

**TAIWAN STRAIT I:
WHAT'S LEFT OF 'ONE CHINA'?**

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TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	i
I. INTRODUCTION	1
II. TAIWAN IN THE INTERNATIONAL SYSTEM: FROM WAR TO DETENTE ...	4
A. FROM JAPANESE WAR PRIZE TO CHINESE CIVIL WAR BASTION: 1895-1949	4
B. TAIWAN, CHINA AND THE INTERNATIONAL COMMUNITY 1949-79	5
C. TAIWAN STRAIT DÉTENTE 1979-1995	6
III. DÉTENTE BREACHED: TAIWAN'S GRADUAL MOVE AWAY FROM 'ONE CHINA'	9
A. 'REVISED ONE CHINA' POLICY: KMT 1991-1994	10
B. 'HISTORICAL ONE CHINA' POLICY: KMT 1994-1999	12
C. 'FUTURE ONE CHINA' POLICY? DPP 2000-2003	13
IV. CHINA'S RESPONSE: 'ONE CHINA' BY CONSENT OR COERCION	17
A. COERCION: 1995	18
B. FURTHER COERCION: 1999.....	19
C. NEW DEMANDS: THE 2000 WHITE PAPER.....	20
1. What Constitutes Visible Progress?	20
2. Is There a Deadline for Reunification?.....	20
D. CARROTS WITH THE STICK: 2000-2003.....	21
V. U.S. POSITION: MAINTAIN 'ONE CHINA' BUT SUPPORT TAIWAN.....	23
A. ACKNOWLEDGING CHINA'S POSITION: 1979-1995	23
B. NO TAIWAN INDEPENDENCE, BUT MORE SUPPORT : 1995-2000	25
C. ENDING STRATEGIC AMBIGUITY? 2001-2003.....	26
VI. OTHER INTERNATIONAL REACTIONS: 'ONE CHINA' YES, BUT...	29
A. BILATERAL ADHERENCE TO 'ONE CHINA': FORMALISTIC, BUT EVOLVING.....	30
B. MULTILATERAL RESPONSES: BEYOND ECONOMIC AND CULTURAL.....	33
VII. 'ONE CHINA' IN TAIWAN'S DOMESTIC POLITICS: WHAT ROOM FOR MANOEUVRE?	35
A. NATIONAL IDENTITY.....	36
B. PARTY POLITICS.....	41
1. DPP Factionalism.....	42
2. Chen's Leadership: Personal and Institutional Aspects	44
3. Taiwan Solidarity Union	47
4. Shrinking, 'Re-Mainlandised' KMT	48
5. People First Party	52
6. New Party	53
C. NATIONALIST POLITICS AND THE ROOM FOR MANOEUVRE.....	54
VIII. CONCLUSION	55

APPENDICES

A. MAP OF TAIWAN AND ADJACENT AREAS56

B. LIST OF ACRONYMS.....57



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EXECUTIVE SUMMARY

In the last decade, Taiwan has moved slowly but surely away from its commitment to the idea of 'one China', the proposition, long agreed on both sides of the Taiwan Strait, that Taiwan and the mainland are parts of one country. This has led to steadily mounting tension between Taiwan and China, for both of whom the issue goes to the heart of their sense of identity. While the prospect of an outbreak of war across the Strait remains distant, action is needed by all relevant parties to contain and reverse the situation.

This report is a background study, describing how the 'one China' formula has eroded and why this matters: it makes no specific recommendations about the way ahead. But two companion reports released simultaneously with it address in detail the risk of military confrontation and how this might be contained, and the political and economic strategies by which a peaceful relationship might best be maintained in the short to medium term. What an ultimate, next generation, political settlement might look like if peace can be sustained will be the subject of a later ICG report.

The changes that have occurred since the early 1990s had their primary roots in Taiwan domestic politics. With democratisation came the emergence of a 'new Taiwanese' identity – no longer mainlander but not original Taiwanese either. Taiwan's impressive economic performance and integration with the international trading system became a special source of pride to its people and began to have an impact on attitudes about its place in the world. The sense was that these achievements had come in spite of the constraints imposed by China and the international community in respect to the 'one China' principle. As a result, many Taiwanese resented China for imposing this international straitjacket. China's military threats, resuming in

1995, also strengthened the new Taiwan identity and weakened support for the 'one China' idea.

Now, in 2003, the position that Taiwan is already an independent sovereign country is not one of a radical political fringe, but a mainstream view. It was first clearly asserted under a Kuomintang (KMT) President, Lee Teng-hui, in 1994, following hints of a change of direction as early as 1991. The other main political party, the Democratic Progressive Party (DPP), whose leader, Chen Shui-bian, was elected President in 2000, is even more vigorous in its advocacy of Taiwan's status as an independent sovereign state. The only mainstream debate now in Taiwan is about how to deal with the evident contradiction between the old idea of 'one China', still formally supported by the KMT, with the idea of Taiwan as an independent sovereign state, now in fact supported by both the KMT and the DPP.

As a result of this domestic evolution in Taiwan, the old 'one China' principle, though still the reference point for international thinking about the China-Taiwan relationship, is no longer by itself an adequate device for containing the emerging new tensions in cross-Strait relations. The Administration of President Chen Shui-bian and his DPP are committed to the view that China needs to acknowledge Taiwan's status as an independent sovereign country. But because Chen and his ministers, like most voters in Taiwan, also know that they are walking a tightrope, he has committed his government to the need to prevent a final showdown with China by avoiding highly provocative political acts such as conducting an independence-related referendum or changing the Constitution to create a 'Republic of Taiwan'.

China has been very concerned about Taiwan's gradual move away from support for 'one China'. In 1995 and 1996 Beijing used highly visible military

exercises to put pressure on Taiwan to return unambiguously to its observance. Though there seemed to be some relaxation of tension after that, the problem never went away and in fact became worse. When in 1999, Taiwan's President Lee called the cross-Strait relationship a 'special state to state relationship', China's leaders felt that the country may have come closer to war over Taiwan than at any time for decades, and they let this be known. Recognising the gravity of the situation, they also adopted a more creative mix of policies than was in evidence in 1995 and 1996. This mix, including more extensive contact with political parties in Taiwan and economic pressure on Taiwan businesses in China that support the DPP, is having good results as far as China is concerned.

China was particularly pleased with the announcement by Taiwan in May 2002 of plans to resume comprehensive direct air and shipping links, a move long advocated by Beijing as a first step on the path to reunification. There has been a solid improvement in U.S.-China relations as well, with some positive spin-offs for China's concerns about Taiwan. And there has been no weakening in the formal position of the majority of states on recognition of China and 'no Taiwan independence'. The U.S. under President Bush has repeated its stand to this effect. The bottom line for China is preventing Taiwan getting *de jure* recognition, especially from the major powers, for its claim to be an independent sovereign state: it is able to point to all of these positive developments as evidence that its position may be holding and that, therefore, there is no need to resort to military action. China's leaders feel that the heat has subsided for the moment, and they now see the Taiwan issue as a second order priority in terms of day to day pre-occupations.

But for all this, China's leaders remain deeply concerned about the underlying trends in Taiwan domestic politics and, more recently, in U.S.-Taiwan military relations. Neither of these hold out

much promise for China. It had only been prepared to live with the situation of Taiwan's *de facto* independence on the basis that the *de jure* situation – international recognition that Taiwan cannot be independent – did not come under serious threat. After a decade of gradual change, the longstanding position that both sides supported 'one China' but had differing interpretations of what it meant is now on the point of final fragmentation. Domestic political imperatives suggest Taiwan's challenge will continue.

China has made plain that this course could still lead to war but is hoping that its strategy of carrots and sticks, supported by occasional demonstrations of its military power, can convince Taiwan to sign up once again to a non-confrontational, mutually acceptable formula for defining the relationship. But Taiwan's challenge is drawing new momentum both from China's threats and from the resulting rejuvenation of the U.S.-Taiwan military relationship.

In this environment, it is highly unlikely that any of the three key actors will, or can, abandon their current positions. An early resumption of the high-level informal talks between China and Taiwan is unlikely. All parties must, therefore, continue to find creative ways of going forward with each other under a framework of otherwise irreconcilable positions on the big matters of principle. They need to operate much more visibly and vigorously in the positive domains of cross-Strait relations (trade, investment, direct links, exchanges, joint oil exploration and fisheries ventures in the Taiwan Strait), and they must continue to subdue any tendency to provoke. The period leading up to Taiwan's next presidential election, now announced for 20 March 2004, will be an important test of whether its pro-independence leaders will be willing to act this way.

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I. INTRODUCTION

For over a decade, the government of Taiwan¹ has been progressively asserting an independent international identity separate from that of mainland China. The first formal sign came in a somewhat muted fashion, with the suggestion in 1991 that Taiwan was a political entity 'co-equal' with the current government of China on the mainland, thus beginning to undermine the longstanding formula whereby both Beijing and Taipei each claimed to be the legitimate government of all China, even if not exercising authority over the whole of it. But since 1994, Taiwan has consistently and explicitly asserted that it is an independent sovereign country and has rejected just as explicitly the 'one China' principle – the notion that Taiwan and mainland China are part of one state.

In this way, Taiwan has directly heightened the risk of war with China, which prior to 1994 had signalled possible use of force if Taiwan took such a step. Beginning in 1995, China has followed through with that threat to the extent of undertaking a series of military manoeuvres, designed on the one hand to

signal its position and on the other to persuade Taiwan and its international supporters to reverse these moves away from the 'one China' principle. But Taiwan is not backing down, and it has more international support than ever, especially from the U.S. In response, China is determined to show its resolve, and it has not backed down either. In mid-October 2002, it signalled a possible expansion of its military pressure by dispatching a warship on an unprecedented cruise parallel to the east coast of Taiwan.

While the prospects for an outbreak of war in the Taiwan Strait remain distant, it is impossible to avoid the conclusion that tensions have been steadily mounting for the last decade. Action is needed by all parties and the international community to contain and reverse this situation. The former foundation for peace – that accepted Taiwan's independence on a *de facto* basis but denied *de jure* recognition as a state, while providing for unofficial relations between Taiwan and the international community – is one that Taiwan is no longer continuing to accept. It has pushed the limits of *de facto* independence to areas not foreseen when many states switched formal diplomatic recognition to China in the 1970s. Moreover, Taiwan's political and diplomatic successes in the last decade have been seen by China as positioning it much better to make a sudden and successful bid for *de jure* independence.

The bottom line for China is not concern about Taiwan's *de facto* independence: it is about preventing Taiwan from getting *de jure* recognition, especially from the major powers, for its claim to be an independent sovereign state. China is becoming concerned that the classic international legal criteria for recognition of Taiwan's status may not have as much weight as changing sentiment both in Taiwan and the U.S. in support of Taiwan independence. Moreover, indications are that these trends are moving on two fronts in a negative direction as far as China is concerned and in ways that are not readily subject to its control.

¹ The use of the terms 'China' and 'Taiwan' throughout this report to refer to the national or central levels of government in Beijing and Taipei is not intended to imply support for or rejection of the claims of either party. It is simply a convenience. This practice is close to that followed by Beijing and Taipei. Beijing calls Taiwan the 'Taiwan authorities', and Taipei uses the term 'China' to refer to the People's Republic of China (PRC). The Taiwan government has been using the name Taiwan to refer to itself with greater frequency in recent years, though its formal name remains the Republic of China (ROC). In some historical discussions in the report, the formal names of the two governments – ROC and PRC – have been used in preference to the names 'Taiwan' and 'China'. Both Beijing and Taipei use the term 'one China' to refer to a putative sovereignty that embraces the mainland and Taiwan. That each disagrees on the status of the other relative to these terms is self-evident.

First, Taiwan's move away from 'one China' reflects in part the fundamental democratisation of its political system and the remaking of its identity that have been gathering pace for more than a decade. Democratisation in the last ten to fifteen years has meant that the changing demographics of Taiwan have begun to be reflected in who rules it. For more than four decades after China recovered Taiwan in 1945, Taiwan was dominated by mainlanders politicians and a mainland party, the Kuomintang (KMT).² In 1988, the first Taiwan-born President, Lee Teng-hui, came to power at the head of the KMT government and presided over a process of Taiwanisation of government and the civil service by promoting people born in Taiwan. This was fuelled by strong grass-roots pressure for the resurfacing of Taiwanese social and cultural activities that had been suppressed by the KMT.

This process of Taiwanisation of the society's self-image was also aided by the way in which the international community in the 1970s had redefined Taiwan's legal status. As long as there was widespread diplomatic recognition of Taiwan as 'Nationalist China' or 'free' China, and as long as it was a member of the Permanent Five of the UN Security Council, there was strong support domestically for a Chinese identity and being seen as part of China. But after the serial de-recognition by countries on all continents from the mid-1970s, Taiwanese began to lose confidence in a Chinese identity that had failed them.³ Lee Teng-hui made maximum efforts to strengthen Taiwan's international diplomatic and political position, but the harder he tried, the more pressure China put on the international community to shun Taiwan, which in turn strengthened the increasingly combative identity of the Taiwanese. The growing identification of the people with Taiwan, as just Taiwan, was intensified by international isolation.

In March 2000, a pro-independence party pushing a new Taiwan (non-China) identity and led by the pro-independence candidate, Chen Shui-bian, won the presidential election with a plurality of votes (39 per cent). In December 2001, this party, the Democratic Progressive Party (DPP), did unexpectedly well in the parliamentary elections, winning 38.6 per cent of the seats, more than any

other party.⁴ Moreover, in these elections, the DPP enjoyed the support of a new hard-line independence party, the Taiwan Solidarity Union (TSU), established by former KMT president, Lee Teng-hui, that won just over 5 per cent of the seats. Together, these two parties of the 'pan-green' or Taiwan independence camp were close to an absolute majority in the parliament (100 of 225 seats). China was also confronted with the strong possibility that the Kuomintang (KMT), which had already split several times in the last decade, might crumble further and might not succeed in forming a united front or full-scale merger with its partner in the 'pan-blue' or unificationist camp, the 'People First Party' (PFP),⁵ under KMT renegade James Soong. But even the 'pan blue' camp sees Taiwan as an independent sovereign state, though it does hold out, on a rhetorical basis at least, the prospect of reunification with China.

Secondly, according to China, Chen's confrontational moves have been encouraged by much firmer military support for Taiwan by the U.S., put into motion at the end of the Clinton Administration and continued under President George W. Bush. The U.S. has begun to restore its military relationship with Taiwan to a level not seen since 1979.

The present Bush Administration has clearly taken a quantum leap in U.S. relations with Taiwan but its moves represent just another advance on sentiment already visible – and snow-balling – since Tiananmen in 1989. China's repression of democratic activists in that year and since, which contrasted very strongly with Taiwan's democratisation, helped shape the Clinton Administration's commitment to an 'expansion of democracy' – the principle that the end of the Cold

⁴ Division of seats in the 225 Member Legislative Yuan:

	pre-2001	December 2001
KMT	113	68 (60 Taiwan-born)
DPP	70	87
People First Party	19	46
New Party	10	1
Taiwan Solidarity Union	n/a	13

Total 'Pan-Blue' Camp (KMT, PFP, NP) 115; Total 'Pan-Green' Camp (DPP, TSU) 100.

⁵ The name of the party has been translated into English by the party itself as 'People's First Party'. Since this is not a normal English construction, it is not a good translation for the name in Chinese, which means 'Close to the People Party' not 'the first party of the people'. The word for 'people' is *min*, meaning 'the people' as a group. This report uses 'People First Party' or PFP in preference.

² *Kuomintang* in Chinese means Nationalist Party.

³ W.H. Peng, 'End Taiwan's Diplomatic Isolation', *Asian Wall Street Journal*, 3 September 2002.

War and the emergence of the U.S. as a sole superpower created both opportunity and strategic necessity to expand the zone of democratic countries. The U.S. government grew progressively more sympathetic toward Taiwan and more demanding of China on issues of democratisation and human rights. A further layer of complexity in the U.S.-China relationship over Taiwan in recent years has been added by the increasing attention paid in the U.S., not only in speculative terms but also in actual military contingency planning, to the possibility that China may become a strategic competitor of the U.S., and Taiwan the trigger for a military confrontation.

These considerations capture the dilemma of China-Taiwan relations today – how to maintain peace against the background of rapid political, economic and social change on both sides of the Taiwan Strait, and against the background of uncertainty in the U.S. about China's longer term military intentions toward Taiwan and regional order. Even if direct military clashes can be avoided, Taiwan, China and the U.S. are caught up in a high-risk political contest. This has led to additional political and military tensions, some strategic polarisation in the Western Pacific along alliance lines, and further burdens in national budgets for the contingency of war in the Taiwan Strait.

This first ICG report in a series⁶ provides the necessary detailed background for analysis of where this decade or so of evolution is likely to lead. While the parties to the dispute are fully informed, many in the international community are not familiar with the depth of change in cross-Strait relations or its underlying seriousness. This report, accordingly, outlines:

- ❑ the significant move by Taiwan away from the 'one China' principle at the governmental level over the last ten years or so;
- ❑ China's reaction to this evolution and (in brief) the ladder of coercive measures (economic and military) that its leaders have considered;

- ❑ U.S. reactions to this evolution and the necessary context of U.S.-China relations;
- ❑ the reactions of the rest of the world to the evolution of Taiwan's position on the cross-Strait relationship; and
- ❑ the impact of Taiwan's identity politics and party politics on the room for manoeuvre that its political leaders now have on the 'one China' issue.

As a background study, this report does not make recommendations about the way ahead. Two reports released simultaneously address, respectively, the military dimension of the confrontation between China and Taiwan and the political and economic aspects of cross-Strait relations. They will offer policy prescriptions for the parties and the international community.⁷ A subsequent report will assess the possible shape of an ultimate, next generation political settlement between China and Taiwan.

