

## **Cross-Strait Developments in 2013: New Trends and Prospects**

Conference sponsored by the Carnegie Endowment for International Peace, National Chengchi University and the Mainland Affairs Council  
Washington, D.C.  
October 3-4, 2013

### ***Opportunities and Challenges in Cross-Strait Relations Leading Up to 2016***

**Alan D. Romberg**

**Distinguished Fellow and Director, East Asia Program  
Henry L. Stimson Center**

#### **Introduction**

This brief paper looks at the setting and key issues likely to affect cross-Strait relations in the remainder of President Ma Ying-jeou's second term. It does not pretend to be comprehensive but seeks to identify important factors that will influence relations between Taiwan and the Mainland over this period as all players seek to shape the situation moving into 2016 and beyond.

#### **Setting the Scene**

*In Taiwan.* Whether the issue is strictly domestic, such as the fate of Legislative Yuan (LY) Speaker Wang Jin-pyng; external, such as Ma Ying-jeou's possible participation in APEC in 2014; or cross-Strait, such as the handling of the services trade agreement, no one should be in any doubt that the coming period will witness significant political turmoil within Taiwan. Although not always split along party lines, it is rare to find any issue of importance that does not, at the end of the day, come down to a partisan struggle between the ruling Kuomintang (KMT) and the opposition Democratic Progressive Party (DPP). As an American, I find this sadly reminiscent of the political dysfunction that currently prevails in the United States. But even in Washington one does not witness the physical obstructionism that plays such a prominent role in Taipei's political scene today.

On the other hand, despite all of this, and assuming that a way will be found to satisfactorily manage the services trade agreement as well as the other ECFA follow-on agreements currently under negotiation—which is perhaps more a leap of faith at this juncture than a soundly-based judgment—the coming period in cross-Strait relations is unlikely to be tumultuous. It will not be trouble-free, and it will be affected by the course of political and economic developments both in Taiwan and on the Mainland. But the path charted since 2008 has set ties across the Strait on a reasonably stable and predictable course.

Indeed, although the scope of cross-Strait relations will continue to expand, in fact it will probably not move substantially beyond the era of “economic first, political later, easy first,

difficult later.” There is much work yet to be done to put meat on the bones of the June 2010 Economic Cooperation Framework Agreement (ECFA) and in other ways to deepen cross-Strait economic ties. Agreements on merchandise trade and dispute resolution will not be any easier to negotiate than the services trade agreement was, with all of its postponements and last minute drama. Nor will they likely be easier to confirm in the LY. With the December 2014 seven-in-one local elections barely a year away, and the presidential elections coming little more than a year after that, all of this means that significant progress beyond filling in the current framework seems unlikely.

In addition to the domestic political contests that will keep the brakes on efforts to leap dramatically forward, further progress will also entail a debate about the economic merits, whether cross-Strait agreements bring sufficient benefit to a sufficient number of people in Taiwan to offset the losses inevitable in any such negotiation. These debates will also bring into play a familiar concern among many in Taiwan not only that jobs will be lost but that somehow Taiwan is being sucked into an inescapable dependency-unification vortex.

At one point there was concern on the island that the tilt of previous cross-Strait economic agreements in Taiwan’s favor would end and that the Mainland would henceforth demand strict reciprocity. But on the whole, while there is some heightened demand on Beijing’s part for greater “balance,” especially notable with respect to investment in the financial sector, various official statements have made clear that the PRC is prepared to pay the necessary price in its ongoing campaign to win hearts and minds by continuing to skew the terms generally in Taiwan’s favor.

Of course, this gives rise to skeptical questioning among some as to why Beijing should be so generous. Doesn’t this represent a “trick” to create excessive dependency and obligation for which a bill will be presented down the line? In a way, this kind of questioning would seem to put the Ma administration in an almost no-win situation that can be overcome only if implementation demonstrates a net balance in favor of benefits over costs (taking into account steps the administration will take to help impacted businesses).

Although the latest polls seemed to show some recovery, Ma Ying-jeou’s public support numbers have plummeted over recent months, since his reelection in early 2012. As this happened, especially in late summer/early fall 2013, the opposition clearly felt emboldened to challenge his program across the board, and one senses that a segment of his own party has not felt empowered to push back as hard as it might. This is especially true with regard to the 4<sup>th</sup> Nuclear Power Plant, but it also is true of cross-Strait issues such as the services trade agreement.

