

## **The Impact of the Development of the Mainland**

### **On the Cross-Strait Relationship**

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The Mainland China is now facing a transitional time, high economic growth is slowing and political development is also entering a crucial period. Following the 18<sup>th</sup> Party Congress the new leaders of the CCP have shown that they have policies to deal with these problems. How these changes will influence the future policies of the Mainland regarding Taiwan and the cross-strait relationship will go what direction will be watched closely by many parties.

#### **1. Economic Development of Mainland China**

##### **a. The economic situation of mainland China**

China's economic situation now faces the challenges associated with a transition from rapid growth to a slower period and long-term GDP decreases.

Economic growth was 7.7% in the first quarter of 2013, lower than expectations. It was 0.1 % lower than the same period in 2012. The China State Statistics Bureau calculates that GDP in the first half year of 2013 was 24.8 trillion, growth of 7.6% (7.7% growth in the first quarter and 7.5% for the second). Goldman Sachs predicts China's economic growth for 2013 will be 7.4%, less growth than in 2012. China's Premier Li Keqiang declared at the World Economic Forum in September that China will enter a high to medium growth period.

It is certain China's economic growth will slow compared to the past 20 years and will continue to slow for some years. At the same time, foreign trade is slowing as well. According to statistics, Chinese imports and exports in June 2013 showed 6.8% growth, less than the previous year.

In addition, there are many other figures that show the economy will slow for the foreseeable future.

There are many reasons to explain the economy's slowdown. First, the world economy is slowing as well, the global financial crisis has not been completely resolved, both of which influences China's economic growth, particularly foreign

trade. Second, China's economy is still strongly controlled by the state and further growth will require more economic freedom, especially for the private sector. Third, the government strongly interferes in the local economy and the consequence is over production that cannot be sold in the market which creates high local debt. In short, the Mainland economy lost energy and is less robust than before.

b. Economic reform needed

How to solve the problems that the mainland's economy faces is the task of the new leaders. There has been no major reform for the past decade; Hu and Wen sought only to maintain economic stability. The new leaders are considering how to launch a package of economic reforms and the most important target is to stimulate the free market and private economy, which will lead to re-growth.

For the new leaders, Xi Jinping and Li Keqiang, their economic reform package is the most important work they will discuss in the third plenary of the 18<sup>th</sup> Party Congress next month. This package will become their plan in the next decade.

Recently, China's government has begun some reform projects which will be officially determined during the third plenary of meeting. According to well-placed rumors, it is said the economic reform package will include: the lifting of government controls and regulations to give more economic freedom and space; conducting some land reform that will increase market circulation nationwide; allowing local governments more freedom to have private financial institutions, which will act as a sort of private bank for smaller and private companies; the creation of the China (Shanghai) Pilot Free Trade Zone, which will allow RMB can be freely exchange for foreign currency, which will act as an experiment for greater RMB liberalization in the future and loosening of company registration so there will be no limitation for capital and scale of work, and local government will no longer need to approve each company, much more open for foreign company to enter China's market, etc.

All of these major reform projects, except the RMB free exchange, can be implemented by local governments around Mainland quickly, not only in Shanghai. Therefore, perhaps, there will be a new wave of economic open and reform in mainland China created by more liberalization.

The new leaders believe this package of reform will reactivate the economy and create another cycle of economic growth. Because new leaders will have a decade in office the reforms can last a decade as well.

The Mainland economy is now the number 2 in the world, just after the U.S. and slightly above Japan. China is now an economic super power, even if there is slowdown, because the rest of the world is encountering economic slumps, many worse than China. For the past decade, China's economy has strongly influenced

Asia in particular, and is competing with Japan and the U.S. for economic influence in Northeast Asia. This trend will continue without change in the coming years. Now we see that some capital is leaving China for countries like Burma, Laos, and Cambodia because of increasing costs in China, but the big capital remains for now. Mainland China is still the center of production of the world.

Actually, China's economy, with its huge market and high growth, is like a black hole, pulling many smaller countries into its influence, especially ASEAN countries. They cannot avoid this influence from China. Taiwan should be included with this group.

## **2. Political and social change of Mainland**

### **a. Political situation**

Before the new leaders came to power, there were many conflicts between the government and people in Mainland. These conflicts came from three major reasons.