⁶ ICG has received the financial support of the Taiwan government since 1995 but it does not shape its reports to suit the interests of any donor. The Taiwan government is one of more than 30 major government and foundation donors supporting ICG, and the publication and review process for ICG reports is a rigorous one that enables us to ensure that the judgements are independent, critical and free from any political partisanship.

⁷ The companion reports are: ICG Asia Report N°54 *Taiwan Strait II: The Risk of War* and ICG Asia Report N°55 *Taiwan Strait III: The Chance of Peace*, both published on 6 June 2003

II. TAIWAN IN THE INTERNATIONAL SYSTEM: FROM WAR TO DETENTE

The history both of Taiwan and of its relationship with China has been a contested and highly charged issue in the moves by activists to promote Taiwan's status as an independent sovereign state. The following section provides a brief overview of that history⁸ to capture the main lines of the evolution of the relationship. Regardless of the current positions of either Taiwan or China, it is beyond dispute that for at least four decades after 1949 the governments of both regarded the territory of Taiwan as part of 'one China'; that at the same time the international community, almost without exception,⁹ accepted the view that they were part of one country; and that the positions of all parties in support of the 'one China' principle provided the basis, beginning in the 1970s, both for cross-Strait détente and for a broader regional peace based on the normalisation of diplomatic relations with China by major powers such as the U.S. and Japan.

A. FROM JAPANESE WAR PRIZE TO CHINESE CIVIL WAR BASTION: 1895-1949

In 1895, under the terms of a bilateral treaty, the Imperial government of China ceded the island of Taiwan and nearby small islands to Japan in perpetuity after defeat in the Sino-Japanese war of 1894-95, one described by some present-day Chinese military historians as the most humiliating for China in centuries.¹⁰ This defeat and associated surrender of territory was one of the most serious events in a cycle of colonial depredation in China by foreign powers in the century prior to the emergence

in 1912¹¹ of the Republic of China (ROC). The cession of Taiwan to Japan in 1895 was resisted unsuccessfully by an armed rebellion of Taiwan residents, who had established a Republic of Taiwan government in a vain attempt to encourage Western intervention. China's abandonment of Taiwan to Japan and the resistance effort in 1895 have become important reference points for advocates of Taiwan independence in the last two decades.

After the emergence of the ROC in 1912, Japan continued to adopt an aggressive approach to expanding its concessions and political influence in China, eventually launching a large scale invasion and conquest through the 1930s. Since Taiwan had come under Japanese rule several decades earlier, its people were not subject to the brutal experiences of this second Sino-Japanese war (1935-1945) as those on the mainland had been. But that occupation on the mainland gave an added edge to Chinese determination to drive the Japanese out of all Chinese territory. Beginning in 1943, agreements on post-war arrangements committed the Allies to the return of Taiwan to China.¹² Japan ruled Taiwan until 1945 when the ROC occupied it at the request of the Supreme Commander of Allied Forces, General Macarthur. The day after its forces arrived, the ROC declared Taiwan a province of China, a move never explicitly or formally recognised by the Allies as a group but one almost certainly recognised *de facto* by each at some stage. At that time, the ROC was the only internationally recognised government of China, even though the Communist Party of China (CCP) was well positioned to mount a strong challenge to the Nationalist Party¹³ ROC government in the civil war that had been under way for the previous two decades.

⁸ This account follows a chronological sequence to the extent possible, but where appropriate pursues some thematic issues that cast both forward or back in time.

⁹ As discussed later, the U.S. position, at least at the time of the 1979 China-U.S. communiqué, was to take no view of the status of Taiwan relative to the territory of China, but merely to note the position of those on both sides of the Taiwan Strait that China and Taiwan are part of one country.

¹⁰ Japan was not the only country to covet Taiwan in the late nineteenth century. In 1884 and 1885, Chinese and French forces fought low-level skirmishes over the island. See Robert Gardella, 'From Treaty Ports to Provincial Status, 1860-1894', in Murray A. Rubinstein (ed), *Taiwan: A New History* (Armonk, 1999), p. 187.

¹¹ The ROC was founded on 1 January 1912, with Sun Yat-Sen as provisional President, after a revolt against the imperial government commencing in Wu Chang on 10 October 1911.

¹² In 1943, the Cairo Declaration by the Allied Powers in the Far East (the U.S., Britain and China) had recorded agreement that all the 'territories stolen from the Chinese, such as ...Formosa [Taiwan] ... shall be restored to the Republic of China'. The Potsdam Declaration in 1945 by the Allied Powers (including the USSR), which defined the terms of surrender for Japan, reaffirmed this commitment, and the Instrument of Surrender signed by Japan and the Allies, including the Republic of China, on 2 September 1945 in Tokyo Bay committed Japan to honour the Potsdam Declaration.

¹³ In Chinese, *Kuomintang* (KMT).

On 28 February 1947, as discussed later, Taiwan citizens rebelled against Nationalist Chinese forces, who crushed the uprising with great brutality resulting in around 30,000 deaths.¹⁴ This event has been one of the most potent reference points for debates in Taiwan about formal independence: the name of the park outside the Presidential offices in Taipei now commemorates it. In 1949, the ROC formally relocated its capital and national government to Taiwan after CCP forces captured its last strongholds on the mainland.

That same year the CCP proclaimed a new People's Republic of China (PRC) as the government of all China, including Taiwan and its offshore islands. But the PRC has been unable to obtain control of Taiwan and a number of island territories that hug the mainland coast – principally Kinmen¹⁵ and Matsu.¹⁶

B. TAIWAN, CHINA AND THE INTERNATIONAL COMMUNITY 1949-79

In 1949 and 1950, a number of leading world powers, including the UK and the USSR, withdrew diplomatic recognition from the ROC as the government of China and accorded it to the PRC. Others, notably the U.S., continued to recognise the ROC and did not establish diplomatic relations with the PRC until 1979, in large part because of the Cold War, and especially China's war against UN forces in Korea between 1950 and 1953. When that conflict broke out, the U.S. ordered its forces in the region to blockade the Chinese coast to prevent the Chinese Communists from opening a second front near Taiwan and equally to stop Chiang Kai-Shek in Taiwan from provoking renewed hostilities with the Communists that would compel the U.S. to intervene. The U.S. and the ROC signed a formal defence treaty in 1954. In 1958, a major military

crisis around the coastal island of Kinmen resulted in an ambiguous statement by Secretary of State Dulles that implied the possible use of nuclear weapons against China. The crisis ended only when the U.S. provided naval escorts to Nationalist ships to break the Communist blockade and resupply the besieged island.

In these years, a number of governments, including those of the U.S. and the UK, maintained that sovereignty with respect to Taiwan was unclear, even though it had been occupied by the ROC. It was argued that such a position was reflected in the San Francisco Peace Treaty of 1951, which provided for Japan's surrender of a number of occupied or claimed territories, including Taiwan, without designating a beneficiary. Officials in some governments at the time and subsequent legal analysis by leading scholars took the view that as a result of the treaty, sovereignty over Taiwan was vested not in China, but jointly in the victorious Allied powers that were signatories to the treaty.¹⁷ This position was never treated seriously by either the ROC or the PRC, both of which pointed to the end of war agreements committing the Allies to return Taiwan to China.

For the entire period from 1949 to 1978, China maintained a formal policy of 'liberation' of Taiwan. Until 1955, this was understood to mean by use of force. But the partition of Korea, the signing of the U.S.-Taiwan Defense Treaty, the Geneva

¹⁴ For various reasons, sources differ as to the exact number of people killed in the massacre of 28 February 1947 and subsequent months. Some put the figure at more than 30,000 while others use lower estimates. For example, CNN has used an estimate of 18,000. The estimate now generally accepted is 'about 30,000'. See, for example: duke.usask.ca/~ss_tsa/228/intro.html; www.geocities.com/Tokyo/Temple/3307/228-intr.htm; and www.cnn.com/WORLD/9702/27/briefs/taiwan.html.

¹⁵ Also known by the name Quemoy.

¹⁶ After 1949, China did succeed in capturing a number of islands held by the ROC in military campaigns that ended in 1955.

¹⁷ See Hungdah Chiu, 'The Question of Taiwan in Sino-American Relations', in Hungdah Chiu, ed., *China and the Taiwan Issue* (New York, 1979), pp. 161–162. See also Frank P. Morello, *The International Legal Status of Formosa* (The Hague, 1966). Such an argument is probably indefensible on the facts. The Peace Treaty was the document that formalised the agreements in earlier years that committed the Allies to the position that Japan should return Formosa (Taiwan) to China. The 1951 Peace Treaty did provide for the surrender of Taiwan by Japan, but omitted any reference to the beneficiary because of disagreement in 1951 about which government (PRC or ROC) represented China. For the same reason, neither the PRC nor ROC participated in the conference that culminated in signing of the treaty. It is more than likely that in conventional legal analysis, the day-to-day conduct of relations with the PRC and ROC by states such as the U.S. and the UK, not to mention most others, has for most of the time since the 1950s reflected recognition that the outcome of the war in 1945 returned Taiwan to China's sovereignty on a *de facto* basis, and that on a *de jure* basis, the 1951 Treaty merely gave legal recognition to that state of affairs.

Agreements on the partition of Vietnam and the establishment of the South-East Asia Treaty Organisation (SEATO) forced China to abandon – temporarily – any such goal. China's premier and master-diplomat, Zhou En-lai, used the founding conference of the non-aligned movement in Bandung in 1955 to propose negotiations with the United States on demilitarisation of the Taiwan Strait and with Chiang Kai-shek on the 'peaceful liberation' of Taiwan. When both efforts led nowhere, there was a shift back to the goal of military liberation, partly provoked by Chiang Kai-shek's military build-up on Kinmen and his nuisance raids against the Chinese coast,¹⁸ but also under pressure of domestic political developments in China, especially a turn back toward more doctrinaire communist policies.

Between 1958 and 1979, the PRC moved from being an international outcast, recognised by only a handful of states, mostly communist, to being recognised as the government of China by almost the entire international community. By 1971, a majority vote of the United Nations General Assembly accorded it the China seat, both as a member of the General Assembly and as a Permanent Member of the Security Council.¹⁹ Many states supporting PRC admission opposed expulsion of the ROC representatives by voting in support of a U.S.-sponsored resolution (defeated 59 to 55) which would have provided for PRC admission to the General Assembly and to the China seat as a permanent member of the Security Council, while maintaining ROC membership of the General Assembly. The U.S. representative to the UN at the time, who supported Taiwan's membership, was George Bush senior.

Through the 1970s, most states came to accept the principle that there was but 'one China', a single entity embracing both Taiwan and the mainland. For example, when Japan recognised the PRC in 1972, the head of the Treaties Bureau of its Foreign Ministry explained that the meaning of recognition was that Japan had no intention of supporting the

independence of Taiwan.²⁰ But, as discussed later, the U.S. position on Taiwan's status was more ambivalent. The PRC government has always repudiated the right of the ROC to claim any status as a sovereign state and made it a precondition for PRC diplomatic relations with other states that they accord formal diplomatic recognition to only one Chinese government. This is Beijing's 'one China' principle. It was also Taipei's 'one China' principle for several decades after 1949,²¹ the difference of course being that Taipei regarded itself, not Beijing, as the legitimate government of the whole entity. This 'one China' principle that China and Taiwan held in common was a simple (and simplistic) one oriented toward the recognition practices of states, focusing on which was the legitimate government.

C. TAIWAN STRAIT DÉTENTE 1979-1995

Between 1979 and 1995, there was a sustained relaxation of the military confrontation across the Taiwan Strait. Several factors contributed. U.S. withdrawal from Vietnam and cooperation between China and the U.S. against the USSR were particularly important. In 1978, China's Communist Party leadership, in a landmark move, decided to open its economy and society to the outside gradually in order to modernise the economy. It was looking for investment and technology from the West, particularly the U.S. and Japan, but also from Hong Kong and Taiwan. China lowered the priority for military spending and mostly abandoned bellicose international postures, especially the export of revolution to the Third World. It was able to agree with the U.S. on a formula for diplomatic recognition that removed Taiwan as a source of serious tension between the two.

In 1979, China formally abandoned its earlier policy of 'liberation' of Taiwan in favour of 'peaceful reunification', even though it maintained a rhetorical or 'in principle' position of refusing to rule out the use of force. It premised this switch on Taiwan's continuing acceptance of the 'one China' principle, even though Taiwan maintained the notion that the true 'one China' was the ROC, not

¹⁸ Willem van Kemenade, *China, Hong Kong, Taiwan, Inc.: The Dynamics of a New Empire* (New York, 1998), pp. 145-147.

¹⁹ *Keesing's Contemporary Archives*, 20–27 November 1971, p. 24941. The UN General Assembly Resolution admitting the PRC to the China seat, which was passed by 76 to 35, with seventeen abstentions, was expressed in the following terms: 'the Representatives of the Government of the People's Republic of China are the only lawful representatives of China to the United Nations'.

²⁰ Takakazu Kuriyama, 'Some Legal Aspects of the Japan–China Joint Communiqué', *Japanese Annual of International Law*, N°17, 1973, p. 45.

²¹ Just when Taiwan abandoned the 'one China' principle is open to some debate, as discussed later in the report.

the PRC.²² China's strategy was also based on the incentives of economic cooperation and eventual economic integration between the divided parts of what it saw as one country. On the day that China normalised its relations with the U.S., the Standing Committee of China's National People's Congress (NPC) sent a Message to Compatriots in Taiwan appealing for the resumption of direct links and exchanges between the two sides.²³ The same day, the Chinese People's Liberation Army (PLA) ended the bombardment of offshore islands held by Taiwan (Kinmen and Matsu) that had been going on intermittently since 1949. In September 1981, PLA Marshal Ye Jianying, the chairman of China's National People's Congress (NPC), set out a Nine-Point Proposal for Peaceful Unification. In 1982, China passed legislation on a new administrative unit called a Special Administrative Region (SAR) that would provide a formal basis for implementation of the 'one country, two systems' concept that had been advanced by Deng Xiaoping and was envisaged as applying to both Hong Kong and Taiwan. In 1985, China's President, Li Xiannian, proposed that Taiwan retain its own police and armed forces.²⁴

The relaxation of military tension between China and Taiwan was underpinned by a variety of economic and political moves. Investment from Taiwan began to flow into China through Hong Kong in the first half of the 1980s, and trade began to increase through this indirect route as well. In

1987, Taiwan ended martial law²⁵ (in place since 1948) and eased slightly its long standing ban on direct contacts with the mainland. In 1991, with Beijing's blessing, Taiwan joined the Asia Pacific Economic Cooperation (APEC) group at the same time as China itself. By this time, two way trade (still indirect) and Taiwanese investment in China had intensified considerably. Taiwan was then (and remains) one of the leading sources of foreign direct investment in China.

On the military front, there had been a gradual decline in China's capabilities opposite Taiwan to the point where it lacked any credible options for use of force without a long period of mobilisation (both economic and military). By 1991, when Taiwan formally abandoned its state of military hostilities with the mainland, the dispute had become largely demilitarised. China's announced defence expenditures²⁶ at around this time showed modest growth but at rates noticeably below those of GDP growth.²⁷ Taiwan's defence spending as a percentage of government expenditure had also begun to fall. An important part of the legal framework that underpinned this substantial détente was universal acceptance of the 'one China' principle.

The high point of Taiwan Strait détente was between 1991 and 1995. In 1992, the two sides conducted their first political meetings, through the mechanism of unofficial organisations created for this purpose one year earlier,²⁸ the Straits Exchange

²² It explains this change in the following terms in its February 2000 White Paper: 'The Chinese government's declaration in 1979 on implementing the principle of peaceful reunification was based on the premise that the Taiwan authorities at that time upheld the principle that there is only one China in the world and Taiwan is a part of China. Meanwhile, the Chinese government took into account the fact that the U.S. government, which for many years had supported the Taiwan authorities, had accepted that there is only one China in the world, Taiwan is a part of China and the government of the PRC is the only legitimate government of China, and saw this acknowledgment as being beneficial to the peaceful resolution of the Taiwan issue'. For full text, see www.nytimes.com/library/world/asia/022200china-taiwan-text.html.

²³ See Cheng-Feng Shih, 'Taiwan's Foreign Policy toward China: An Assessment of the Chen Shui-bian Administration's Attitudes toward China', 2001, mail.tku.edu.tw/cfshih/010810c.htm.

²⁴ See Jun Zhan, *Ending the Chinese Civil War: Power, Commerce and Conciliation between Beijing and Taipei* (New York, 1993), pp. 191-204, for a good chronology.

²⁵ The 1987 date refers to the formal repeal of a decree for emergency rule. The date for the ending of martial law is often reported as 1986 (when the government announced that martial law would soon end) or 1991 (when the National Assembly repealed temporary constitutional provisions governing the 'Period of National Mobilisation for Suppression of the Communist Rebellion').

²⁶ China does not budget for all of its defence expenditure in a single administrative framework. The defence budget announced each year to the National People's Congress covers most costs (personnel, logistics, and operating) but not all major procurement. Even so, sustained sharp rises (or falls) in the announced defence budget can be a reliable (if broad) indicator of an improvement or decline in overall war readiness. This is discussed in more detail in the companion ICG report, *Taiwan Strait II: The Risk of War*.

²⁷ See Defence Intelligence Organisation, "Defence Economic Trends in the Asia Pacific 2000", Canberra, 2001, at www.defence.gov.au/dio.