The KMT’s effort to oust LY Speaker Wang Jin-pyng’s from the party (and from the LY and the Speaker’s role) over an influence-peddling scandal will provide material for PhD dissertations for years to come. At this point, however, the only thing one can say with confidence about its effect in Taiwan is that it will inevitably have some impact, perhaps a considerable one, on the

handling of all of these issues. Beyond that it is simply too early to tell precisely what the effect will be and how severe it will be.

How the DPP will position itself on cross-Strait policy is a matter of considerable debate within the party at this point. A desire not to be perceived as “anti-China” could limit the party’s ability to use cross-Strait issues in any major way in the 2014 local elections. Still, if the issues are framed around questions of the impact of Ma administration policies on jobs and economic security, they may play more of a role than in similar contests in the past. In any case, those issues could well factor into the selection of the DPP Chair in May, which, along with the 2014 outcome, will affect the choice of the DPP standard bearer in the 2016 presidential contest and the party’s platform. And in that election, of course, one can anticipate that cross-Strait relations will figure very prominently, as they did in 2012.

*In the Mainland.* As former NSC Secretary General Su Chi has observed, Xi Jinping appears determined to be quite unyielding on issues that touch on the principle of sovereignty, whether they arise in the cross-Strait context or in a broader international context. But it may well turn out that this fits into a familiar PRC mold, where rigidity in principle can be accompanied by flexibility in practice. We discuss that further below.

At the same time, as Su Chi reported, it seems that Xi will generally continue to adhere to the patient approach in cross-Strait relations introduced by Hu Jintao. That is, as long as everything is handled within a “one China” framework, and the provisions of Article 8 of the March 2005 Anti-Secession Law are not triggered<sup>1</sup>—and principle is thus maintained—Beijing will not try to proceed at a forced march pace toward unification. That said, Xi will likely want to lock in as much of the currently agreed “one China” framework as possible, especially in anticipation of a possible DPP victory in 2016.

We would only note here that aspects of this approach could come under challenge in Beijing if momentum in cross-Strait relations really seemed to flag or if controversies over other aspects of Xi’s approach emerged, for example on economic or political reform, threatening to embroil the entire range of his policies in a broader debate.

Frankly, we don’t anticipate that, but we should remain aware that, as in all countries, the domestic sources of external policies matter.

### **Issues in cross-Strait relations**

#### *Economics*

The key economic issue for Taiwan’s future will be liberalization of the economy. Without substantial moves to open up well beyond the current level, Taiwan will not only lose competitiveness, but it will not be an attractive trading partner. This is true whether in terms of

bilateral dealings or Taipei's aspirations to participate in multilateral groupings such as the Regional Comprehensive Economic Partnership (RCEP) and the Trans-Pacific Partnership (TPP).

But these issues will not stop with liberalization. They will also be enmeshed in cross-Strait relations, as the Mainland has made clear that, where it has the ability to influence the course of events, not only will Beijing monitor the terms of potential bilateral agreements, but Taiwan's path to participating in regional economic integration goes through Beijing. Precisely what this will mean in practice remains to be seen. But as of now the Mainland is issuing no blanket approval for further bilateral agreements between Taiwan and its trading partners, and there is no indication that it will countenance Taiwan joining in regional groupings on its own.

In the case of RCEP, Beijing will, of course, have a direct role in determining Taiwan's prospects, as the Mainland is part of the existing framework of negotiating partners. It could obstruct Taiwan's efforts or it could help smooth the way.

In the case of TPP, even though the Mainland is not currently a negotiating partner, Beijing's view could also be an important factor. For the United States, the issue of Taiwan's eligibility for TPP will be economic merit. Just as Washington declined to sign a Free Trade Agreement (FTA) with Taipei when the Chen Shui-bian administration sought one largely on political grounds but when Taiwan was clearly not economically qualified, Washington is unlikely to shun such an agreement—or Taiwan's participation in TPP—on political grounds if the island presents an economically meritorious case. On the other hand, acceptance in the transpacific grouping would require approval from all TPP partners, not just the United States, and it is highly questionable to assume that all of them would be willing to challenge Beijing's strong objections.