For the past two decades and especially during the last decade, protests, petitions, strikes, and citizens surrounding government buildings are becoming more and more frequent. Most conflicts happened between local governments with interest groups and ordinary people, both rural and urban. High economic growth is important for local government officials to forward their good political careers, and they look for projects in property development and similar areas. Officials frequently take land from farmers and neighborhood residents at the lowest price and then sell it at the market price, making huge profits for the government budget or interest groups. They use police and government forces to coerce farmers and residents to sell their lands and homes; at last resort they can arrest citizens. Local government behavior frequently meets serious resistance from home and land owners.

Another great change of the past decade is the growth of Chinese civil society. There are now many civil organizations in China. This growth is the results of three decades of social-economic development. These organizations can be divided into three groups: government NGOs (GONGOs), social service NGOs, and other NGOs including civil rights NGOs, religious NGOs, and others. The first type works for the government; the second is now recognized by the government under the new reformed social management system. The final type, which incorporates most civil organizations, is not recognized by government. The government still considers them illegal or anti-revolutionary. The new policy of reform of the social management system in Guangdong, Zhejiang and Beijing should work to connect civil society to government. Social participation in these provinces is more active than other provinces.

But recognized social organizations only make up a small portion of the total,

probably less than half of the total number of civil society organizations. The government still uses many ways to control and attack the other parts of civil society. There were many conflicts between government and these organizations.

The internet has brought a convenience to people that gives them a voice through technology. On the Internet people can express their ideas, leak and transform information, criticize the government and organize events. An important result is many government officials, even some high level government officials, are exposed as corruption through internet. In fact, the government is not happy about this trend. Such exposures have caused problems several times, but the trend will likely continue.

The above three developments in political and social affairs made ordinary people and intellectuals unhappy with the government. Political unrest is spreading, and is a conflict of society and the state. Society desires political reform—such elections, free expression, free assembly, etc.—to solve this conflict. But the government uses the way of political stability maintenance (weiwen) rather than political reform. That means the government dislikes listening to the people, does not want to allow people to vote, etc. Instead, it continues to use the police and armed police to arrest and crackdown on unsatisfied people. The cost is very high, so high it is said to be more than China's military spending. The cost of maintaining political stability is unknown but it is certainly very high.

By the end of the Hu and Wen period, intellectuals and ordinary people hoped the new leaders would begin political reform to reduce the tension between government and society. Intellectuals in particular worry that if there is no political reform, the increased tension will put CCP regime crash soon.

#### b. The new leaders' political reform policies

The political situation has not improved after the new leaders came to the power, in fact, it is maybe even worse. Right after the new leaders took power society had high expectations for political reform, but that political harmony would only take a very short time.

First, social unrest has not stopped, mostly because the government's new urbanization policy, which Li Keqiang has emphasized many times and which he hopes will stimulate the economy. Regardless of Li's thoughts, this policy means local governments will increase land grabs. Basically, the policy of Hu and Wen will continue. Following the 18<sup>th</sup> Party Congress land grabs continued and there were even cases of people dying trying to protect their homes and land. Social unrest has increased rather than decreased following the 18<sup>th</sup> Party Congress. Even though this policy may stop, the local government still uses this method to keep government revenue high, for both their own corrupt uses and to avoid high local government

debt. These phenomena increased unrest around China. It seems unlikely government will have a good relationship with society in the near future. This makes farmers and residents be unhappy and leads them into rights protection (weiquan) activities again, such as protests, strikes, and so on.

Second, for the civil society, the new leaders' policy toward social management system reform, which was started by Hu and Wen, is not clear, and more likely to return to stability maintenance, which means the societal reform conducted by the government may stop. Local governments are waiting to see if the policy will continue or stop and are taking no action now. But the development of civil society is not the result of government policy, it is spontaneous, and works towards the goals of society rather than the government. Government policy can promote or not promote civil society, but ultimately cannot stop it completely. If government policy is to restrict civil society, it will only increase the conflicts between the government and society, but would not stop the growth of civil society.

Third, the new leaders created the Document 9 to clean up ideology, attack rumors spreading on the Internet; grasp the leaders of public opinion; regulate the "seven no talk" for a clean ideology and criticize notions of civil society and constitutionalism, particularly on government website and newspapers. Their goals are not completely clear, but it shows the government is turning left and becoming more conservative. Beyond ideology, the government is tightening expectations for political reform by arresting many people who hold the banners that say "open the property information of officials to the public," which was the new government's slogan when they took power last year.