²⁸ See Hungdah Chiu, 'Koo-Wang Talks and the Prospect of Building Constructive and Stable Relations across the Taiwan Strait', University of Maryland School of Law,

Foundation (SEF) on the Taiwan side and the Association for Relations across the Taiwan Strait (ARATS) on China's side. Though these meetings were nominally 'non-official, economic, administrative and functional',²⁹ they were clearly of tremendous political import, both in substance and impact. Much of the discussion in the 1992 meetings dealt with the 'one China' issue. According to China and a number of high level Taiwan officials involved, the two sides reached agreement to proceed on the basis of mutual acceptance of the 'one China' principle, while not challenging the other side's interpretation of what that meant.³⁰ This agreement, which has become known as the 1992 consensus, was reflected indirectly during the course of the negotiations, for example in 1993 when SEF and ARATS concurred that there would be no references to 'one China' or the 'one China' principle in any written agreement, but that the two sides were free to canvas the issue orally.³¹

The 1992 consensus (agreeing to disagree on what 'one China' meant) cleared the way for the meeting in Singapore in April 1993 of the Chairmen of the two 'unofficial' organisations, Koo Chen-fu³² of SEF and Wang Daohan³³ of ARATS. On 29 April 1993, Koo and Wang co-signed four agreements:³⁴

- Joint Agreement of the Koo-Wang Talks;
- Agreement on Use and Verification of Certificates of Authentication (Notarisation);³⁵

Occasional Papers/Reprints Series in Contemporary Asian Studies', N°6, 1993 (119), pp. 6, 9.

²⁹ See Joint Agreement of the Koo-Wang Talks, in Chiu, 'Koo-Wang Talks', op. cit., p. 29.

³⁰ See Chi, 'Domestic Determinants of Taiwan's Mainland Policy', paper presented at the Peace Across the Taiwan Strait Conference, 23-25 May 2002, sponsored by the Asian Studies Centre, Oxford University, UK: www.taiwansecurity.org./TS/2002/Su-0502.htm.

³¹ Chiu, 'Koo-Wang Talks', op. cit., p. 11.

³² A member of the KMT Central Standing Committee, who was described at the time as the fourth richest man in Taiwan.

³³ A former mayor of Shanghai.

³⁴ For texts, see Chiu, 'Koo-Wang Talks', op. cit.

³⁵ This agreement provided an essential legal foundation for normal conduct of business, commerce and family law through mutual recognition of documents concerning marriage, birth, death, inheritance, adoption, consignment, academic degree, residence, lineage, and property ownership.

- Agreement on Matters Concerning Inquiry and Compensation for [Lost] Registered Mail; and
- Agreement on the System for Contacts and Meetings between the SEF and ARATS.

The agreements sidestepped the issue of status by simply referring to 'the parties'. The first foreshadowed work beginning before the end of 1993 on other important issues, such as repatriation of illegal immigrants, suppression of maritime smuggling and piracy, fishery disputes, protection of intellectual property rights, and judicial assistance. It also noted that work on protection of Taiwanese investments in the mainland was important but did not contain a date for commencement of negotiations. Under a separate heading, it provided for cooperation in energy exploitation. The last agreement outlined the structure of relations between the two sides, including provisions for meetings between the chairmen, vice-chairmen and secretaries-general of the two organisations. The vice-chairmen or secretaries-general were to hold half-yearly meetings, while lower level officials were to sit down every three months.

Through the course of 1994, the two sides reached agreement in principle on the three issues flagged the previous year: resolution of fishery disputes, repatriation of illegal immigrants, and return of hijackers. But at the first session in January 1995, they signed nothing because of disagreement over the delicate phrasing needed for addressing jurisdiction over the respective fishing zones.³⁶ Nevertheless, based on the visible progress that these contacts represented, President Jiang Zemin, on behalf of the Chinese leadership, offered in January 1995 a package as a way forward.³⁷ Their view was that it

³⁶ Jean-Pierre Cabestan, 'Taiwan's Mainland Policy: Normalization, Yes; Reunification, Later', in David Shambaugh (ed), *Contemporary Taiwan* (Oxford, 1998), p. 225.

³⁷ The package comprised eight points. The following paraphrase tries as far as possible to capture the tone of the original language:

- We will not challenge the development of non-governmental economic and cultural ties by Taiwan with other countries; Taiwan is a member of certain international organisations (ADB and APEC) but we will oppose all efforts by Taiwan for international status based on the premise of 'two Chinas'.
- Negotiations should be held and an agreement reached on officially ending the state of hostility between the two

represented, in essence if not in its specific text, an important concession to Taiwan's demand to be treated as an equal – a practice that China felt had in any case been manifest in the Koo-Wang talks. China even went so far as to imply further support for Taiwan's participation in international organisations. It felt confident Taiwan would recognise the significance of this offer and agree to pursue new joint initiatives.³⁸ Jiang also offered the proposition that 'Chinese should not fight fellow Chinese', a propagandistic formulation but one that was supposed to communicate in its simplicity – both to Taiwanese and to an internal PLA audience – that China was putting the military option well out of its normal policy considerations. The Taiwan government maintained an optimistic approach through mid-1995, with the Chairman of the Mainland Affairs Council, Vincent Siew, announcing in May a plan to make Taiwan (and its port of Kaohsiung) a trans-shipment point for cargos bound to and from China. The same month, the two sides announced that a second Koo-Wang session had been scheduled for July 1995.

III. DÉTENTE BREACHED: TAIWAN'S GRADUAL MOVE AWAY FROM 'ONE CHINA'

Notwithstanding all these promising developments, by mid-1995 the atmosphere had completely changed, with China abandoning its policy of peaceful resolution and adopting a much more coercive strategy, as described in Section IV. The many contributing factors are detailed below,³⁹ but two key events led to a serious breach. In April 1995, Taiwan's President Lee Teng-hui publicly addressed the eight-point package presented by President Jiang in January. Lee did not make a flagrant public rejection and even tried to appear conciliatory, indicating that Taiwan had in fact been pursuing some elements of the proposal. But he let it be known in private that it was simply not credible as an offer to treat Taiwan as an equal, no matter how sweet the eight points sounded.⁴⁰ This was regarded in Beijing leadership circles as something of a slap in the face for Jiang.⁴¹

China's leaders might have got over this, but within weeks, while they were still pondering next steps, the perceived slight was seriously aggravated. On 2 and 9 May 1995, the two chambers of the U.S. Congress passed concurrent resolutions that virtually compelled⁴² the Clinton Administration to allow a personal visit to the U.S. by President Lee. China saw this as a major breach (not the first)⁴³ of

sides in accordance with the principle that there is only one China.

- ❑ On the premise that there is only one China, we are prepared to talk with the Taiwan authorities about any matter, including all matters of concern to the Taiwan authorities.
- ❑ Our policy is peaceful reunification. Chinese should not fight fellow Chinese. Our not undertaking to give up the use of force is not directed against our compatriots in Taiwan but against the schemes of foreign forces to bring about the 'independence of Taiwan'.
- ❑ For economic reasons, it is absolutely necessary to adopt practical measures to speed up the establishment of direct links (postal, air and shipping).
- ❑ People on both sides of the Taiwan Straits should carry forward the fine traditions of the China culture.
- ❑ All parties and personages of all circles in Taiwan are welcome to exchange views with us on relations between the two sides and on peaceful reunification and are also welcome to pay a visit.
- ❑ Leaders of the Taiwan authorities are welcome to pay visits in appropriate capacities. We are also ready to accept invitations from the Taiwan side to visit Taiwan.

For text, see:

members.aol.com/mehampton/PRC/JZM.1.30.95.txt.

³⁸ See You Ji, 'Changing Leadership Consensus: The Domestic Context of War Games', in Suisheng Zhao (ed), *Across the Taiwan Strait: Mainland China, Taiwan and the 1995-1996 Crisis* (New York, 1999), p. 80.

³⁹ Cabinet level reviews by both the U.S. and Japan of relations with Taiwan, though not seen by either as radical, contributed in small part to China's decision in 1995 to shift from a policy of peaceful resolution of the Taiwan issue to one of deterrence, relying directly for the first time on military pressure. See Greg Austin and Stuart Harris, *Japan and Greater China: Political Economy and Military Power in the Asian Century* (London, 2001), Chapter 4.

⁴⁰ ICG interview with a former member of President Lee's personal staff, May 2002.

⁴¹ ICG interviews, May 2002.

⁴² The resolutions were non-binding but the Administration felt that it could not oppose Congress given the strong support for Lee's visit. The vote was unanimous in the House of Representatives, and only one member voted against the resolution in the Senate. See www.taiwanstudies.org/election/congress/votes.html.

⁴³ Pressure had been mounting in the U.S. and Japan to accommodate both Taiwan's democratisation and its growing economic importance by some revision of their policy on high level contacts. In 1994, both governments eased their policies on ministerial level visits slightly, though in different ways, while sticking firmly to a

a commitment the U.S. made at the time of normalisation not to conduct high-level exchanges with Taiwan. China's leaders would have noted that Lee's lukewarm response to Jiang's speech (the slap in the face) was delivered after the Senate Foreign Relations Committee had on 22 March unanimously supported a draft of the resolution backing Lee's visit. Not only was that visit a major coup for Lee in the international contest with China, but it was seen by Beijing as new evidence of the potential threat posed by subtle negative changes in Taiwan's policy that had begun as early as 1991. In that year, Lee had taken a number of measures that over time had begun to transform, if only gradually at first, Taiwan's commitment to the 'one China' principle.

Three stages of Taiwan's move away from a pure 'one China' policy can be identified (though it is difficult to be precise about the start and end points of each since rhetorical elements straddle some stages):

- 1991-1994 'Revised one China' policy: Taiwan and the mainland are co-equal political entities within 'one China'.
- 1994-1999 'Historical one China' policy: Taiwan and the PRC are two sovereign independent states, with a special historical relationship.
- 2000-2003 'Future one China' policy: Taiwan and the PRC might be part of something called 'one China' some day but have never been linked by sovereignty.

In understanding the significance of these developments – and in particular the use of the term 'independence' in Taiwanese discourse – it is important to appreciate that the constitutional, political and social evolution of the ROC, which until

standard reiteration of the 'one China' formula. The U.S. decided it could send Cabinet level officials to Taiwan, but did not accept Cabinet level visits to the U.S.; and Japan accepted at least two Cabinet level visits from Taiwan for visible bilateral contacts (using the pretext of an APEC meeting and the Asian Games), as well as sending ministers to Taiwan. This is discussed in more detail in Sections V and VI below. For the text of the announced results of the U.S. Review, see:

www.fapa.org/generalinfo/TPR1994.html.

See also the testimony of Susan Shirk, Deputy Assistant Secretary of State, 20 May 1998, House International Relations Committee:

usinfo.state.gov/regional/ea/uschina/shirk520.htm.

1971 was a permanent member of the UN Security Council and an important diplomatic partner of the major powers, does not put it in the same position as a political entity such as break-away territory or a former colony seeking to declare independence. The common short-hand about Taiwan's 'declaring its independence' that is used by political commentators in the West and also in Beijing has never had the same prominence in Taiwan, and certainly does not now have the same meaning. From the first post-war years to the early 1990s, some Taiwanese certainly did pursue 'independence' as a political goal. But by the time President Lee shifted his government's stance to distance Taiwan constitutionally from the mainland, and to position the 'state' as the ROC on Taiwan, debate over constitutional status, national identity and independence had been transformed. While the idea of 'declaring independence' still has some life in public discourse, more attention is paid to re-establishing recognition of Taiwan as the sovereign independent entity that in the eyes of successive governments and the main political parties it has been all along.

A. 'REVISED ONE CHINA' POLICY: KMT 1991-1994

The process of Taiwan's formal move away from 'one China' can be traced back to 1991 when its government, under KMT President Lee Teng-hui, was prepared to give more substantial practical effect to the fact that it had lost control over the mainland even though it continued to present itself as the government of the whole of China. In April and May 1991, the National Assembly and President Lee took the necessary formal steps to remove from the 1947 Republic of China Constitution the 'Temporary Provisions Effective during the Communist Rebellion', which had been promulgated in 1948.⁴⁴ The 1991 Constitutional revision (in the form of Additional Articles)

⁴⁴ The ROC Constitution was adopted on 25 December 1946 by the National Constituent Assembly convened in Nanking (Nanjing). It was promulgated on 1 January 1947. One of the bodies it established was the National Assembly, different from the national parliament (Legislative Yuan). The National Assembly was charged with electing the President and Vice President, recalling them, and changing the national territorial limits. It also had the power to amend the Constitution, as did the Legislative Yuan.

provided for regular elections to the Legislative Yuan (the parliament) and the National Assembly (a standing constitutional body). For this purpose it had to include new electoral arrangements since the ROC could not supervise elections on the mainland. Under the new provisions, the national electorate would have three components: an electorate in ROC-controlled territory, a nominal 'nationwide constituency', and representatives of overseas Chinese.⁴⁵ This revision did not specifically refer to those sections of the 1947 Constitution providing special electoral arrangements for Mongolia, Tibet, minority areas and 'frontier areas', but the effect of the revision was to ignore them.⁴⁶ The 1991 Additional Articles specifically mentioned the 'free area' and the 'mainland', saying that laws would be enacted to provide for contact between the two.⁴⁷

⁴⁵ History of Constitutional Revisions of the Republic of China. www.taiwandocuments.org/constitution07.htm. Elections for the Legislative Yuan use the single non-transferable vote (SNTV) method for selecting members from electoral districts. Under this system, several representatives are elected from a single electoral district, which is based essentially on existing administrative boundaries. Each voter casts only one vote, and several candidates are elected for each district. In addition, after 1991, a certain number of seats have been reserved for a national constituency and the overseas Chinese communities in the National Assembly and Legislative Yuan elections. These seats are allocated by proportional representation (PR). Prior to the election, each party submits two lists of candidates, one for the national constituency and the other for overseas Chinese communities. However, Taiwan voters do not vote directly for candidates on the party lists. Instead, they vote in their respective SNTV districts, and the votes obtained by all candidates are totalled according to party affiliation. The seats for the national constituency and overseas Chinese communities are then distributed proportionally among the parties that have received at least 5 per cent of total valid votes nationwide. In the National Assembly election of 1996 and in the Legislative Yuan election of 2001, 30 per cent and 22 percent of the seats respectively were filled this way.

⁴⁶ There are no specific references to the mainland generally in the 1947 ROC constitution.

⁴⁷ The 1947 ROC Constitution only allows a change to the boundaries of the 'country' by a resolution of the National Assembly. Therefore, for Taiwan to make laws restricting its jurisdiction to the areas named and to repudiate jurisdiction in respect of the mainland has in essence created an apparent conflict between the Constitution and the new laws. This conflict will remain unless Taiwan changes the national boundaries through a vote in the National Assembly. But the original Constitution did not delineate the extent of the national territory, though there are provisions relating to Tibet and Mongolia in the Constitution (in articles on the election of representatives to certain bodies and in articles on provincial

In preparation for this specific move on new laws for relations with the mainland, Taiwan one year earlier had established the National Unification Council (NUC) to deliberate policies and formulate guidelines for reunification. In January 1991, Taiwan also established a cabinet-level Mainland Affairs Council (MAC) to coordinate government agencies in managing cross-Strait issues. In February 1991, it established the Straits Exchange Foundation (SEF) to provide a non-official forum for cross-Strait contacts. Also in February 1991, the NUC adopted Guidelines for National Unification that recognised the 'one China' concept, and talked of the 'mainland area' and the 'Taiwan area'.⁴⁸ The document used the phrase 'both the mainland and Taiwan are parts of Chinese territory'.⁴⁹ In Taiwan, a common formulation of the 'one China' principle in these years was 'one China, two political entities'.

On 1 August 1992, the Taiwan government recorded its view that:

Both sides of the Taiwan Strait agree that there is only one China. However the two sides of the Strait have different opinions as to the meaning of 'one China' ...Taipei considers 'one China' to mean the Republic of China (ROC) founded in 1912 and with *de jure* sovereignty over all of China. The ROC, however, currently has jurisdiction only over Taiwan, Penghu, Kinmen and Matsu. Taiwan is part of China, and the Chinese mainland is part of China.⁵⁰

In 1992, legislation was passed to recognise the new position: the Statute Governing the Relations between the People of the Taiwan Area and the Mainland Area.

In 1992, Taiwan's National Assembly adopted a Second Revision of the Constitution to provide for direct election of the President and Vice President

administration). Government practice in regard to these anomalies has ranged from trying to reconcile the Constitution and new laws to ignoring any apparent conflict.

⁴⁸ See for example Articles III and IV. For text, see: www.mac.gov.tw/english/MacPolicy/gnueng.htm.

⁴⁹ Article III.

⁵⁰ This is an extract of a document agreed by Taiwan's Unification Council on 1 August 1992. The text is available in a document of the Mainland Affairs Council, 'Consensus Formed at the National Development Conference on Cross-Strait Relations', February 1997.

by the people of the 'free area' of the ROC.⁵¹ This revision, like the 1991 amendments, denied effect to those sections of the Constitution referring to Mongolia, Tibet, minority areas and 'frontier areas' without specifically mentioning them. Unlike the 1991 revision, this second revision limited the franchise to voters in the 'free area of the Republic of China'.⁵² The only people eligible to vote from outside ROC-controlled territory were those with Taiwanese citizenship who returned to cast their ballots.

In informal talks with China in 1993, Taiwan representatives 'upheld the principle of parity' based on the 'fact that the ROC is an equal political entity'.⁵³ But Taiwan was already beginning to (re)assert its status as a sovereign state. In late 1993, it launched a bid for membership in the United Nations on the principle that the 'Chinese communists and the ROC government ...exercise political authority in areas under their *de facto* control'.⁵⁴ A more dramatic move was made at an APEC press meeting in Seattle on 20 November 1993, when Taiwan's Economy Minister, P. K. Chiang, announced that the 'ROC government was now pursuing a 'transitional' "Two Chinas Policy" and that there are now two sovereign nations across the Taiwan Strait'.⁵⁵

B. 'HISTORICAL ONE CHINA' POLICY: KMT 1994-1999

In President Lee's last years in office, unification of the two parts of China on either side of the Strait remained official policy. But much more emphasis came to be put on the separateness of Taiwan from the mainland and sovereign equality of the two sides.