Whether, as some people have suggested, RCEP and TPP participation for Taiwan could follow the WTO model (with Beijing entering either first or simultaneously with Taipei) is not known. Especially in the case of TPP, the PRC would seem to have a long way to go before it can put in place the kinds of changes that would qualify it to become a member. And if Beijing insists it must go first, this would obviously present a major obstacle to Taiwan, no matter what reform measures the island adopted.

Taiwan's aspiration to negotiate FTA-like economic cooperation agreements with others will also fit within this overall framework. Although the New Zealand agreement, and apparently the still unsigned Singapore agreement, appear to have passed muster with Beijing, it is far from certain that others will, as well. The PRC will likely review the nature and content of such possible agreements one-by-one before deciding whether or not to raise objections with Taiwan's trading partners.

All of this is to say that, however much Taiwan is able to strengthen its economy at home—and it must at a minimum do that, and however actively it may seek to diversify its external economic ties—and one ought to expect a fairly robust effort to do so, the quality of cross-Strait

relations will have an enormous influence on Taiwan's ultimate ability to regain the course of rapid growth.

### *Political Dialogue*

Beijing has made no secret of its desire to open authoritative political dialogue with Taipei. That said, it has faced up to the reality that this is not feasible at present and has thus endorsed a robust course of Track II (unofficial) dialogues in hopes of reducing the opposition in Taiwan to Track I talks and of developing approaches that authorities on both sides can embrace.

Nonetheless, Beijing's preference for—indeed insistence on—Track I discussions at some point is unmistakable.<sup>2</sup> The role here for the “1992 Consensus” is somewhat ambiguous. Previously many Mainland commentators suggested that that consensus was really only sufficient as a basis for economic or social and cultural dealings, but that something “more” was needed as the foundation of political talks. With the blessing of the 1992 Consensus in CCP's 18<sup>th</sup> Party Congress political report, however, Beijing's position has become less clear.

Discussions with PRC officials are rather unhelpful in this respect. Asked directly, they suggest that the 1992 Consensus “might not be” sufficient. The key issue seems to be whether the relevant authorities accept that the 1992 Consensus means common adherence to a “one China framework.” The most obvious concern appears to be that, if the DPP returned to power in 2016, it could come up with a formula for adopting the 1992 Consensus that, whatever the words, actually departed from the core “one China” concept. Even with respect to the KMT, however, one also hears concern that Ma's formulation of “one China, respective interpretation” is sufficiently different from the Mainland's concept of the “one China principle” that something “more” might be needed.

Whether Ma's endorsement of Wu Poh-hsiung's citation of the “one China framework” in his June 2013 meeting with Xi Jinping and Ma's own reference to the “one China principle” in his response to Xi's message of congratulations on Ma's reelection as KMT party chair in July have eased those concerns is not entirely clear. There are some signs that they did, which could facilitate acceptance of the 1992 Consensus as the basis for political negotiations without further elaboration. But that is not clear at this point.

In other ways, as well, the possibility of a DPP return to power in 2016 seems to be affecting Beijing's attitude toward political talks. For one thing, it probably impels the Mainland toward conducting political dialogues in whatever way is possible at this point, even Track II, to advance Taiwan's embrace of “one China” while the KMT is still in power. Second, it undoubtedly lies at the heart of the PRC's campaign to court senior DPP officials, even though not yet on a party-to-party basis (due to the DPP's refusal to accept “one China”) And third, it may before the end of Ma's term of office lead to a determined effort to raise the current dialogue from Track II to an authoritative level, also in order to lock in the current state of play.

Whether this will include efforts to negotiate a peace accord or military mutual trust-building measures—the two items that appear to be at the top of Beijing’s political agenda, is unknowable at this point. As far as one can discern, Ma Ying-jeou would not favor moving ahead with the latter absent a peace accord. But the idea of negotiating a peace accord has aroused significant political turmoil on the island in the past<sup>3</sup> and likely would again in the future unless the PRC were to forgo any effort to define Taiwan’s status in the document.<sup>4</sup> Since senior officials in Taiwan have for a long time believed that Beijing’s first goal in negotiating a peace accord would be to do precisely that, to define Taiwan’s status vis-à-vis the Mainland, providing assurance this would *not* be the case would be essential if an effort to negotiate such an accord were to have any prospect of near-term success.