Those activities mean the hopes of political reform that many scholars and ordinary people think about will go unfulfilled. But it's worse than that. After the Cultural Revolution, intellectuals and the government had a consensus, among others, that there will not be a proletarian dictatorship forever, the government and CCP had their right to rule through a constitutional base, so the intellectuals supported the reforms conducted by the government. That promise stands even now, even lasting through the period after the June 4<sup>th</sup> event. Deng Xiaoping, Jiang Zemin, and later Hu Jintao, no matter how much they disliked liberalism, did not touch the constitutionalism, which is the bottom-line between intellectuals/society and government/state. They understood the importance of this line. Therefore, constitutionalism acts as a sort of bottom-line that keeps an agreement between the government and intellectuals/society. Now the government is trying to break this line and it will hurt, or even destroy, the relationship between the liberal intellectuals and government.

There are some signs that the government may take some positive move toward legal reform, such as the abolition of the education through labor system and the strength of the anti-corruption movement, which recently saw many high ranking

officials of petroleum industry arrested. May more interest groups are targets later. The important thing for the anti-corruption is not only the "having the big tigers and small flies attacked equally", which is not good enough for the people, is to establish a new system to have real anti-corruption. Perhaps Wang Qishan is preparing to do big work in the coming central meetings. Realizing this, the new political reform may come through this way later, which can hit some dominated interest groups to clear the obstacles of China's reform.

Some other small project of political reform will come about through an establishment of a dialogue system between the government and people, now officially by government called as the deliberative democracy. By this way, government can open more information to the public and budget can be more transparency than before. For example Wenling City of Zhejiang Province has implemented Democratic Consultations (mingzhukentan) for 14 years; as a way to let government and society sit down to discuss sensitive issues together. This kind of system is focused on solving conflicts. It helps a little to reduce social tension and conflicts.

Although some things are positive in legal and political reform, it appears that overall the news leaders will be more economically open and liberally and politically closed and conservative. So it will be politics will go to the left and the economy to the right.

Through all this there is no more good signs that the Chinese government will promote political reform, rather the political situation will tighten again and the policy of "stability maintenance" (weiwen) will strongly return to restrict society. We hope the new leaders will attempt political reform to improve the relationship and reduce tension between the society and state.

### 3. The impact of the mainland's current situation on the cross-strait relationship

#### a. Economy

For the economic growth Mainland China requires outside help. Strategically, China's economy is already globalized and well connected with North America, Europe, Asia, South America and Africa. In Northeast Asia there are three major markets: Japan, ASEAN and greater China, which includes Hong Kong, Macau, Taiwan and the mainland. As a very big economic unit, China acts as a black hole, pulling the other economic units surrounding China into China's market, and has different divisions of labor. Taiwan is pulled by the Mainland's economy for by many reasons, including

similar language, culture, and even potential regulations, and so on. There are many reasons the Mainland and Taiwan should have trouble cooperating economically, but those have all been overcome.

Mainland is the center for the great China economy circle. Strong economic relations with Taiwan will benefit the mainland's economic situation. The mainland wants more foreign trade, including with Taiwan having big global market; and Taiwan has more advanced technology in microchips, computers, cell phones and so on; a strong service sector and banking system. Taiwan's strong private economy can provide good models for the mainland to study, especially as China is working towards economic liberalization. For the past three decades, the Mainland and Taiwan economies have penetrated each other. Taiwanese production lines moved to the Mainland, utilizing cheap labor and a large market. Taiwan's economy is more dependent on the mainland than vice versa. This mutual cooperation reduces the risk for each when the world encountered problems from the Asian and world financial crises.

The Economic Cooperation Framework Agreement (ECFA) plays a very important role that brings Taiwan and Mainland economies together in recent years.

There have been many important changes during the first three decades of economic connection between the mainland and Taiwan. First, Cross-Strait trade is very robust; second, technological cooperation is going well and Taiwan's hi-tech advantages are valuable; third, many Taiwanese production lines moved to mainland; and finally, cross-strait travel is increasing steadily, many Taiwanese now live in the Mainland, even the entire families. Generally, cross-strait relations by the economic cooperation are getting closer and closer.