Taiwan's July 1994 White Paper reiterated earlier terminology of 'one China, two equal political entities' but noted:

⁵¹ Adopted on 17 May 1992 and promulgated by the President on 28 May 1992. See:

www.taiwandocuments.org/constitution07.htm.

⁵² Article 2(1) of ten new articles adopted on 28 July 1994.

⁵³ Mainland Affairs Council, 'Our Views on the Koo-Wang Talks'.

⁵⁴ Jason Hu, Director General of the Government Information Office, Taiwan: 'The Case for Taipei's UN Participation', speech at the Atlantic Council of the United States, 17 September 1993.

⁵⁵ *China Times*, 22 November 1993, p.1.

That the Republic of China has been an independent sovereign state since its establishment in 1912 is an incontrovertible historical fact. However, relations between the two sides of the Taiwan Strait are not those between separate countries, neither are they purely domestic in nature...Only when [we] set aside the sovereignty dispute for the time being will we ... progress toward unification. The concept of a 'political entity' will help us loosen those knots'.⁵⁶

The White Paper expressed support for 'one China' but added the proviso that 'at the same time', given the political realities, the two political entities 'should coexist as two legal entities in the international arena': by 1994, Taiwan no longer maintained a pretension to represent the whole of China. The document also offered a vision of 'one China' as a historical entity: the 'historical, geographical, cultural and familial China',⁵⁷ as opposed to an existing single legal entity.

In this context Taiwan began to put much more emphasis on the proposition that reunification would depend on a harmonisation of the political system on both sides of the Strait. In other words, reunification was regarded as inconceivable unless and until China democratised, not something likely to happen any time soon, even on the most optimistic assumptions. To many, this could only mean that reunification was being put off for such a long time as to be a meaningless goal.

A telling insight into President Lee's personal thinking in this respect, and one that particularly infuriated China, came in a May 1994 interview in which he said that China's rule imposed in 1945 was that of a 'foreign power'.⁵⁸ On 14 April 1994,

⁵⁶ See 'Relations Across the Taiwan Strait', published by Mainland Affairs Council, Executive Yuan, Republic of China, July 1994:

www.mac.gov.tw/english/MacPolicy/policy5/mlp1_1.htm

⁵⁷ Ibid.

⁵⁸ See interview with Japanese Scholar Ryotaro Shiba in *Asahi Weekly*, 6-13 May 1994. For text, see:

www.fas.org/news/taiwan/1994/s940721-taiwan2.htm.

Lee said: 'Taiwan has always been ruled by power that came from abroad. Today I say this kind of thing without hesitation. Even the Nationalists are a foreign power. They are nothing more than a political party that came to rule the Taiwanese. We must make this a Taiwanese Nationalist Party. Once there was a time when we, my generation who are in our seventies, could not sleep well at night. I do not want my descendants to face the same situation'.

Lee had said that 'We should forget terms like "one China" and "two Chinas" as much as possible.' talked of a 'Republic of China on Taiwan' and a 'PRC on the mainland'.⁵⁹

In 1997, Taiwan announced the elimination of the provincial status of the entire island of Taiwan that had existed under the old ROC administrative system for the whole of China. The province was 98 per cent of the territory under the control of the Taiwan (ROC) government. Constitutional references to local government in Tibet and Mongolia (Articles 119 and 120) have also been dropped from some Taiwan government versions of the 1947 constitutional provisions relating to provincial administration,⁶⁰ though they remain formally a part of the Constitution.⁶¹

In July 1999, when President Lee Teng-hui was asked by a Deutsche Welle radio interviewer to comment on China's description of Taiwan as a 'renegade province', Lee pointed out that 'Taiwan has an elected, democratic government', and – in his most provocative and controversial words to date – the definition of the cross-Strait relationship is 'at least a special state-to-state relationship'. President Lee also mentioned that 'under such special state-to-state relations, there is no longer any need to declare Taiwan independence'.⁶² Lee said that the 1991 Constitutional amendments had put cross-Strait relations on a 'special state to state basis'. Taiwan then issued new official terminology to describe its relations with the mainland as 'one nation, two states', a clear move away from the previous policy of 'one China, two political entities'.⁶³ Lee's terminology was also supported by

his Vice-President, Lien Chan, then the KMT candidate to replace Lee in the March 2000 Presidential election.

C. 'FUTURE ONE CHINA' POLICY? DPP 2000-2003

When the DPP's Chen Shui-bian took office as President of Taiwan in May 2000, his party's much vaunted policy of declaring Taiwan's independence had far less shock value than it might have had one decade earlier because the KMT, under President Lee, had helped forge a domestic consensus in support of the proposition that Taiwan was already an independent and sovereign country. As a result, but also because of contradictory signals from within the DPP itself, some confusion has arisen both domestically and internationally about the party's formal position on independence.⁶⁴ But there should be no doubt: the government of Taiwan led by President Chen does not support unification with China on the basis of the 'one China' principle or the 'one country, two systems' formula.

Chen has long been an ardent advocate of Taiwan independence.⁶⁵ The political party of which he became the Chairman in July 2002 advocates independence.⁶⁶ DPP leaders believe that Taiwan is an independent sovereign country. The DPP candidate, Peng Ming-min, who ran against President Lee in the 1996 election had circulated a draft declaration of independence as early as 1964. And the DPP leaders' belief in the need to declare an independent sovereign 'Republic of Taiwan' was incorporated in the first party platform adopted in 1986.

⁵⁹ Interview with *Liberty Times*. In the mid-1990s, the term 'Republic of China on Taiwan' (ROCOT) became a centrepiece of Taiwan's international projection and coincided with the advent of Lee's so-called 'pragmatic diplomacy'. This clumsy formulation has since dropped out of use and been replaced simply by 'Taiwan', or less commonly 'Republic of China'.

⁶⁰ See for example:

www.president.gov.tw/1_roc_intro/e_law_add.html.

⁶¹ In particular, Articles 119 and 120 referring to the self-government system in Mongolia have not been specifically amended.

⁶² For text, see:

www.taiwansecurity.org/TS/SS-990709-Deutsche-Welle-Interview.htm See also 'Taiwan Redefines China Relations', AP, 10 July 1999. See:

www.taiwansecurity.org/AP/AP-990710.htm.

⁶³ 'One Nation, Two States: Taiwan Clarifies Chinese Relations', Associated Press, 15 July 1999.

See: www.taiwansecurity.org/AP/AP-990715.htm.

⁶⁴ ICG interview, Taipei, May 2002.

⁶⁵ Chen says that it was in 1980 that he first felt strongly that Taiwan needed to be independent. This sentiment was formed in large part as a result of his experiences as a defence lawyer in that year for those charged with sedition and riot in connection with the Kaohsiung incident in December 1979. In that incident, protesters estimated to number over 100,000 clashed with police, resulting in large numbers of casualties, especially among the police. See Richard C. Kagan, *Chen Shui-bian: Building a Community and a Nation*, Asia Pacific Academic Exchange Foundation (Taipei, 2000), pp. 59-81.

⁶⁶ The positioning of Chen relative to the DPP as a whole on the issue of cross-Strait relations may take an important turn now that he has assumed chairmanship of the party.

A DPP Party Congress in 1988 (after the death of President Chiang Ching-kuo) passed Resolution 417, stating that the DPP would declare independence in case of peace negotiations between the KMT and the Communist Party, KMT 'betrayal' of Taiwan to Communist China or continued autocratic rule.⁶⁷ When Lee Teng-hui took over its democratisation agenda in 1990, the DPP felt compelled to shift towards more strident advocacy of independence. Its national congress in 1991 adopted an amendment to the party platform aiming at establishing a sovereign and independent Republic of Taiwan through a plebiscite.⁶⁸ The congress also adopted a 'Draft Taiwanese Constitution' to replace the 1947 Constitution of the Republic of China that applied to all mainland China and even Outer Mongolia. This Draft Constitution was to serve as the 'Fundamental Platform' for all DPP members of the National Assembly in their work on amending the ROC Constitution. The DPP's radical independence platform was rejected by the public in National Assembly elections that year⁶⁹ and support for independence was a big vote-loser until 1996.

⁶⁷ Democratic Progressive Party, 'Critical Time, Striding for Reform', July 2002, p. 5.

⁶⁸ Ibid.

⁶⁹ The National Assembly was a kind of 'House of Lords' or 'Second Chamber' whose major original functions under the 1947 Constitution were (indirect) election of the president and amendment of the Constitution. After six constitutional amendments during the 1990s, most functions of the National Assembly have been transferred to the Legislative Yuan (House of Commons, or Representatives). Since 1996, the 'president and vice-president shall be elected by the entire populace of the Free Area of the Republic of China'. According to a constitutional amendment passed in 1999, the National Assembly was due for abolition as a standing body in 2000, but the Kuomintang-dominated body extended its term until June 2002 so as to enjoy the financial benefits for two more years. The Constitutional Court, the Council of Grand Justices, invalidated this KMT-engineered extension. The task of impeachment of the president and vice president, future amendments of the Constitution and alteration of the national territory remain the prerogative of the National Assembly, which has to be convened especially for these occasions on the initiative of the Legislative Yuan, according to a proportional assignment of seats to political parties. *Republic of China Yearbook – Taiwan 2002*, Appendix III, The Constitution of the Republic of China and the Additional Articles, Taipei, Government Information Office, 2002. See also Muthiah Alagappa, 'Introduction: Presidential Election, Democratization, and Cross-Strait Relations', in Alagappa (ed), *Taiwan's Presidential Politics, Democratization and*

However, the DPP has sought to temper its image on this issue. Election results during the early and mid 1990s persuaded the party that outright advocacy of independence was not a vote-getter. During the later part of the decade, the party was increasingly prepared to play down its pro-independence position in order to win elections. For example, in 1998, in a conference on its China policy, it tried to strike a pragmatic posture and agreed to:

- ❑ avoid discussion with China on sovereignty;
- ❑ deal with more practical and functional matters first, such as economic relations, cross-Strait trade and investment, environment, fishing disputes and direct shipping and transport; and
- ❑ support comprehensive dialogue and exchanges with China, with the goal of eventually achieving normal cross-Strait relations.

On 8 May 1999, at a National Congress, the DPP sought to tone down its China policy by passing a 'Resolution Regarding Taiwan's Future'.⁷⁰ It formally incorporated the changes into the party platform by resolution and held them up as evidence of the 'willingness of the DPP to adjust and change its positions in accordance with the current trends and popular sentiment'.⁷¹ But the claim that the measures represent a substantial softening is open to some question.

The resolution declares that:

- ❑ 'Taiwan is [already] a sovereign, independent state; any change in the status quo regarding independence has to be decided by a referendum among the entire population of Taiwan'.
- ❑ 'Taiwan does not belong to the People's Republic of China. China's unilaterally declared 'One China Principle' and 'One

Cross-Strait Relations in the Twenty First Century (Armonk, New York, 2001), pp. 3-47.

⁷⁰ See DPP Policies, www.dpp.org.tw: 'the DPP's priority on cross strait relations with China is the safeguarding of the sovereignty and rights of Taiwan's twenty million people, acting in the best interests of the island's security, and furthermore, undertaking Taiwan's responsibility in preserving stability in the East Asia-Pacific region'.

⁷¹ See the Party website, www.dpp.org.tw.

Country – Two Systems' do not apply to Taiwan in anyway whatsoever'.⁷²

The reference in the first provision is not to a referendum to declare independence, but rather to one that would alter Taiwan's already existing independence status in order to achieve some form of political integration or unification with China. One element of this resolution is that Taiwan 'should renounce the "One China" position to avoid international confusion and to prevent the use by China of the policy for forceful annexation'.

At the same time, the DPP Resolution does hold out an olive branch of sorts to China in opposing confrontation: 'Taiwan must take a safe, cautious, gradual and well-examined approach'. The DPP also commits itself to working toward mutually beneficial relations with China. The party's current policy is – at least on questions of process – still ambivalent or cautious and links any moves toward further formalisation of the reality of sovereign independence with the need to preserve the security of Taiwan's 23 million people and not provoke military action by China. But the DPP platform does not compromise on what it sees as the reality of sovereign independence: 'Taiwan's sovereignty is non-negotiable. National sovereignty is absolute and indivisible and not to be disposed of in negotiations'.⁷³ The platform going into the March 2000 elections committed the party to drawing up a new constitution, ending the 'KMT's legal fiction' that Taiwan is part of China, and holding a national referendum on the necessary steps to establish in a legal sense 'a sovereign Taiwan Republic'.⁷⁴ The 1999 Resolution referred to above treats China as a foreign country that is threatening Taiwan.

President Chen made a significant, if somewhat ambivalent compromise after his election. In his inauguration speech in May 2000, he took a more

conciliatory and pragmatic stance than the DPP resolution on relations with China seemed to allow. He said that during his term of office,⁷⁵ 'as long as the CCP regime has no intention to use military forces against Taiwan', he would not declare independence, change the name of the country, push for inclusion of the 'special 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'.⁷⁶ Some analysts may argue that this was in response to voter sentiment and Chen's express desire to rule for all Taiwanese, not just the DPP, and therefore to reflect the majority sentiment that it was better to avoid confrontation with China. That may be true, but it really can be seen as an ambivalent gesture given the proviso attached.⁷⁷ When Chen uses the phrase 'one China' in a positive way, he most often refers to the idea of a 'future one China'.

The inauguration speech offered other olive branches. It made much of the 'miracle of economic openness' created by China 'under the leadership of Deng Xiaoping and Jiang Zemin', and proposed that this – alongside the two sides' rejection of war and pursuit of permanent peace – could lead to their mutual creation of a 'glorious civilisation for humanity'. But his speech also made very strong emotional appeals to Taiwan nationalism: 'each citizen of Formosa is a "child of Taiwan"; 'all grace and glory belongs to Taiwan, our eternal mother'.

Since his inauguration, President Chen has committed himself in speeches and government declarations to the position that Taiwan belongs to no state except Taiwan. Almost no DPP leader has any affinity with the political system on the

⁷² Resolution on Taiwan's Future, 8 May 1999 (in Chinese), DPP Party Documents, pp. 38-39.

⁷³ Political Platform of the Democratic Progressive Party [1999 Elections]. See www.dpp.org.tw.

⁷⁴ Ibid. 'Referendum' is here being used in a different context to that described just above for the 1999 Resolution. A confusing feature of Taiwanese discourse is that what different people and parties (and sometimes the same people and parties at different times) mean by an 'independence referendum' is highly variable, and not always clearly spelled out. See further footnote 256 below; also the discussion of 'independence' in Taiwanese discourse above, earlier in Section III.

⁷⁵ Normally four years.

⁷⁶ Text of the speech can be found at:

www.taiwan.com.au/Polieco/Government/Chen/Speech/0520a.html.

⁷⁷ According to one scholar: 'In private, however, Chen was said to repeatedly assure pro-independence opinion leaders that he would not abandon their line and deviate from his own electoral promises. He also reminded them to examine the premise he had laid out for the "Five No's", that is "if the Chinese communists are not disposed to resort to arms [on Taiwan]". In other words, since it is highly unlikely that China would oblige itself not to attack Taiwan, his own assurances to China are nothing but diplomatically empty words, probably to assure the U.S., and, of course, the world, that Taiwan is by no means a troublemaker'. See Cheng-Feng Shih, 'Taiwan's Foreign Policy toward China: An Assessment of the Chen Shui-bian Administration's Attitudes toward China', 2001, mail.tku.edu.tw/cfshih/010810c.htm.

mainland, and all would regard use of force by China against Taiwan as an act of external, international aggression. The DPP's May 1999 resolution uses such terminology, talking of 'China's aggression and ambition' [against Taiwan]. Chen has also made a number of 'finger in the eye' challenges to any prospect of reconciliation with China.⁷⁸

On two separate occasions in August 2002, Chen raised in highly public ways the question of Taiwan's political status in the international community. On 3 August, in a videoconference speech to the World Federation of Taiwanese Associations, he said that China and Taiwan are different countries,⁷⁹ that Taiwan is an independent sovereign state, that the Chinese communists are threatening Taiwan and suppressing its international role, and that only Taiwan's people 'have the right to decide on Taiwan's future, destiny and status quo'. He added that the mechanism for deciding these issues – when the time came – would be a referendum. On 12 August, Chen joined former President Lee Teng-hui, now a vigorous advocate of Taiwan independence, on a platform to address the pro-independence Taiwan Solidarity Union (TSU). Chen said 'Facing China's military threat and suppression of our space on the international stage, we must unite...If we're on the right road, we must not cease walking down it. We will not be scared'.⁸⁰

In the past year, Taiwan has mooted a number of minor measures suggestive of a move toward more formal assertion of independence, such as adding the

word 'Taiwan' to the cover of its passports and a plan to rename its representative offices overseas.⁸¹ This can be seen as a relatively minor gesture to placate internal DPP independence sentiment, but it contributes to the relatively inescapable conclusion that President Chen's administration is not taking any active measures to create public support for a concrete return to a 'one China' policy.

