiwan's security remains to be seen.

The fourth accomplishment is the enhanced US commitment to Taiwan's democracy and security. Henry Hyde, chairman of the US House of Representative's Committee on International Relations, praised Taiwan as a beacon of Chinese democracy. Hyde's comments suggest that more American decision makers now regard Taiwan's democracy as an asset (a catalyst to democratize China) to the US, rather than as a liability, and believe that defending this democracy is in the strategic interest of the US.

Deficiencies

Despite Chen's conciliatory rhetoric and unilateral concessions, cross-Strait relations have experienced no breakthroughs since he became the president. Cross-Strait dialogue has not resumed. Even issues of mutual benefit, such as trade and other economic ties, remain unregulated. Taipei has not been able to get support or assistance from Beijing on matters such as the Three Mini-Links or the anticipated Three Big Links. The key obstacle, of course, is the inability by both sides to find a mutually acceptable formula that will satisfy Beijing's demand for cross-Strait talks (Taipei argues there should be no preconditions for such talks).

In light of the ROC's and the PRC's imminent entry into the WTO, Taiwan's preparatory work for a new relationship with the mainland appeared inadequate. Assessment of the impact of China's WTO membership on Taiwan remains inarticulate. No system has been established to ensure that Taiwan's westward capital exodus will contribute to Taiwan's prosperity and not lead to the island's deindustrialization.

Whither?

Chen's cross-Strait policy faces six hard realities: First, *de jure* independence is both impossible and risky. No great power will support it, and, if it were proclaimed, Chinese attack would be almost certain. Second, continued *de facto* independence also depends greatly upon the great powers' interests and determination. Third, economic interdependence between the mainland and Taiwan most likely will continue to grow. The mainland serves as a good hinterland for many Taiwanese businesses. For Taiwan, this promises both impetus for continued prosperity and limitation on political choices. Fourth, if Hong Kong's "one country, two systems" goes well, there could be greater international pressure on

Taipei to yield to its application in Taiwan. Fifth, although many countries support the ROC's international participation, they are unwilling to do so by directly challenging the PRC. The diplomatic "regret" over Taiwan's nonparticipation in the 2001 APEC meeting serves as a vivid example. Hence, until the final talk between Taiwan and the mainland concerning Taiwan's status can (ever) happen, Taiwan's international participation may well be a topic of cross-Strait dispute. Given that Taiwan is an important economic power and economic matters are usually positive-sum, Taipei should insist on greater participation in keystone international economic organizations (KIEO), such as the International Monetary Fund and the World Bank. Sixth, China's future political development is relevant to Taiwan's own political future. A democratic China may or may not bless an independent Taiwan, but then Taiwan may want to voluntarily join a future democratic China. Conversely, an authoritarian China will constantly pose a security threat to Taiwan.

The Chen Shui-bian administration now seems to better understand these parameters. Curiously, the DPP's stance on independence in some ways is the mirror image of the PRC's stance on the use of force as a trump card: The DPP claims that it must reserve the right to declare *de jure* independence in order to safeguard *de facto* independence. The PRC claims that it must reserve the right to use force against Taiwan in order to achieve peaceful unification. It seems that a noncoerced *modus vivendi* would be based on the trade-off, or mutual renunciation, of these two options. It is unlikely that these options would be used, but it is very likely that they will continue to cause the other party's suspicion. This *modus vivendi* does not need to be the ultimate solution to cross-Strait relations, but it should have international endorsement.

For the ROC, whose main concern in the maintenance of *de facto* independence (but not the declaration of *de jure* independence, because it is impossible), the recommended *modus vivendi* would enhance the status quo: The Taipei government

would exercise complete autonomy in all the territories under its control, and its participation in international affairs would be significantly increased, both quantitatively and qualitatively.

For the PRC, whose main concern is Taiwan's permanent separation from the mainland, the arrangement would embrace some type of loose political association between the mainland and Taiwan. Since most people of Taiwan oppose the father-son type of relationship inherent in the "one country, two systems" scheme, the common political association would be a newly constructed minimalist, overarching entity, symbolizing national unity (with its head-of-state rotated by the heads-of-state of constituent states) and coordinating the constituent states' (PRC's and ROC's) foreign affairs. Provisions also should be made so that a constituent state could withdraw from the association, if a bona fide effort had been made within it.

Of course, Taiwan's modern history shows that Taiwan's destiny often was decided by the great powers, with little input from Taiwan's people. The most important difference today is that Taiwan is a democracy, whose people should be given a right to responsibly choose their future.