The ECFA, the symbol of the Mainland and Taiwan's economic cooperation, is benefiting the mainland's economic development by drawing Taiwan's economy into China's grand China economic circle, along with Hong Kong and Macau with the Closer Economic Partnership Arrangement (CEPA). This economic circle can give strong economic power to face the world financial crises. Obviously, this relationship is good for Taiwan too. The economic entity of the grand China economic circle enhances the capacity for Taiwan to increase economic development. Of course, the ECFA has some drawbacks for Taiwan, by Taiwan's view. For example, it benefits Taiwan's large companies more than the medium or small ones; Taiwan's economy is becoming more dependent on the mainland; is the hollow of industry in Taiwan, and so on.

The economic slowdown of the mainland will not affect cross-strait relations because the mainland economy is still performing better than many other parts of the world. Due to proximity and other reasons, the mainland economy is still the key to Taiwan's economic development.

The Mainland's economic reforms that new leaders will conduct will benefit Taiwan's economy and enhance the cross-strait relationship. Taiwan has the best service industry and the best private economy in the world. Taiwan's experiences in the service and private sectors could benefit the mainland's new reforms. Private entrepreneurs in the mainland need these experiences to develop, and government needs them too for the regulations and management.

The Cross-Strait Agreement on Trade in Service will strengthen ties between the mainland and Taiwan. If the new leaders' economic reform begins around the Third Plenary of the Central Committee, that will let private entrepreneurs re-start the economy and allow Taiwan's economy to become more deeply involved in the mainland economy, particularly for the service and private sectors, it may help the medium and small companies of Taiwan.

b. Cross-strait political and cultural exchange

As I just mentioned, the political situation on the mainland is getting tighter and could affect its relations with Taiwan. Because Taiwan is democratic while the mainland is still a Leninist regime, it could be easy for the relationship to deteriorate, but actually, it is not.

The mainland's political situation produces different responses within Taiwan, particularly for the society. First, more and more Taiwanese people now pay attention to the mainland's development, not only the economic, but political as well; More and more Taiwanese scholars, students and media members care about the political development and human rights of the Mainland. Second, some of them do not like the lack of democratic development in the mainland, and therefore, their attitude toward reunification is negative as a result. Third, societal exchange is increasing as Taiwanese lawyers, scholars and other social activists organize to support the civil society and human rights in the mainland in order to improve the situation.

a. Political development will influence the attitude of Taiwan to Mainland

The political development of cross-strait is moving in opposite directions. The gulf between the two sides' democracy and freedom of society larger and the two sides could barely be more different, currently and future. At the very least, Taiwanese do not approve of things happening in the mainland such as a lack of respect for human rights, large scale corruption, manipulation of local elections, and so on. Taiwan is a so called democratic regime, with fixed-period elections, seven local elections plus two general elections, and each level of government chiefs and representatives will be chosen by the people through elections. But the mainland does not have such these elections. Taiwan has the freedom of expression, newspapers and TV can



privately owned, but not in the mainland. On the Taiwanese Internet people can freely criticize the government, but on the mainland such action risks arrest for spreading rumors. Taiwan has the rule of law, sometime the performance is not very good, but much better than Mainland, where is no more at all. These differences have made the Taiwanese people do not like the political situation in Mainland. But they can't avoid these, due to closer and closer relationship of two sides. They pay more attention to political development in the Mainland. Just like in Hong Kong, some surveys indicating more and more Hong Kong people now take care about the political development rather than the economics of Mainland; Taiwanese are becoming more focused on mainland political development too. Taiwan people may like the reunification by the strong economy and the global power after the reunification, but not like the authoritarianism back home. When looking towards the mainland, many Taiwan people would think if the reunification means returning to the old ways of the KMT's authoritarianism. These will affect the attitude of Taiwan people to think about the reunification that mainland government promotes.