At the same time, Chen has also made a number of speeches strongly advocating conciliation with China, and he has on occasions offered terms or concepts that he sees as useful in promoting 'normalisation'.⁸² These are designed as rhetorical counters to China's 'one country, two systems' formula. One is his 'roof theory', which sees a 'new China' as the roof, with the PRC and ROC as the two walls. Another slogan, used without elaboration, is the Chinese term *tonghe*, which carries the connotation of a political relationship based on working together. Chen has also used the term 'political integration' as a 'transition to reunification'.⁸³ But Chen has noted in commenting on the idea of confederation, that he believes it is better not to have preconceptions or pre-established premises about forms of closer relations. That way, he said, it is possible 'to leave plenty of room for the opinions of leaders on the Chinese mainland side'.⁸⁴ This could, however, be seen by China as a self-serving argument that leaves Chen free to dissemble. China's media commentaries have rejected all of Chen's slogans on the grounds that they are based on a repudiation of 'one China' and on the proposition that Taiwan is an independent sovereign state.⁸⁵ Chen has been consistently chided, sometimes in quite hostile terms, by the Chinese media and even senior officials, such as

⁷⁸ The nature of the Taiwan political system lends itself to quite irresponsible political posturing for election purposes. See Su, 'Domestic Determinants of Taiwan's Mainland Policy', op. cit. Su writes: 'Taiwan is the only democracy in the world that still uses the single non-transferable vote under Multi-Member-District (SNTV-MMD). This system is conducive to the survival of small parties and/or radical wings of the large parties. It tends to radicalise the campaign debate because one needs perhaps only 3 per cent of the total votes in a large district to win. It also undermines party discipline, because candidates compete not only with members of other parties but with their own comrades. As a result, negative campaigning seems to be a norm, rather than an exception. Rational debate tends to be drowned out by simple sloganeering. Again, the Mainland policy, being at once highly complex, emotional and consequential, has been a prime subject for campaign manipulation'.

⁷⁹ For text, see:

bbc.co.uk/1/hi/world/asia-pacific/2172970.stm.

⁸⁰ See BBC, 12 August 2002, carried on:

www.taiwansecurity.org/News/2002/BBC-081202.htm.

⁸¹ Reports in early March 2002 suggested that Taiwan would change the name of its unofficial diplomatic missions throughout the world from 'Taipei Economic and Cultural Office' to 'Taipei Representative Office'.

⁸² This overview was offered to ICG by an official of the Mainland Affairs Council (MAC), May 2002.

⁸³ A number of senior officials in Taiwan believe that the concept of political integration provides an option that is not only politically palatable in Taiwan but that should also be politically acceptable in China as a process that can be equated with 'reunification'. ICG interview, Taipei, May 2002.

⁸⁴ Press conference, 20 June 2000.

⁸⁵ See for example, Hua Qing, 'Several Key Trends of the Taiwan Separatist Forces', *Liaowang*, 23 April 2001, N°17, pp. 28-30 (FBIS-CHI-2001-0502).

Foreign Minister Tang Jiaxuan, who in a press conference in New York called him a liar.⁸⁶

As amended, the Constitution of the ROC now contains only a number of minor references that link Taiwan to the 'one China' principle, such as:

- in the preamble to amendments adopted in 2000: 'To meet the requisites of the nation prior to national unification';
- references throughout to the 'free area'; and
- reference to Tibet and Mongolia.

It is unlikely that these present any functional obstacle to Taiwan's refusal to acknowledge anything but a 'future one China' or continuing down the independence path.⁸⁷ Taiwan would not be the first democratic country to have anachronistic or inoperative provisions in its constitution. While a formal constitutional revision that deleted all such references may be the last straw for China as far as its threat to use force is concerned, some in Taiwan do not see such a revision as even necessary.

IV. CHINA'S RESPONSE: 'ONE CHINA' BY CONSENT OR COERCION

Beijing's leaders believe passionately that Taiwan is China's sovereign territory. As Jiang Zemin has put it: 'You have here a case where the fundamental interests of a nation lie. On such a question involving state sovereignty, a government has no room for any compromise. Indeed, Taiwan is part of China'.⁸⁸ The current government would regard some ultimate separation of Taiwan as unacceptable not only in rational terms, but also in emotional terms. It would see it as a cruel vindication of Japan's theft of the island in 1895 and as a repudiation of the Allied victory in 1945.⁸⁹ China's leaders would also regard loss of Taiwan as a defining moment in the balance of power with the U.S. in the Western Pacific, one that relegated China to a secondary place in the international order and would almost certainly set the scene for a revanchist war at a time of its choosing. However, they recognise that the method of ensuring Taiwan's eventual return to Chinese sovereignty will be protracted and complex.⁹⁰

One would not expect, therefore, the same degree of evolution in China's approach to Taiwan's status as there has been in Taiwan itself. China's leaders maintained a position that mirrored that of Taiwan (ROC) until the 1990s: the PRC is the exclusive 'one China', and Taiwan is a part of China. Throughout the entire time since 1949, Taiwan's non-state status has been, as far as China is concerned, entirely non-negotiable. Even China's 'one country, two systems' formula, which took shape between 1979 and 1982 with the transfer of Hong Kong in mind but was also presented as appropriate for Taiwan,⁹¹ provides for a continuation of *de facto* independence for Taiwan but under China's *de jure* sovereignty. This formula means that as far as China is concerned, Taiwan must agree to the 'one China' principle.

⁸⁶ Agence France-Presse, 29 October 2002. Tang reportedly told journalists that he 'has never placed importance on Chen Shui-bian's words, because I hold him in contempt ... His mouth cannot speak the truth and everything he says is a lie'. In legislative elections in late 2001, the DPP campaigned hard on anti-China rhetoric, with President Chen labelling China as 'arrogant' and 'barbaric' at a number of rallies in the last week of October 2001.

⁸⁷ Some commentators in Taiwan place more emphasis on the issue of a formal change to the national boundaries by a separate resolution of the National Assembly.

⁸⁸ Interview with *Asian Affairs*, Autumn 1997: www.asian-affairs.com/China/jiang.html.

⁸⁹ Jiang Zemin made this linkage to the war with Japan in his 1995 speech outlining his eight-point plan for easing tensions with Taiwan. For text, see: members.aol.com/mehampton/PRC/JZM.1.30.95.txt.

⁹⁰ ICG interviews, April through July 2002.

⁹¹ See China Ministry of Foreign Affairs, 'A Policy of "One Country, Two Systems" on Taiwan': www.fmprc.gov.cn/eng/5713.html.

Within this fairly inflexible or non-negotiable framework, the main differentiation in China's position over the years has been the prominence given by it to one or another of four aspects of policy:

- use of force to achieve reunification;
- the balance in its rhetoric between rule of Taiwan from Beijing or some model of self-rule;
- the negotiating process by which reunification can be achieved; and
- the international space to be given Taiwan as a non-state entity.

Of these the balance between use of force and other tools of policy has been the most significant. Four important turning points can be identified: adoption of a policy of peaceful reunification in 1979; an almost instinctive resort to military coercion in 1995-1996; further resort to military coercion and economic pressure in 1999; and since 2000 a turn toward a policy based on a more creative mix of coercion and incentives. This last turn does seem to have been a more pragmatic response to Taiwan's near total abandonment of the 'one China' principle than the reliance on coercion in 1995-1996 and 1999, but it remains to be seen whether Taiwan can respond in ways that Beijing will regard as acceptable. The only real flexibility in China's position is the manner in which the two sides might meet, but China's bottom line, even for discussions, has been Taiwan's voicing of support for the 'one China' principle.

A. COERCION: 1995

In June 1995, China's leaders abandoned their policy of peaceful resolution and adopted a coercive strategy. Having watched Taiwan's more strident assertions of independence through 1994, and its failure in the first half of 1995 to respond to Jiang's eight-point plan with any diminution of its vigorous diplomacy, they were taken completely aback by the visit of President Lee to the U.S. and decided to raise anew the very strong disincentive of possible military attack in order to deter Lee from continuing down this path.⁹²

⁹² For a comprehensive description and analysis of the turn in policy in 1995 and the associated military moves, see

China sought to apply pressure through military exercises in the lead-up to Taiwan's parliamentary elections in December 1995 and Presidential elections in March 1996. These included the launch of unarmed M-9 ballistic missiles that splashed down at sea not far from the island.⁹³ (In July 1995, the missiles landed in one zone 150 km north of Taiwan and in March 1996 in two zones, just 30 to 40 km. from Taipei's port of Keelung and the southern port of Kaohsiung.) The March 1996 launches were accompanied by large-scale and highly publicised military exercises adjacent to China's coast in the Taiwan Strait. The U.S. responded with stern warnings, backed up with the deployment of two aircraft carriers to the general vicinity of Taiwan, at the same time as it cautioned Taiwan to cease any provocation of China on the 'one China' principle.

China's new coercive policy – essentially one of deterrence – had several goals:

- to prevent Taiwan from acting further on its claims to be independent;
- to ensure that the majority of states, especially the major powers, understood that the granting of formal diplomatic recognition to Taiwan as a sovereign independent state could provoke unpredictable military consequences; and
- to contain international political and security support for Taiwan lest it foster public support in Taiwan for the government to assert independence.

But China did not really sustain the military pressure. Through 1995 and 1996, Taiwan made a series of conciliatory gestures.⁹⁴ China also received from the U.S.⁹⁵ and other major powers strong reassurances that they would not recognise Taiwan as an independent state. Some in the Chinese leadership worried that the coercive

Greg Austin (ed), *Missile Diplomacy and Taiwan's Future: Innovations in Politics and Military Power*, Strategic and Defence Studies Centre (Canberra, 1997); and Suisheng Zhao (ed), *Across the Taiwan Strait*, (Routledge, 1999).

⁹³ The M-9 missile can carry either conventional or nuclear warheads.

⁹⁴ See Yun-han Chu, 'The Political Economy of Taiwan's Mainland Policy', in Zhao (ed), *Across the Taiwan Strait*, op. cit., p. 188.

⁹⁵ For a discussion of the U.S. response, see the next section.

diplomacy produced strong negative effects for their foreign policy. Others supported an easing off because they believed that the two warnings were sufficient to produce second thoughts in Taiwan and internationally about a major change to the status quo. A restart in 1998 of the high level Koo-Wang talks also held out some promise. The relaxation of military pressure was likewise facilitated by the very positive signals China received from Taiwan's business community, by the general blossoming of Taiwan-China economic relations, and by the warming of U.S.-China relations that resulted from several summits between Presidents Clinton and Jiang.

B. FURTHER COERCION: 1999

In spite of these positive signs, by 1999 China came to the view that the mix of policies adopted in 1995 and subsequently was not effective where it counted most. Its leaders began to get very impatient with Lee's political manoeuvres, and with considerable unanimity they moved to increase the pressure on Taiwan.⁹⁶ The last straw was a statement by Lee in July 1999 that the cross-Strait relationship was a 'special state to state relationship'. The military tension was raised to a new level, and China made plain that any moves by Taiwan that presaged a final break of the last vestiges of a sovereignty link were unacceptable: 'If Taiwan denies the One China Principle and tries to separate Taiwan from the territory of China, the premise and basis for peaceful reunification will cease to exist'.⁹⁷ China's position had by then moved well beyond preventing Taiwan from 'declaring independence' since that had more or less happened. That is why in its February 2000 White Paper on Taiwan, China did not talk about use of force if Taiwan declared independence⁹⁸ but rather

if Taiwan indefinitely delayed reconciliation with China on the basis of the principle of 'one China'.

This interpretation of the serious hardening of China's position is supported by numerous sources, including Chinese ones.⁹⁹ By early 2000, no one in the Taiwan Affairs Working Group¹⁰⁰ of the Chinese leadership believed that a negotiated settlement was any longer possible without greater reliance on the threat or use of force.¹⁰¹ China's further resort to coercion had several goals:

- to reverse the trend of 'creeping independence' initiated by President Lee Teng-hui progressively between 1994 and 1999;
- to prevent the Democratic Progressive Party (DPP) from implementing its Party Resolution of 1999 on relations with China that foreshadowed complete severance of a link between China and Taiwan;¹⁰²
- to seek positive and unambiguous evidence that Taiwan was taking steps toward reconciliation

⁹⁶ China's February 2000 White Paper references 1999 as a turning point: 'Since 1999, Lee Teng-hui has stepped up his separatist activities'.

⁹⁷ Taiwan Affairs Office, 'The One China Principle and the Taiwan Issue', 21 February 2000.

⁹⁸ The document reads: 'if a grave turn of events occurs leading to the separation of Taiwan from China in any name, or if Taiwan is invaded and occupied by foreign countries, or if the Taiwan authorities refuse, *sine die*, the peaceful settlement of cross-Straits reunification through negotiations, then the Chinese Government will only be forced to adopt all drastic measures possible, including the use of force, to safeguard China's sovereignty and territorial integrity and fulfill the great cause of reunification.'

⁹⁹ This is the view of several sources interviewed in Washington, Taipei and Beijing in May 2002. See for example, Catherine Sung, 'U.S.-China Confrontation Inevitable, Says Academic', *Taipei Times*, 9 October 1999, p. 1. This view was recorded at the time at several international conferences by scholars and senior Chinese officials. For example, former Chinese Ambassador to the U.S. and the UN Li Daoyu told an academic conference in Canberra that war was inevitable unless Taiwan reversed its position. At the same conference, one paper argued the same point. See Greg Austin, 'A Realist Moment in U.S.-China Relations', Conference on U.S.-China Relations, Australian National University, 29 November 1999. See also Greg Austin, 'Implications of the Kosovo Zeitgeist for China's Strategic Policy', Conference on Australia and Asia Pacific Security, National Chengchi University, Taipei, 8 October 1999.

¹⁰⁰ 'Working Groups' are a classic Chinese bureaucratic or political formation created to manage special problems. The Working Groups might be formally designated as subordinate to the State Council but are in effect Working Groups of the Standing Committee of the CCP Politburo. The Taiwan Affairs Working Group is chaired by Jiang Zemin, with Qian Qichen as Vice-Chair, and it has representatives in it of the Foreign Ministry, the Central Military Commission, the Ministry of State Security, and the Taiwan Affairs Office of the State Council, among others. There are no representatives of purely economic ministries in the Working Group.

¹⁰¹ ICG interview, May 2002.

¹⁰² This resolution was an effort by the DPP to step back from its more radical language and certainly represented a positive gesture of a kind. But few in China would have seen it in that light. The substance of the resolution is discussed in the next section.

with China on the basis of the principle of 'one China'; and

- to pressure Taiwan over the medium term to make clear practical moves toward reunification.

C. NEW DEMANDS: THE 2000 WHITE PAPER

In its February 2000 White Paper on Taiwan, released just one month before Taiwan's presidential election, and in other statements during that year, China made plain that it was losing patience with Taiwan's refusal to return to informal talks and with its sustained reiteration in government documents that it was an independent sovereign country. China staked out a new demand in response to Taiwan's abandonment of the 'one China' principle. It was no longer a question of preventing Taiwan from 'declaring independence', as Taiwan had effectively done by degree, culminating in President Lee's July 1999 statement on 'special state to state relations'. In direct response to what China saw as Taiwan's strategy of 'creeping independence' the White Paper, as already noted, talked about use of force not if Taiwan declared independence but if it indefinitely delayed reconciliation on the basis of 'one China'. As a consequence of writing into policy this new rejection of indefinite delay, China had to begin to develop a number of wider ranging military contingency plans.¹⁰³

The benchmark China set was: 'the peaceful settlement of cross-Straits reunification through negotiations'. It has three operational elements: first, Taiwan's government must accept the 'one China' principle; secondly, Taiwan's government must enter serious talks aimed at reunification; thirdly, there must be progress on practical issues of reunification, such as comprehensive direct

transportation links. The three are inter-related, and moves in any one area would probably satisfy China for a time. But China's bottom line has been that further resort to force could well be inevitable without sustained visible progress in at least one. The corollary is perhaps more important. Any move by Taiwan that might demonstrate its substantive rejection of the new demand by China could well be the last straw.

1. What Constitutes Visible Progress?

It is highly unlikely that China's leaders approved any document setting out detailed benchmarks for what steps would, in their view, constitute visible progress. It is more likely that they have expressed support only for a general proposition, while making plain that frustration of this demand by Taiwan could well produce further resort to military coercion by China. The expectations of China's leaders in terms of early progress are not high. They will be more than satisfied if initially something can be achieved in the areas of economic and social integration, rather than on more formal political issues, such as explicit acceptance by Taiwan of 'one China', or a return to talks. In practical policy terms, China probably does not have in its sights even as a medium term goal any actual political integration with Taiwan, and appears especially uninterested in the political subordination of it to the national government as one of the country's provinces, even though this has been its formal position.

2. Is There a Deadline for Reunification?

What does the White Paper's formulation of 'indefinitely' (*sine die*) mean? Is there a deadline? According to a number of sources with access to high level officials in China, the leaders were endorsing the idea that some notion of a target date should be introduced into their bid for reunification: at least a date by which China's military capacities should be strengthened for the eventuality that Taiwan had not engaged in meaningful talks providing from the start a basis for reunification.¹⁰⁴ It is of some note, however, that the sources do not agree whether the target date is around 2003/2004, 2006/2007 or 2007/2008 –

¹⁰³ A good overview of the possibilities is provided in a recent study by the U.S. Department of Defence, though as discussed in the companion ICG report, *Taiwan Strait II: The Risk of War*, op.cit., this particular study is unnecessarily alarmist and misleading on several key points. See Report to Congress Pursuant to the FY2000 National Defense Authorization Act, 'Annual Report on the Military Power of the People's Republic of China', 12 July 2002 (www.defenselink.mil/news/Jul2002/d20020712china.pdf).

¹⁰⁴ ICG interviews, May 2002. This was also a view expressed by former U.S. officials who had access to high level intelligence on China through 2000.

suggesting that the information on which they base their views may not be complete.¹⁰⁵ Importantly however, most sources agree that China's leaders have not made a firm decision one way or the other.

The talk about a deadline probably grows out of two closely linked 'debates' within China. First, there has been a disagreement between the civilian leadership and some in the PLA who have argued for more urgency in using military pressure to bring Taiwan around to China's view. The civilian leaders have been more relaxed and have tended to see the trend of cross-Strait economic relations as working in China's favour.¹⁰⁶ It appears that since the February 2000 White Paper was issued, they have become even more relaxed. They have become better informed about the internal dynamics of the DPP, which has muted its interest in a final and formal breach with China. On the other hand, those in the PLA arguing for more urgent action see time as not on China's side – an assessment based both on Taiwan's own military power and on the military power of Taiwan's likely ally, the U.S., and possible ally, Japan. Consequently, they have been insisting that a deadline be set.