### *International space*

Beijing asserts that it is sympathetic to the aspiration of the people of Taiwan for a more meaningful role in the international community, whether in the economic realm or otherwise. A fundamental requirement for the Mainland, of course, is that, during the period before unification, any arrangement should not create a situation of “one China, one Taiwan” or “two Chinas.”<sup>5</sup> On the premise that such unacceptable situations are not created, the PRC position is that, through consultations, fair and reasonable arrangements can be made.<sup>6</sup>

Taiwan participates in a number of international organizations in different capacities. But the only major progress in recent years has seen the Minister of Health invited each year since 2009 as an observer to the World Health Assembly (WHA) and, as we meet, the Administrator of the Civil Aeronautical Administration is attending the triennial meeting of the International Civil Aviation Organization (ICAO) Assembly in Montreal as the guest of the president of the ICAO Council. This latter arrangement does not quite measure up to Taipei’s hopes for observer status, and the Ma administration says it will continue to strive for more. But in fact there is no provision in the ICAO Assembly rules that would cover Taiwan’s attendance as an observer,<sup>7</sup> so if that is the goal, it would require a level of cooperation by Beijing that is not currently evident.

Taipei has already reinvigorated its campaign to participate in the UN Framework Convention on Climate Change (UNFCCC), but whether this effort will succeed remains to be seen.

As discussed earlier, other dimensions of international space include bilateral as well as multilateral economic arrangements. The agreement with New Zealand is Taiwan’s first with a non-diplomatic partner as well as with a country that is a negotiating partner in both RCEP and TPP. When the pending agreement with Singapore is concluded, reportedly by the end of 2013, it will be the second pact in these same categories. Clearly Beijing views such agreements as much through a political lens and an economic one, and it will continue to evaluate each one to see if it undermines the commitment of Taiwan’s proposed trade partner to “one China” as well as whether, through the creation of independent economic links with others, it could cause people in

Taiwan to devalue links with the Mainland and the prospects for “peaceful development” of cross-Strait relations.

### *Institutionalization*

The drama surrounding possible reciprocal establishment of offices of the “white glove” organizations that carry out much of the cross-Strait liaison—Taiwan’s Straits Exchange Foundation (SEF) and the Mainland’s Association for Relations across the Taiwan Strait (ARATS)—may soon come to a conclusion. But here again the issue of politics in both places may be a determining factor.

With the question of issuing documents apparently resolved to mutual satisfaction, the last outstanding matter has to do with “humanitarian visits” to citizens detained by the other side. Beijing seems not to be concerned about this function for itself, but, especially given the large number of Taiwan citizens involved in the Mainland, Taipei is. Both public opinion and politicians across the board have taken strong stands insisting that the SEF offices in the PRC (there are to be three of them, in Beijing, Shanghai and Guangzhou, whereas ARATS will only have one office in Taipei) must have the right to carry out such visits. The Ma administration has also insisted on this, and views coming from the LY indicate that legislation providing authorization and funding for the offices will not be passed if visitation rights are not assured.

From a PRC perspective, the argument is that legal obstacles exist, and Mainland officials have said that the offices should be established now without resolving that issue, moving over time to dealing with the matter. In fact, some 1,300 special visits have been arranged in the past, so there is obviously room for pragmatic flexibility under the overall blanket legal restriction. Moreover, some people argue that granting SEF the “right” to make such visits would come too close to “consular rights” for the comfort of the Mainland, so that the issue has a political as well as legal dimension.

As with so much else in cross-Strait relations, the outcome of this issue remains to be seen. Given that both sides have attached high priority to the establishment of these offices, and the near uniformity of view in Taiwan on the importance of visitation rights, one might assume that pragmatism will prevail. Indeed, the possibility of work-arounds has already been aired. Even so, it is virtually assured that anything less than granting of rights for direct access to detainees, in name as well as in fact, will be seized on by Ma’s opponents to charge “yet another” instance of sell-out to Beijing. So politics will infuse the handling of this issue as virtually all others.

### **Conclusion**

In terms strictly of the dynamics of cross-Strait relations, the coming few years should witness overall stability and predictability. The scope of relations will likely expand beyond economics, including expansion of educational and cultural exchange, though movement to authoritative

political dialogue will remain a question mark; the likeliest outcome is that activities in that area will remain at a Track II level for some time to come.