Because differing political development, especially in political affairs, Taiwan moving towards greater democracy and freedom while the mainland is tightening to restrict freedom and democracy. In essence, the mainland is using economic benefits to assuage Taiwan's political fears, but surveys show that the Taiwan people's support for reunification is not high, even very low. According to the recent survey conducted by *United Daily News*, in Sept. 2013, 15% of Taiwanese support the reunification, support the independent is 33%, 47% is to maintain the current situation. The mainland's lack of democracy may become the excuse Taiwan, either government or people, to avoid reunification. Therefore, the lack of political development on the mainland could hinder reunification, and is indeed moving the mainland and Taiwan further apart on that issue.

b. Due to the opposing political development across the strait, both sides are promoting social exchange with the other

How to realize mainland's democracy? Many mainland intellectuals right now are considering pushing for political development through Taiwan. This has become a popular trend since many people see live reports about Taiwan elections and mainland scholars and social activists study Taiwan's democracy. They hope that democracy will be the issue for the reunification when Mainland and Taiwan negotiating some days later, and by the historical meaning of reunification, Mainland government can accept democracy and human rights which Taiwan strongly requires. This is considering as an approach that Mainland toward the democracy by some scholars in Mainland.

In Taiwan there are many scholars, students and social activists that care about the mainland's situation and try to help development of human rights, civil society and democracy in Mainland. Many Taiwanese believe Taiwan should help the Mainland

develop democracy, human rights and civil society, so as to better connect with Taiwan. They understand whether there is separation or reunification in the future both sides must live together peacefully, so sustainable democratic development of the Mainland is very important for Taiwan too. Societal exchanges are therefore important, by informal connections of two sides.

According to the public opinion poll of the Taiwan *Want Daily* conducted in August 2013, only 19% of Taiwanese people feel good about the Mainland government, and 63% do not. By the same public opinion of *United Daily News*, more Taiwanese negatively feel the Mainland government for the corruption and dictatorship, only less 3% feel good. Even though the ECFA gave Taiwan many benefits, it was not enough to overcome these negative feelings. Therefore if the mainland only pays attention to economics and ignores political reform, the feelings of the Taiwanese people toward the mainland will likely not improve. There must be something to improve the situation of political and human rights in the mainland.

It is better that the mainland's policy toward Taiwan should be concerned with the political dimension of the mainland's domestic policy, especially democracy and freedom of speech and expression. If this political dimension remains negative, giving Taiwan's people no reason to want reunification, the mainland government has no way to influence reunification of Taiwan side. If the mainland government is to garner the support of Taiwan's political parties, it is through the people, which mean must have the improvement of the mainland's political situation and democratic reform. Actually, if the mainland has more democratic reform, such as creating a dialogue system between the government and society, more freedom on the Internet, etc., the cultural exchange will be even more active, and even the Democratic People's Party (DPP) may create more connections with the mainland.

In fact, the KMT and DPP have similar attitudes on this issue, and whatever party is in opposition will be more active, and the other will be caution. After the presidential election of 2012, DPP understood well, no matter what policy they have toward the reunification, they must improve the relationship with Mainland, ignore the good relationship will no win on the future election. DPP must have a new policy toward mainland. Since 2008, actually, when the DPP lost power, their connection with mainland has increased. Taiwan's people, political parties and government understand that if there is no obvious democratic reform in the mainland, it will be difficult to foster goodwill between the two sides. They must do something for that. At present time, we can see, lots of the visiting and exchanging, on the civil culture, election, constitutionalism, rule of law, checking of balances, separation of powers, civil society, supervise of the government, on the society base but support by government, as the cultural exchange, are spreading between two sides. The society of Mainland can learn a lot of the experiences and lessons that Taiwan has. Beside the relationship of two economics is closer and closer, therefore, there is another kind of closer relationship is emerging: two societies are getting closer and closer. We

may call it the third channel of cross-strait connection. That will benefit for the relationship of both sides in the future and more on mainland for the further political development.

#### 4. Short Conclusion

To conclude, the recent mainland's development will have positive and negative impact on cross-strait relations. The economy will continue to act as a positive connection, strengthening for mutual benefit and further relationship of two sides. Yet the mainland's lack of political development will negatively impact the attitude of Taiwan's people towards the mainland mostly the government, but strengthening another kind of exchanges of society and culture for both sides. Yet through three decades of development and exchange, the cross-strait relationship is closer than ever before, no matter what happens economically or politically. The people of both sides have worked together for better life, prosperity and democracy. They can find a way to help and cooperate with each other to overcome the obstacles in the future; of course their connection will be closer and closer.