The second debate in the leadership has been about the best way to apply pressure on Taiwan. In the lead up to the White Paper, the conclusion was reached that Taiwan's leaders could and would resist blandishments indefinitely unless China somehow 'twisted the arm' of Taiwan to force a new policy direction. China's civilian leaders apparently decided that the levers available to them would be insufficient unless accompanied by some sort of deadline. Thus, while not wanting to endorse the general thrust of the PLA activists' more alarmist arguments, or to overemphasise the military component, they apparently were forced to accept the proposition that the situation could not be allowed to drift. Acceptance of the need to reject indefinite delay had the inevitable effect of aligning them for the time being with those PLA activists in

terms of practical policy, even if a firm deadline has not been set.

D. CARROTS WITH THE STICK: 2000-2003

By 2003, there were fairly consistent signs of a new pragmatism in Beijing in response to the realisation that Taiwan under President Chen or any other president would not be able to respond to China's pressure while the military aspect remained too visible. China's leadership fell back on a classic carrot and stick policy, and sought to manipulate internal politics in Taiwan to greater effect, especially through playing favourites with relatively pro-unification politicians in the KMT and the People First Party (PFP).¹⁰⁷ China also began to try to work with factions inside the DPP and added some new economic sticks to its repertoire, bringing pressure to bear on Taiwanese business leaders who continue to make profits on the mainland while actively supporting pro-independence parties in Taiwan.¹⁰⁸ Thus, Chinese leaders are presently pursuing a classic two-hand (hard/soft) strategy.¹⁰⁹

As of mid-2003, the position was as follows:

- China remains prepared to use all means necessary to ensure that there is no final breach with Taiwan.
- The country's leaders believe it has considerable political and economic assets to support this policy and that a reach for military tools to force Taiwan's hand should be subordinated to the full exploitation of economic and political levers.
- They also believe that relatively subtle reminders about a military threat can increase the effectiveness of economic and political pressure but that a choice for war would be a last resort.

For now, China's leaders believe that its relationship with Taiwan is manageable without

¹⁰⁵ One U.S. specialist observed that for China to consider high intensity combat operations, there would need to be a marked increase in procurement of advanced weapons systems. He suggested that for a 2007/2008 scenario, there would have to be a significant increase in procurement of such systems beginning in 2003/2004. This consideration is discussed in the companion ICG report, *Taiwan Strait II: The Risk of War*, op.cit.

¹⁰⁶ ICG interviews in Beijing and Washington, May 2002.

¹⁰⁷ A KMT splinter party. See discussion below on the PFP.

¹⁰⁸ See Willy Wo-Lap Lam, 'Beijing Pressures Businessmen', *South China Morning Post*, 5 June 2000. This general proposition was corroborated by ICG interviews in Taipei and Washington in May 2002.

¹⁰⁹ ICG interview, U.S. specialist, May 2002.

resort to new military threats.¹¹⁰ Over the last year, the leadership has become a little more relaxed because of the clear success of the current mix of policies. The main reason for this is that the 'economic ropes'¹¹¹ linking China and Taiwan are binding tighter, especially because the Taiwan business community has responded as China hoped to pressure, helping to persuade the government of Chen Shui-bian to a less confrontational and more conciliatory position than he might have adopted if left to his own preferences.¹¹² At the same time, China appears to have more realistic expectations about how protracted the process of any reconciliation has to be than it did in 1999 and early 2000.¹¹³

As China's leaders have become a little more relaxed about the overall trends in Taiwan in the last two years (DPP leadership views excepted), they have become less comfortable with enhancements in U.S. military relations with Taiwan that they consider add a politically destabilising element to the Taiwan Strait problem.

China claims to be quite philosophical about the likely improvements in Taiwan's self-defence capability that would result, since these will probably only be modest. It takes the view that there is no point in 'getting angry' until it is ready to act; that the problem will be solved between China and Taiwan; and that the more the U.S. supports Taiwan militarily, the more damage that will have to be done to Taiwan if, in the final analysis, China has to go down that path. The view expressed in China is that the U.S. cannot save Taiwan from such 'punishment' if it chooses to make the final breach with China.¹¹⁴ Chinese leaders insist that they are not afraid to risk war

with the U.S. over Taiwan and that they are not deterred in any military or strategic sense from doing so: that the only effect of U.S. military moves to deter China's use of force would be to shape the sort of war China would fight.¹¹⁵ What China indicates it fears most from the recently enhanced U.S.-Taiwan military ties is the encouragement they give to pro-independence leaders in Taiwan to keep pushing their agenda.

As a direct result of this rising concern, China does appear to be showing signs of increased flexibility on presentational aspects of its position. For example, in a summit meeting between the Presidents of China and the U.S. on 28 October 2002, China reportedly offered to freeze its missile deployments opposite Taiwan if the U.S. would slow down its arms sales to Taiwan and reiterate its policy of not supporting Taiwan independence. The substantive issues raised by this offer are addressed in the companion report, *Taiwan Strait II: The Risk of War*.¹¹⁶

¹¹⁰ ICG interviews, May through July 2002.

¹¹¹ Several Chinese sources have reported leadership discussions since the mid-1990s around the proposition that 'economic ropes' will tie Taiwan to China in such a way that direct military assault will not be necessary for reunification.

¹¹² ICG interviews, Taipei and Washington, May 2002.

¹¹³ For example, one commentary on Qian's January 2002 speech noted that a formal cross-Strait economic mechanism cannot be put in place until the direct links are in place and beginning to operate. See Chen Binhua, 'A Positive Proposal Adapted to Developing Cross-Strait Economic Relations – An Interpretation of Vice Premier Qian Qichen's Latest Speech on Taiwan', Xinhua Hong Kong Service, 6 February 2002, FBIS-CHI-2002-0206.

¹¹⁴ ICG interviews, Beijing and Washington, May 2002.

¹¹⁵ Whether one accepts these statements at face value or not, it is certainly possible to conclude – as discussed further in the companion ICG Report *Taiwan Strait II: The Risk of War*, op.cit. – that the main way in which the U.S. intrudes on Chinese leadership calculations about use of force toward Taiwan is not on the deterrence side of the ledger, but on the incentive side. As long as the U.S. is seen to offer China considerable economic development gains, China will calibrate its pressure on Taiwan accordingly, but never abandon such pressure entirely.

¹¹⁶ op.cit., section V.

V. U.S. POSITION: MAINTAIN 'ONE CHINA' BUT SUPPORT TAIWAN

As long as Taiwan itself was not openly challenging the 'one China' position and China refrained from overt references to the use of force against Taiwan, 'one China' sovereignty issues remained a low priority for Washington. But China's remilitarisation of the dispute in 1995 exposed some of the differences in U.S.-China relations that had been papered over in the process of establishing diplomatic relations.

Key aspects of U.S. policy toward Taiwan have always been characterised by considerable ambiguity.¹¹⁷ For example, as discussed below, it has been difficult to identify a common view among U.S. officials about whether the U.S. position on 'one China' meant that the U.S. regards Taiwan as part of China in any legal or political sense. There has also been doubt in the past over whether the U.S. is committed to defend Taiwan from an unprovoked attack by China no matter what that might take. In particular, the U.S. has attempted at different times under earlier administrations to suggest that it preferred to be ambiguous on this point so that Taiwan could not use the security relationship as a blank cheque for a political move away from China that might provoke an attack. But no clear criterion has been established by which the U.S. would judge Taiwan's actions.

There can be no doubt, though, that the U.S. insisted all along and with great clarity that its recognition of China in 1979 was premised on Beijing taking a peaceful approach to the resolution of Taiwan's status. It was on this basis that the U.S. agreed to terminate its treaty alliance with Taiwan. But with China's resort to coercion in 1995, the U.S.-Taiwan military relationship started to take on a much higher profile, even though the crisis also forced Washington into a much firmer reiteration of its 'one China' policy that included explicit assurances to 'oppose' Taiwan independence. The present Administration has maintained this rhetorical position but, as discussed below, has

¹¹⁷ For a round-up of some views of this ambiguity, see Shirley A. Kan, 'China/Taiwan: Evolution of the One China Policy – Key Statements from Washington, Beijing, and Taipei', Congressional Research Service, 12 March 2001.

sought to end any ambiguity about U.S. commitment to the defence of Taiwan, with President Bush saying he would do 'whatever it takes'.¹¹⁸

A. ACKNOWLEDGING CHINA'S POSITION: 1979-1995

In drafting the 1979 communiqué on diplomatic recognition, the U.S. included language that sought merely to 'acknowledge' the 'Chinese position that there is but one China and Taiwan is part of China'.¹¹⁹ This replayed language in the 1972 U.S.-China communiqué, in which the U.S. felt it was reserving its position on the status of Taiwan. That communiqué had referred to the view 'that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is part of China', and then stated that the U.S. 'does not challenge that position'.¹²⁰ A common view in the U.S. is that these documents allowed the U.S. to take no view on whether Taiwan is a part of China.¹²¹ But the 1979 communiqué specifically

¹¹⁸ See text below at footnote 158.

¹¹⁹ The communiqué was issued on 1 January 1979. The Chinese version uses the word 'recognises' [*renshi*] where the English version uses the word 'acknowledges'. The U.S. takes the English version as authoritative. China was able to use the Chinese version to present the communiqué to domestic interest groups in a more favourable light.

¹²⁰ Article 12.

¹²¹ There are many examples of this view. See for example, Christopher J. Carolan, 'The Republic of Taiwan: A Legal-Historical Justification for a Taiwanese Declaration of Independence', *New York University Law Review*, Vol. 75, May 2000, p. 438: 'It is important to underscore that the United States consistently has stopped short of endorsing the P.R.C.'s claim that Taiwan is part of China ... the official U.S. position on Taiwan remains that Taiwan's final status is as yet undetermined'. See also Ambassador Harvey Feldman, 'A Primer on U.S. Policy Toward the "One-China" Issue: Questions and Answers', Heritage Foundation, 12 April 2002: 'When the United States recognised the People's Republic of China (PRC) in 1979, didn't it also recognise or accept the proposition that Taiwan is a part of China? No. In extending diplomatic recognition to the PRC, in a Joint Communiqué dated January 1, 1979, the United States said it "acknowledges the Chinese position that there is but one China and Taiwan is a part of China". The word "acknowledges" is polite, diplomatic speech for *we understand that this is the position you take*. In fact, neither then nor since has the United States formally stated that Taiwan is a part of the People's Republic of China or officially agreed to this claim of the PRC'. See also Kan, 'China/Taiwan: Evolution

'recognises the government of the People's Republic of China as the sole legal government of China'. The next sentence in the same article says that 'Within this context, the people of the United States will maintain cultural, commercial, and other unofficial relations with the people of Taiwan'. And the U.S. then withdrew diplomatic recognition from the Republic of China. It is doubtful that in strict legal terms, the U.S. has reserved any position, as subsequent U.S. public commentary came to suggest.

In recognising China, the U.S. sought – according to the 1979 communiqué – to maintain with Taiwan 'cultural, commercial, and other unofficial relations'. The U.S. made plain in its December 1978 statement on normalisation of relations with Beijing its expectation that the Taiwan question would be settled peacefully by the Chinese themselves but it was understood between both sides at the time that the question of the military relationship between the U.S. and Taiwan would be a subject of further U.S.-China discussions.¹²² (This was in contrast to China's December 1978 statement on normalisation that said the Taiwan question 'has now been resolved between the two sides'.)¹²³

After the 1979 communiqué was signed, the U.S. Congress took a somewhat more robust, or at least more explicit, stand than the Administration on U.S.-Taiwan military relations and succeeded in forcing

of the One China Policy'. That the US has never formally recognised Taiwan as part of China is evident in many sources, but one often cited is Section 4 of the Taiwan Relations Act (1979) which states: '(a) The absence of diplomatic relations or recognition shall not affect the application of the laws of the United States with respect to Taiwan, and the laws of the United States shall apply with respect to Taiwan in the manner that the laws of the United States applied with respect to Taiwan prior to January 1, 1979.

(b)The application of subsection (a) of this section shall include, but not be limited to, the following:

(1) Whenever the laws of the United States refer or relate to foreign countries, nations, states, governments, or similar entities, such terms shall include and such laws shall apply with respect to Taiwan'.

¹²² The 1972 Communique contains an assertion from the U.S. side that with the prospect of peaceful settlement in mind, the U.S. 'affirms the ultimate objective of the withdrawal of all U.S. forces and military installations from Taiwan. In the meantime, it will progressively reduce its forces and military installations on Taiwan as the tension in the area reduces'.

¹²³ See Kan, 'China/Taiwan', op. cit.

this view on it (and subsequent administrations) through the Taiwan Relations Act (TRA).¹²⁴ This bill was originally drafted and submitted to the Congress by the Carter Administration after the derecognition of Taiwan as a means of providing for the unofficial ties explicitly foreshadowed in the communiqué.¹²⁵ But the Congress, led by members who felt very strongly that the Administration had sold Taiwan down the river, inserted two important and qualitatively new provisions: one for the supply of 'such defence articles and defence services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defence capability'; and one stipulating that the U.S. would regard any military action, boycott or embargo against Taiwan to be a 'threat to the peace of the Western Pacific area and of grave concern to the United States'.¹²⁶ Ever since, the Congress has played something of a spoiler role with regard to the efforts of successive administrations in respect to China and Taiwan. However, the influence of Congress is neither wholly predictable nor logical, and it has only rarely been able to out-manoeuvre the President.¹²⁷

The 1982 U.S.-China communiqué reiterated that the U.S. 'acknowledges the Chinese position that there is but one China and Taiwan is part of China'. But it went further than the 1979 communiqué and used the following language:

The United States Government ... has no intention of infringing on Chinese sovereignty and territorial integrity, or interfering in China's internal affairs, or pursuing a policy of 'two Chinas' or 'one China, one Taiwan'.

¹²⁴ Enacted on 10 April 1979.

¹²⁵ James Mann, *About Face: A History of America's Curious Relationship with China, from Nixon to Clinton* (New York, 1998), p. 95.

¹²⁶ The Taiwan Relations Act, Section 2(b)6 commits the U.S. to maintain its own capacity 'to resist any resort to force or other forms of coercion that would jeopardise the security, or the social or economic system, of the people of Taiwan'. Section 2(b)4 considers 'any effort to determine the future of Taiwan by other than peaceful means, including boycotts or embargoes, a threat to the peace and security of the Western Pacific'. Section 2(b)5 commits the U.S. to 'provide Taiwan with arms of a defensive character'. Text is available at:

usinfo.state.gov/regional/ea/uschina/taiwanact.htm.

¹²⁷ See Yang Jian, *Congress and US China Policy* (Huntington, 2000), p. 265.

In a memo to the U.S. Congress at this time, however, the State Department still insisted that it took no view on the legal status of Taiwan as part of China.¹²⁸

In the communiqué, which addressed U.S. arms sales to Taiwan, the U.S. committed itself not to exceed 'either in qualitative or quantitative terms, the level of those supplied in recent years'.¹²⁹ More importantly, the U.S. declared its intention to 'reduce gradually its sales of arms to Taiwan, leading over a period of time to a final resolution'. Whatever the strict meaning to be ascribed to these last few words, the commitment to end arms sales completely raised doubts about whether the U.S. was leaning too much toward China's view that Taiwan was part of China, that eventually China and Taiwan alone should work their problem out, and that the U.S. should withdraw to the background.

President Reagan responded to such concerns. On 14 July 1982, before the communiqué was issued, the Administration offered 'six assurances' in private to the Taiwan government, including commitments not to mediate between China and Taiwan, not to pressure Taiwan to negotiate with China, and not to change its position on the legal status of Taiwan.¹³⁰ (This is the position outlined in the 1982 State Department memo referred to above.) On 17 August 1982, the same day as the communiqué was issued, President Reagan reassured Taiwan (and Congress) that arms sales would continue in accordance with the TRA and 'with the full expectation that the approach of the Chinese Government to the resolution of the Taiwan issue will continue to be peaceful'.¹³¹

This 'third communiqué' was the most controversial agreement ever reached between the U.S. and China. It had been signed largely as a result of State Department leadership and over strong opposition

by key advisers in State, the Pentagon and the National Security Council. The day after its signing, and in sympathy with this opposition, President Reagan issued a secret instruction that the U.S. would only observe its commitment to limits 'so long as the balance of military power between China and Taiwan was preserved'.¹³² Leading members of the current Bush Administration, such as Deputy Secretary of Defense Paul Wolfowitz, were among those officials in the Reagan Administration who at the time argued vigorously against the assumptions underpinning the communiqué.¹³³

B. NO TAIWAN INDEPENDENCE, BUT MORE SUPPORT: 1995-2000

In 1995, the U.S. reiterated quite forcefully its support for the 'one China' policy in a much more direct manner. As a result of the military pressure put on Taiwan in July and August that year, President Clinton wrote to President Jiang that the U.S. 'would oppose' Taiwan independence, would not support 'two Chinas', and would not support Taiwan's membership of the UN.¹³⁴ In later iterations of U.S. policy, the word 'oppose' was replaced with the slightly softer phrase 'not support'. Through 1998, the U.S. shifted its position a little on Taiwan's membership of international organisations, to the more permissive but logical one of saying that the U.S. would not support Taiwan's membership of international organisations for which statehood was a requirement.

But having so categorically ruled out support for independence, the U.S. government came under new pressure domestically to reflect in its policy the increasing American regard for Taiwan's democratisation, especially in contrast to China's resistance to political reform.¹³⁵ This sort of pressure

¹²⁸ Hearings, The Taiwan Communique and the Separation of Powers, Subcommittee on the Separation of Powers, Committee on the Judiciary, U.S. Senate, 97th Cong., 2nd Sess., 17 and 27 September 1982, p. 140.