Whether there will be progress on Taiwan's overall economic agenda will depend primarily on success in achieving domestic reform. But Beijing's attitude will also matter not only directly with respect to cross-Strait economic ties but also how successful Taipei will be in achieving its aspiration for more bilateral economic cooperation agreements and eventually participating in regional integration.

At the same time, developments in Taiwan politics—both with respect to the handling of cross-Strait agreements and the prospects for a change in political leadership in 2016—will likely have an impact on Beijing's attitude as well as on the Ma administration's ability to push through its agenda.

---

<sup>1</sup> Article 8 reads in part: "In the event that the 'Taiwan independence' secessionist forces should act under any name or by any means to cause the fact of Taiwan's secession from China, or that major incidents entailing Taiwan's secession from China should occur, or that possibilities for a peaceful reunification should be completely exhausted, the state shall employ non-peaceful means and other necessary measures to protect China's sovereignty and territorial integrity. ([http://english.peopledaily.com.cn/200503/14/eng20050314\\_176746.html](http://english.peopledaily.com.cn/200503/14/eng20050314_176746.html).)

<sup>2</sup> It isn't entirely clear who the appropriate counterparts would be for political dialogue or negotiation. Some people feel that the two "white glove" bodies that currently handle cross-Strait economic and related negotiations (Taiwan's Straits Exchange Foundation (SEF) and the Mainland's Association for Relations across the Taiwan Strait (ARATS)) would work, at least to begin the discussion. Others say that those organizations are not really empowered to carry on the kinds of dialogue that would be entailed, so some other as-yet unspecified bodies would need to be involved. For now, much of what passes for political dialogue is carried out at a party-to-party level, at least between the KMT and CCP. But to come to any sort of binding agreements, some structure that goes beyond parties to cover government equities would have to be involved.

<sup>3</sup> Alan D. Romberg, "Taiwan Elections Head to the Finish: Concerns, Cautions and Challenges," *China Leadership Monitor*, No. 36, pp. 8 ff., <http://media.hoover.org/sites/default/files/documents/CLM36AR.pdf>.

<sup>4</sup> My own conception of a workable peace accord would be one that essentially had both sides pledging to maintain the status quo. Whether the words of such an accord said so or not—and the words would be very difficult to work out—the crux of the deal would be that the Mainland would not threaten or use force unless Taiwan moved to establish formal independence and Taiwan would not move to establish formal independence unless the Mainland threatened or used force.

<sup>5</sup> This requirement to avoid the creation of "one China, one Taiwan" or "two Chinas" also holds in the case of NGOs.

<sup>6</sup> Then-TAO Director, Wang Yi, spelled out the meaning of this term for the first time late in 2012. He said that "fair" (合情) means taking care of each other's concerns and not forcefully imposing one's will on others (照顾彼此关切, 不搞强加于人); "reasonable" (合理) means abiding by legal principles and not engaging in "two Chinas" or "one China, one Taiwan" (恪守法理基础, 不搞"两个中国"、"一中一台"). ("Wang Yi's speech at the seminar commemorating the 20<sup>th</sup> anniversary of the '1992 Consensus'" [王毅在"九二共识"20周年座谈会上的讲话], Taiwan Affairs Office, November 26, 2012, [http://www.gwytb.gov.cn/wyly/201211/t20121126\\_3391669.htm](http://www.gwytb.gov.cn/wyly/201211/t20121126_3391669.htm).) (One should not that, though there are many complaints from Taiwan NGOs about being required to avoid use of a name that



---

includes “Taiwan” or “the ROC,” and sometimes such NGOs are prevented from participation, the requirement for consultation does not apply.)

<sup>7</sup> One presumes Taipei could have opted to attend the Council, instead, whose rules do contain a “catch-all” category of observers (“other bodies”), but this would likely have been viewed as a substantial come-down from the goal of attending the Assembly meeting. What one does not know, at least at this writing, is whether this arrangement will, as Taipei hopes, facilitate Taiwan’s participation in lower-level ICAO bodies as well as quick access to current information, which it currently only gets indirectly and, Taipei says, in a less than timely way. (Others say that, with the cooperation of the United States, in fact Taipei’s access to information is both reliable and rapid. Still, no one would argue that this is the same thing as direct access. Moreover, participation throughout the ICAO system has so far been denied. In any event, Beijing’s claim that it covers Taiwan’s equities in ICAO is extremely doubtful.