¹²⁹ Joint Communique, 17 August 1982. The English text is available on:

www.usembassy-china.org/cn/english/politics/index.html.

¹³⁰ See Kan, 'China/Taiwan', op. cit. The assurances offered had actually been sought by Taiwan, and President Reagan was agreeing to a revised form of what Taiwan had offered.

¹³¹ Statement on United States Arms sales to Taiwan, 17 August 1982. Excerpted in Kan, 'China/Taiwan', op. cit.

¹³² Mann, *About Face*, op. cit., p. 127.

¹³³ *Ibid.*, pp. 128-131 for an account of the views of Mr Wolfowitz at the time.

¹³⁴ See Kan, 'China/Taiwan', op. cit.

¹³⁵ See: www.taiwandocuments.org/doc_uslaw.htm for a catalogue of laws governing American relations with Taiwan. In addition to numerous resolutions, which are not legally binding, there are a number of U.S. public laws on matters such as support for Taiwan's participation in the WHO, membership in the IMF, and on matters such as preserving and promoting extensive, close, and friendly commercial, cultural, and other relations between the people of the United States and the people on Taiwan.

resulted in the U.S. Administration's support in 2000 for the proposition that the democratic consent of Taiwan's voters was necessary for any change in the status quo.¹³⁶ China has argued that this constitutes a repudiation of the 'one China' principle: if Taiwan is part of China, then it arguably should be up to the people of China as a whole to decide its status, not just the people of Taiwan.

Perhaps more important than the Clinton moves on the 'one China' principle was the beginning under that administration of a rejuvenation of U.S.-Taiwan military ties as a direct response to China's threat to use force. The increasingly expressed determination by the U.S. to commit its strategic power to defend Taiwan may have been appropriate in the purely military context of the Taiwan Strait, but it has raised questions about whether it was part of a bigger balance of power contest: was rising China likely to become wealthy and powerful enough to challenge U.S. strategic pre-eminence in the Western Pacific, and was the U.S. therefore trying to contain China?¹³⁷

C. ENDING STRATEGIC AMBIGUITY? 2001-2003

The Bush Administration has continued to give strong formal support to the 'one China' principle and has reiterated the previous policy of 'no Taiwan independence'. Secretary of State Colin Powell laid out the formal position in his confirmation hearings in January 2001:

The United States has long acknowledged the view that there is only one China. In that respect, Taiwan is part of China.¹³⁸

¹³⁶ On 24 February 2000, President Clinton added to the demand of peaceful resolution that an eventual settlement would need to have the 'assent of the Taiwanese people'. See speech to the Business Council, 24 February 2000, cited in Kan, 'China/Taiwan', op. cit.

¹³⁷ For discussion of the benefits to the U.S. of using Taiwan's continuing separation from China as a means of constraining China, see Nancy Bernkopf Tucker, 'If Taiwan Chooses Unification, Should the United States Care', *The Washington Quarterly*, Summer 2002, and Chris Rahman, 'Defending Taiwan and Why it Matters', *Naval War College Review*, Autumn, 2001, Vol. 54, N°4. Neither of these authors argues strongly for preventing reunification. They rather document the considerations that such a policy might bring into play.

¹³⁸ See www.state.gov/secretary/rm/2001/443.htm.

It appears that Powell was simply intending to echo the wording of the 1979 communique, as reiterated in 1982. He later reasserted that the six assurances of 1982, including the commitment not to change its(non-committal) view of Taiwan's sovereignty, also remain part of U.S. policy¹³⁹ (a view repeated recently by the State Department).¹⁴⁰

The State Department has described the Administration's 'one China' policy as follows:

The U.S. does not support 'two Chinas', 'one China, one Taiwan', or Taiwan independence. Nor does the United States support Taiwan's efforts to become a member of the UN or other organisations in which membership is limited to states. The U.S. does support Taiwan's membership in other appropriate international organisations, such as the APEC forum and the Asian Development Bank, in which statehood is not a requirement for membership. In addition, the U.S. supports appropriate opportunities for Taiwan's voice to be heard in organisations where its membership is not possible.¹⁴¹

Another element of Bush Administration policy toward Taiwan is that any change in its political status should be with the assent of the people of Taiwan. The Administration has given considerable prominence to this, but even more to what Secretary Powell and others have called 'our one China policy', the requirement for peaceful resolution:

We will uphold our 'One China' policy, and we continue to insist that the mainland solve its differences with Taiwan peacefully. Indeed a peaceful resolution is the foundation on which the breakthrough Sino-American communiqués were built, and the United States takes our responsibilities under the Taiwan Relations Act

¹³⁹ Testimony before the Senate Foreign Relations Committee on 8 March 2001. Secretary Powell confirmed that the assurances 'remain the usual and official policy of the United States'. See Hearing of the Senate Foreign Relations Committee for the Fiscal Year 2002, Foreign Operations Budget, transcribed by Federal News Service, March 8, 2001.

¹⁴⁰ See Randall Schriver, Deputy Assistant Secretary of State for East Asian and Pacific Affairs, Remarks to U.S.-Taiwan Business Council Defense Industry Conference, San Antonio, Texas, 14 February 2003, www.state.gov/p/eap/rls/rm/2003/17796.htm.

¹⁴¹ See: www.state.gov/www/background_notes/taiwan_0010_bgn.html

very, very seriously.¹⁴² After a summit meeting with President Jiang on 28 October 2002, President Bush strongly reiterated that the U.S. is committed to the three communiqués and does not support Taiwan independence. But in the meeting, Bush also made plain that the U.S. 'One China' policy was premised on a peaceful outcome of the China-Taiwan dispute. In a speech in Beijing in late November 2002, the U.S. Ambassador explained that the U.S. position also included the notion that 'we want Taiwan to have the confidence to negotiate' with China,¹⁴³ which was a thinly veiled way of saying that the U.S. would bolster Taiwan's defence capability to provide that confidence.

At the same time as reiterating its support for a 'one China' policy, the Bush Administration has taken a qualitatively new approach to enhancing U.S. security relations with Taiwan. The Bush team came to office with the view that U.S. military deployments and readiness in the Western Pacific had become deficient in the face of China's moves to upgrade its navy and air force and its missile deployments opposite Taiwan.¹⁴⁴ There was a perceived need for the U.S. to assert right of passage in the Taiwan Strait and to strike a new military balance. In February 2002, the Director of the CIA, George Tenet, told Congress that:

over the past year, Beijing's military training exercises have taken on an increasingly real-world focus, emphasising rigorous practice in operational capabilities and improving the military's actual ability to use force. This is aimed not only at Taiwan but also at increasing the risk to the United States itself in any future Taiwan contingency.¹⁴⁵

There was a strong view in the Administration that there should be a more common-sense approach to dealing with Taiwan and an end to what one report called the 'outdated, dangerous, and frankly, embarrassing' U.S. policy toward Taiwan.¹⁴⁶ This

April 2001 report, by a Republican Senate staffer, suggested that 'U.S. policy is totally inadequate to the task' of helping Taiwan address deficiencies in its defence posture; and that without radical change, 'U.S. policy toward Taiwan threatens to leave that young democracy dangerously exposed to Communist attack'.¹⁴⁷ Echoing the view of the new U.S. Administration, the report also called for an end to the policy of strategic ambiguity: there should be no doubt, it argued, that the U.S. will defend Taiwan if it is attacked.

The Bush Administration has made several important adjustments in its defence relationship with Taiwan that would, once implemented, go a long way to restoring it to a *de facto* military alliance, little different in scope and purpose from what existed until 1979:

- it allowed a working visit to the U.S. by Taiwan's defence minister for the first time since 1979;
- it introduced new arrangements for military exchanges with Taiwan;
- it changed the timing and manner in which the U.S. approved arms sales to Taiwan;
- it expanded the scope of arms sales to Taiwan;
- it dedicated itself to pursuing combat interoperability between U.S. and Taiwan armed forces;
- it linked Taiwan Strait contingencies to U.S. nuclear planning; and
- it committed itself to support substantial reform in Taiwan's administration of defence policy and development of joint force operational capability.

The change in policy on visits to the U.S. of Taiwan's defence minister is symbolically one of the most important. In the second week of March 2002, the U.S. permitted the minister to participate in public and private discussions of his official portfolio, even though it sought to pass off the visit as 'unofficial' since it was organised by the U.S.-Taiwan Business Council. It was the first

¹⁴² Remarks at Asia Society Annual Dinner, 10 June 2002, at www.state.gov/secretary/rm/2002/10983.htm

¹⁴³ Associated Press, 26 November 2002.

¹⁴⁴ ICG interview, Washington, May 2002.

¹⁴⁵ Statement to the Senate Select Committee on Intelligence, 6 February 2002, www.cia.gov/cia/public_affairs/speeches/dci_speech_02062002.html.

¹⁴⁶ Senate Committee on Foreign Relations, 'U.S. Defense Policy Toward Taiwan: In Need of an Overhaul', Staff Report, 107th Congress, First Session, April 2001, p. 1.

¹⁴⁷ Senate Committee, 'U.S. Defense Policy Toward Taiwan', op. cit., p. v.

substantive visit by a Taiwanese foreign affairs or security minister since 1979 and involved a much higher level of formal intergovernmental contact than the personal visit by President Lee to Cornell University in 1995 that provoked the abandonment by China of its previous policy of peaceful engagement with Taiwan. For example, the minister held a 100-minute meeting with Deputy Secretary of Defense Wolfowitz.

The new arrangements for exchanges with Taiwan's armed forces included invitations to participate in programs similar to those to which Chinese PLA officers had previously been invited. In May 2002, the House of Representatives included a demand for enhanced exchanges with Taiwan in amendments to the armed forces appropriations bills.¹⁴⁸

The Administration's position on arms sales was made plain in April 2001,¹⁴⁹ when President Bush authorised a new package and simultaneously directed an end to the process of annual deliberation and its replacement by one that permits routine consideration at any time. Mr Bush approved most of a Taiwan wish list¹⁵⁰ that included eight diesel submarines not likely to be built for years (since the U.S. itself does not build such boats). However, he deferred a decision on two important systems, Aegis cruisers and Patriot 3 anti-missile systems, that are not likely to be ready for a number of years. This deferral was wise since a 'decision to sell them would do nothing to enhance Taiwan's security in the short run and might undermine it by forcing China to take counter-measures'.¹⁵¹

The announced submarine sale particularly annoyed China. The U.S. has shown some tactical sensitivity to this. Around the time of the visit to Washington in May 2002 of China's then Vice President, Hu Jintao, the U.S. was planning to send a team of Navy specialists to Taiwan to advance the

submarine project, but decided to call it off for the time being in order not to 'get up the nose' of the Chinese.¹⁵² But the U.S. sensitivity may have been in vain. There is now a report, almost certainly leaked by China in response, that it is ordering an additional eight Kilo-class submarines from Russia, to be delivered within five years.¹⁵³

The U.S. is pushing for 'combat interoperability'¹⁵⁴ of U.S. and Taiwan military forces. This is a major step back to a normal military alliance. In many respects, aiming to achieve this sort of interoperability should not be seen as unusual given the existing arms sale relationship and the U.S. commitment to defend Taiwan.¹⁵⁵ One specialist observed that 'interoperability is an important part of deterrence'. But, he acknowledged, the 'appearance of it now is a problem'. U.S. Administration officials counter that the 'only reason it has surfaced is because China is threatening Taiwan'.¹⁵⁶

But interoperability is something of a chimera. As the NATO experience demonstrates, in peacetime it can take decades to establish. Indeed, senior U.S. officials now complain that the widening technology gap between its forces and those of NATO has undermined many of the gains that were painstakingly achieved. Moreover, U.S. military plans for responding to Taiwan-related contingencies almost certainly call primarily for unilateral action, rather than combined action with Taiwan's armed forces.¹⁵⁷

President Bush said shortly after taking office that his Administration would do 'whatever it takes' to defend Taiwan.¹⁵⁸ Some officials sought to play down the significance of this by reference to the circumstances of the interview, but it has been reiterated subsequently on more than one occasion

¹⁴⁸ *Taipei Times*, 11 May 2002.

¹⁴⁹ Remarks by Deputy Secretary of Defense Paul Wolfowitz to the U.S.-Taiwan Business Council, 11 March 2002, St Petersburg, Florida. Text obtained under the Freedom of Information Act.

¹⁵⁰ The list included four *Kidd* class destroyers, twelve P-3 *Orion* anti-submarine aircraft, eight diesel submarines, and some helicopters, missiles, torpedoes and other equipment.

¹⁵¹ Bruce J. Dickson, 'New Presidents Adjust Old Policies: U.S.-Taiwan Relations under Chen and Bush', in *Journal of Contemporary China* (August 2002).

¹⁵² ICG interview, May 2002.

¹⁵³ *Jane's Defence Weekly*, Quoted in Ching Cheong, 'China Taiwan Arms race Hotting Up', *Straits Times*, 14 June 2002. It should be noted that many of the planned purchases by China reported in *Jane's Defence Weekly* over the last decade have not happened.

¹⁵⁴ The creation of common systems and protocols for combined action by the military forces of two countries.

¹⁵⁵ This was also the view of a former senior Clinton Administration official. ICG interview, Washington, May 2002.

¹⁵⁶ ICG interview, May 2002.

¹⁵⁷ ICG interview, May 2002.

¹⁵⁸ Interview with ABC News (TV), 25 April 2001.

by senior officials such as Paul Wolfowitz.¹⁵⁹ The Administration is reported also to have asked the Pentagon to develop nuclear options for Taiwan-related contingencies.¹⁶⁰ Again, it sought to play down this report by saying that nuclear contingency planning is not unusual. But these sorts of reports have a cumulative effect on perceptions in China, Taiwan and the U.S. that can readily be interpreted as ultimately inconsistent with the Administration's declared aim of not supporting Taiwan independence.

VI. OTHER INTERNATIONAL REACTIONS: 'ONE CHINA' YES, BUT...

With few exceptions, members of the international community, whether states or multilateral organisations, have followed quite rigorously the formal diplomatic requirements of the 'one China' policy as it is seen in Beijing: full diplomatic relations with the PRC and only economic and cultural relations with Taiwan. The number of countries with which Taiwan has formal diplomatic relations has declined to 27¹⁶¹ but Taiwan has representation offices without formal diplomatic status in 62 countries, including the U.S., Britain, France, India, Russia, Canada and Japan. Important nuances have crept into the relations of many states with Taiwan, and even into the practice of multilateral organisations, to such an extent that the idea of 'unofficial relations' is looking more and more difficult to sustain.

It does need to be recalled that in anomalous cases such as that presented by China and Taiwan, the international community can tolerate a considerable diversity of exceptions to conventional practice. International law has not developed rules to deal with all circumstances that arise from division of a state through an unresolved civil war. The subject is not addressed in any detail in international treaties or customary international law. Diplomatic practice since 1945 to resolve problems caused by the unique international status of multi-system states, such as Germany, has been to apply existing rules of international law somewhat arbitrarily according to political expediency. The intrusion of politics would appear to be an enduring characteristic of international recognition practice.¹⁶²

159 The first occasion was to a closed-door meeting of the U.S.-Taiwan Business Council in St Petersburg Florida on 11 March 2002. See Bill Gertz, 'White House Backs Strong Defence of Taiwan', *Washington Times*, 11 April 2002. The second occasion was in a speech in Singapore to the inaugural meeting of Asia-Pacific defence ministers on 1 June 2002. See www.usconsulate.org.hk/uscn/others/2002/060101.htm.

¹⁶⁰ See William M. Arkin, 'Secret Plan Outlines the Unthinkable', *The Los Angeles Times*, 10 March 2002. Arkin is a leading public source analyst of U.S. nuclear policy and plans. The Nuclear Posture Review said that 'Due to the combination of China's still developing strategic objectives and its ongoing modernisation of its nuclear and non-nuclear forces, China is a country that could be involved in an immediate or potential contingency' (pp. 16-17). The Review specifically mentions the Taiwan Strait situation as one of the possible triggers for such an event. This news was as unwelcome in some military circles in Taiwan as it was in China. One Taiwan officer commented to the Taiwan parliament that this U.S. threat 'would increase the sense of mistrust and insecurity [in China] and affect [its] political and military judgement and decision-making'. He also noted that the U.S. move would 'provide hardliners in the mainland with a pretext to boost their influence'. See Taiwan Defense Ministry reply to a question from legislators, reported by Willy Wo-lap Lam, 'Taipei Opposes Nuclear Solution', *CNN.com*, 1 April 2002.

¹⁶¹ The majority of these countries are in Latin America (fourteen). There are also eight in Africa, four in the Pacific and one in Europe (Vatican City).

¹⁶² See Hersch Lauterpacht, *Recognition in International Law* (Cambridge, 1948), p. iv. The intrusion of politics into state practice on recognition of other states and the consequent blurring of 'legality' or 'legal effect' of certain actions in respect of recognition remain important aspects of the international law of recognition. See Roland Rich, 'Recognition of States: The Collapse of Yugoslavia and the Former Soviet Union', *European Journal of International Law*, Vol. 4, N°1, www.ejil.org/journal/Vol4/No1/art4.html. In fact, Rich goes somewhat further,

A. BILATERAL ADHERENCE TO 'ONE CHINA': FORMALISTIC, BUT EVOLVING

Like the U.S., all the major international and regional powers recognise the government of the People's Republic as the sole legal government of China.¹⁶³ For example, the official positions of Russia, Britain, France, Canada, Japan, Indonesia and India have for the most part been consistent with the 'one China' principle as far as the practices of diplomatic relations are concerned. The stance taken by the EU and by important intergovernmental groupings such as ASEAN reflect and reinforce this. In particular, developing countries facing their own challenges of post-colonial sovereignty give the greatest support. For example, as one Indonesian commentator noted, 'if there is one country that understands more fully than others what China's one China policy means, that country is Indonesia', which is facing separatist threats in Aceh and Irian Jaya.¹⁶⁴ This commentator, widely respected in Asia, observed that Indonesia could not tolerate Taiwan's separation from China without Chinese agreement. Most developing countries in fact maintain fairly strong support for China's position, extending even to the possible use of force.

The heads of government of Russia and its partners in the Shanghai Cooperation Organisation (SCO), of which China is a member, recently expressed explicit support for the proposition that 'Taiwan is an inalienable part of the territory of China', and that the PRC is the 'only lawful government representing the whole of China'.¹⁶⁵ The 1952 Peace Treaty between Japan and the Republic of China contained provisions that effectively recognised Taiwan as having been returned by Japan to China (albeit ROC China).¹⁶⁶

noting that 'there is a public perception that the rules of recognition are becoming increasingly uncertain'.

¹⁶³ See discussion above on the U.S. ambivalence about whether Taiwan is a part of China.

¹⁶⁴ Jusuf Wanandi, 'One Indonesia, One China', *Straits Times*, 28 December 2002.

¹⁶⁵ Declaration of the Heads of Government of Members of the Shanghai Cooperation Organisation, 7 June 2002, St Petersburg.

¹⁶⁶ See Greg Austin, *China's Ocean Frontier: International Law, Military Force and National Development*, (St Leonards, 1998), p. 171.

Since the formula for unofficial relations with Taiwan was adopted by most states in the 1970s, a number of fundamental changes in Taiwan and in international affairs more generally have increased pressure on states and international organisations to find ever more creative ways of dealing with Taiwan. These include: Taiwan's democratisation; its increased importance as a trading partner; and its increased wealth and potential to contribute to solving global problems. Taiwan's democratisation, in particular, has been lauded in all major Western capitals, and many governments have expressed confidence as well as hope that Chen Shui-bian's leadership will further peaceful resolution of the dispute.¹⁶⁷ Concern has been expressed across the board about the military build-up on both sides of the Strait, with Japan and the EU in particular calling on China to withdraw ballistic missiles deployed in the coastal provinces opposite Taiwan.¹⁶⁸ And as Jusuf Wanandi, the Indonesian commentator cited above, has noted, there is a new standard in the world for peaceful settlement of disputes, especially where there is evidence of the expressed will of the affected communities, a standard that even China must observe in how it deals with Taiwan. In fact, most ASEAN members are opposed to China's use of force against Taiwan not so much because of any principle but out of concern for how it might disturb the regional balance of power and possibly embolden China to further such action in its immediate vicinity.

A number of parliaments are becoming increasingly active in pushing for more formal relations with Taiwan, in particular those of the EU,¹⁶⁹ Japan¹⁷⁰ and Russia. These moves are often

¹⁶⁷ See for example, statement by Japan's then Foreign Minister Yohei Kono on the Result of the 2000 Election in Taiwan,

www.mofa.go.jp/announce/announce/2000/3/318.html

¹⁶⁸ Press Secretary of the Japanese Foreign Minister, "Press Conference by the Press Secretary, 8 March 1996", Available at:

www.mofa.go.jp/announce/press/1996/3/308.html;

European Parliament Resolution, loc. cit.

¹⁶⁹ The European Parliament passed a resolution in September 2002 calling for a strengthening of political ties with Taiwan, its inclusion in the ASEM process; and a recommendation that the political pillar of ASEM include a comprehensive approach to conflict prevention that would focus on political dialogue between the PRC and Taiwan as well as North Korea and South Korea:

www3.europarl.eu.int/omk/omnsapir.so/calendar?APP=PDF2YPE=PV2&FILE=p0020905EN.pdf&LANGUE=EN.

strongly backed by public or at least elite opinion.¹⁷¹ There have also been a number of intergovernmental agreements made through 'unofficial' channels. For example, India and Singapore are in the process of negotiating double taxation treaties with Taiwan,¹⁷² and Japan and Taiwan are negotiating a free trade agreement.

Two areas of activity by states having unofficial relations with Taiwan cause China particular concern: visits by high level officials (ministers or senior civil servants) and the conduct of relations in the military sphere. On the first point, a number of major countries such as Japan and regional states such as Australia relaxed their policies during the early 1990s to allow visits by ministers. Recently, there has been some return to a policy of limiting such visits, even though the past decade has on balance seen a clear shift in sympathy for expanding Taiwan's participation in international affairs – albeit still under the guise of 'unofficial' ties.

The Japan case is a good example. In 1993, Tokyo allowed the first Taiwanese ministerial visit since 1972 when Foreign Minister Frederick Chien made a 'private' visit.¹⁷³ In September 1994, Japan allowed the visit of Taiwan's Deputy Prime Minister, Hsu Li-te, in connection with the Asian Games, having been forced by Beijing to abandon a tacitly approved invitation from the organising committee of that athletic competition to President Lee. While that refusal to allow Lee to visit was a concession to Beijing, Japan did not back down altogether and the vice premier's presence lifted the level of Taiwanese officials to have visited Japan since normalisation. Nevertheless, the Japanese government sought to dress the occasion up as

successfully as it could in the one-China framework and as non-official.¹⁷⁴

In October 1994, the first official visit by a government minister from Taiwan since 1972 took place when the minister for economic affairs, Chiang Ping-kun, came to Tokyo on APEC business. Not only did Prime Minister Hashimoto chair the session, he also held a bilateral meeting with Mr Chiang.¹⁷⁵ Japan ignored warnings from China that the latter could seriously damage relations,¹⁷⁶ portraying it as part of the preparations for the APEC meeting in Osaka in 1995 that Chiang was to attend.¹⁷⁷ Subsequent to President Lee's 1995 visit to Cornell University, opposition politicians urged the Japanese government to invite Lee to visit Kyoto University. There was also domestic pressure on the government to allow Lee to participate in the Osaka APEC meeting, although China's President Jiang indicated he would boycott the meeting were this to happen.¹⁷⁸

Taiwan policy was complicated for Japan by the March 1996 missile crisis and by President Clinton's statement during his 1998 visit to China of the 'three No's' policy.¹⁷⁹ In foreshadowing President Jiang's visit to Japan in November 1998, China sought Tokyo's affirmation of those 'three No's'. Japan was unwilling but reiterated its understanding, as expressed in the 1972 Joint Communiqué, 'that there is one China'. Japan would continue, however, to maintain exchanges with Taiwan of a private or economic nature, including regional economic coordination.¹⁸⁰ Prime Minister Obuchi had earlier been reported as saying that he accepts the first two 'No's' but not the third on the grounds that Japan supported Taiwan's participation in such international bodies as APEC.¹⁸¹

¹⁷⁰ Members of the Japanese Diet have formed a Taiwan caucus.

¹⁷¹ See Brett Benson and Emerson Niou, "Public Opinion and the Taiwan Strait Conflict", February 2002. Available at:

www.duke.edu/~niou/MyPapers/public%20opinion.pdf.

¹⁷² In the case of India, the negotiations are being conducted through non-governmental bodies and the results will later be adopted independently by New Delhi and Taipei. See T.V. Shenoy, "Why Cosy up to Taiwan?" at:

www.rediff.com/news/2002/oct/09flip.htm.

¹⁷³ Ralph Clough, 'Taiwan-PRC Relations', in Robert G. Sutter and William R. Johnson, *Taiwan in World Affairs* (Boulder, 1994), p. 225.

¹⁷⁴ Press conference, Ministry of Foreign Affairs, 16 September 1994.

¹⁷⁵ Press conference, Ministry of Foreign Affairs, 18 October 1994.

¹⁷⁶ Reuters News Service, 22 October 1994.

¹⁷⁷ *Japan Times*, 24 October 1994.

¹⁷⁸ *Kyodo News Agency*, 23 June 1995.

¹⁷⁹ No independence for Taiwan, no 'one China, one Taiwan', and no support for membership in international organisations that consist of states.

¹⁸⁰ Ministry of Foreign Affairs of Japan, 'Japan-China Joint Declaration on Building a Partnership of Friendship and Cooperation for Peace and Development', 26 November, 1998.

¹⁸¹ Taiwan Central News Agency, 20 September, 1998.

Obuchi reaffirmed his support for the one-China policy and Japan's unwillingness to support Taiwan's independence during his 1999 visit to Beijing.¹⁸² Japan was also prompt to restate its support for the one-China policy after President Lee's assertion in his July 1999 interview with a German radio station of Taiwan's shift to a one nation, two states policy.¹⁸³ Japanese leaders are likely to prefer maintenance of the status quo across the Taiwan Strait or even an independent Taiwan, provided it could be achieved peacefully. But the balance of opinion in Japan is very firmly in favour of the view that stable strategic relations with China are more important than any strategic advantages offered by an independent Taiwan.

The conduct of bilateral military relations with Taiwan is probably of greater concern to China than occasional ministerial visits conducted within a very visible framework of 'unofficial ties'. China sees moves by other states to expand military ties with Taiwan as undermining its most potent tool or at least its tool of last resort for ensuring that Taiwan remains 'part of China'. The sale by third countries, such as France, of advanced weapons systems to Taiwan has been a particular point of contention but for the most part, this practice has been contained through China's imposition of diplomatic or economic sanctions on supplier countries. China is also concerned about an increase in security dialogues or intelligence exchanges between Taiwan and other countries, particularly putative strategic rivals such as India.¹⁸⁴ But this is also happening only on a small scale.

The aspect of military relations with Taiwan that concerns China more than direct military to military contacts is the participation by allies of the U.S. in its planning or policy 'positioning' for the contingency of war over Taiwan. This is discussed in more detail in a companion ICG report,¹⁸⁵ but China has expressed concern over moves by Japan,

Australia and the Philippines.¹⁸⁶ There has been a clear shift in sentiment among U.S. allies since the early 1990s that if China uses force against Taiwan, they will probably have to back Taiwan and the U.S. against China.

These military aspects of relations are likely to remain less prominent than the continuing 'battle of the diplomatic lists' in the day-to-day diplomacy of China and Taiwan. President Chen is putting far more effort into money diplomacy than his predecessor for the simple reason that as China becomes richer, it is far from clear that Taiwan's remaining diplomatic allies will stay loyal. Chen has vowed to visit all of Taiwan's 27 'allies' and in just under three years, he has made three multi-nation state visits with large delegations to fifteen countries in Africa and Central America at a cost of U.S.\$500 million. Taiwan's opposition parties deride this globetrotting 'checkbook diplomacy'. Academics and commentators wonder whether the 'allies', mostly impoverished and increasingly inclined to accept the highest bid in aid, are worth that much time and money.

Nevertheless, the Chen Administration is passionate about Taiwan's international position and willing to use confrontational tactics to strengthen it. One eye-catching example was the 'gate-crashing' trip of Vice President Annette Lu to Indonesia in August 2002. Preparations had been made in secret but were apparently leaked to the media by someone in the foreign ministry loyal to the KMT. Upon her arrival in Jakarta, the Chinese embassy had its stonewalling machine in high gear. She was refused entry to the capital and diverted to Bali for a vacation. After several days, Jakarta relented and allowed Mrs Lu to come for talks about Taiwan's substantial investment in Indonesia and disputes over the large number of Indonesian guest-workers in Taiwan. Back home, a triumphant vice president declared her trip a great victory and a major loss of face for China. But the move created resentment in Indonesia, and in December 2002 it refused a

¹⁸² Xinhua, Beijing, 9 July 1999. ((FBIS-EAS-1999-0709).

¹⁸³ Reuters, Tokyo, 13 July 1999.

¹⁸⁴ There have been reports of a military intelligence exchange program between India and Taiwan, with a military attaché despatched from Taipei to New Delhi. See Michael Dwyer, 'Strait Rivals Courted in Kashmir Conflict', *Australian Financial Review*, 4 January 2002; 'Taiwan and India to develop military cooperation', *South China Morning Post*, 3 January 2002.

¹⁸⁵ *Taiwan Strait II: The Risk of War*, op.cit.

¹⁸⁶ See Greg Austin and Stuart Harris, *Japan and Greater China: Political Economy and Military Power in the Asian Century* (Honolulu, 2001), Chap. 4; and Greg Austin, 'Unwanted Entanglement: Philippines Spratly Policy as a Case Study in Conflict Enhancement', *Security Dialogue*, March 2003.

request for a visit by President Chen, even under threat of a withdrawal of Taiwan investments.¹⁸⁷

B. MULTILATERAL RESPONSES: BEYOND ECONOMIC AND CULTURAL

China quite correctly views all efforts by Taiwan to join any international organisation as an effort to gain more recognition as a state through the back door.¹⁸⁸ But as Taiwan now argues: 'Increasing global interdependence renders the traditional concept of national sovereignty ever more abstract. Since Taiwan, like all other countries, is intimately affected by globalisation, it has a legitimate right to actively participate in multilateral mechanisms to address relevant issues'.¹⁸⁹ China has for the most part also been hostile to Taiwan's interest in applications as a non-state entity. It resists when other countries push for Taiwan's membership of these organisations since China considers that it is its prerogative 'to allow' Taiwan to participate, as it did for APEC in the early 1990s.¹⁹⁰

But the record does show that China is willing to compromise on some issues of Taiwan's participation in international organisations. As discussed above, it is now part of China's formal position on relations with Taiwan to appear more flexible on this front. It should also be noted,

¹⁸⁷ Jusuf Wanandi, 'One Indonesia, One China', *Straits Times*, 28 December 2002.

¹⁸⁸ Such efforts are part of the decades-long campaign by Taiwan to regain a place in international organisations after being ejected from all of them following the vote in the UN on which government (the PRC or ROC) should hold the China seat and subsequent derecognition of the ROC by most states. But it must be noted that since Taiwan launched a formal campaign to re-enter the UN in 1992, its bid to join other international organisations cannot be seen independently of its claim to be an independent sovereign state.

¹⁸⁹ *The Republic of China Yearbook – Taiwan 2002*, www.gio.gov.tw/taiwan-website/5-gp/yearbook/chpt09-2.htm#2.

¹⁹⁰ Taiwan has participated actively in APEC Working Groups for Trade Promotion, the Committee for Trade and Investment, the Senior Officials Meetings, annual Ministerial-level meetings, and working group meetings. In addition, Taiwan has hosted trade promotion organisation meetings and seminars on credit guarantee systems. Taiwan does not send its president to the annual APEC Heads of Government meeting. See Board of Foreign Trade, www.trade.gov.tw/eng2002/content_show.asp?NO=1010&html_code=N&Rnd=0.8931848.

however, that to date, any compromise by China has only come after considerable diplomatic effort, most often led by the U.S. For the moment, China is not really budging on new memberships for Taiwan where state sovereignty is not a requirement for membership. The main reason is that Taiwan refuses to acknowledge the 'one China' principle, has declared itself to be an independent sovereign state, and is pursuing membership of the UN on that basis.

For Taiwan, the big prize remains UN membership.¹⁹¹ In 2002, Taiwan made its tenth annual attempt to restore this membership but as in the previous years, the bid, submitted by a dozen or so Central American and Caribbean states, was not even placed on the agenda due to fierce opposition from China. Although there was considerable support for Taiwan remaining in the UN at the time the PRC was admitted, it came mainly from developed countries that no longer back Taiwan's UN membership. Since membership of the UN has increased significantly since 1971, mainly through the addition of new developing countries, there is less likelihood now that Taiwan will ever be admitted without China's prior consent. The idea of rejoining the UN was initiated ten years ago by the DPP, then in opposition, and only reluctantly embraced by the ruling KMT. Now the KMT and PFP shrug it off as a doomed cause, not worth the effort and money. More and more politicians, officials and scholars in Taiwan realise that if there is a way back to the UN, it will have to be through Beijing. A comprehensive intergovernmental dialogue on implementation of the 'one China' principle, a confederation or a 'Chinese Union' modelled after the European Union would probably be needed before Beijing could contemplate a UN

¹⁹¹ The campaign is carried out through proposals made by the ROC's diplomatic allies at the UN General Assembly, urging it to 'examine the exceptional international situation pertaining to the Republic of China on Taiwan, to ensure that the fundamental right of its 23 million people to participate in the work and activities of the UN is fully respected'. See *The Republic of China Yearbook – Taiwan 2002*. There are precedents – with the two Koreas, two Germanies and Ukraine/Byelorussia – of entities being accommodated as UN members where they are part of a larger sovereign entity (the USSR case) or have aspirations to, or the expectation of, reunification. But China's objection is of course political rather than technical, Beijing having consistently taken the view, for better or worse, that the Taiwan fly was better caught with vinegar than honey.

membership for Taiwan as an 'associated' Chinese state.

While not a UN member, Taiwan participates fully in a number of multilateral inter-governmental organisations,¹⁹² such as the Asian Development Bank (ADB),¹⁹³ the Asia Pacific Economic Cooperation (APEC) forum, the World Trade Organization (WTO),¹⁹⁴ Interpol and the International Olympic Committee (IOC). In each case, name issues have arisen as part of obtaining China's acquiescence. A number of formulas are in use, such as 'Taiwan, China' (Interpol), 'Taipei China' (APEC, ADB), 'Chinese Taipei' (IOC) and 'Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu' (WTO). As can be seen from this representative list, the majority of the organisations are economic in focus. Taiwan also participates in a number of second track diplomatic initiatives, such as the Council for Security and Cooperation in the Asia Pacific (CSCAP). A resolution passed by the European Parliament in September calls for Taiwan to be integrated into the Asia-Europe Meeting (ASEM) process¹⁹⁵

One challenge for the international community and Taiwan has been to integrate Taiwan into international organisations where other fields of

policy have come into play. An example was Taiwan's adherence to International Atomic Energy Agency (IAEA) safeguards. Taiwan ratified the Nuclear Non-Proliferation Treaty (NPT) on 27 January 1970 but in 1972 was suspended from the IAEA. In spite of the absence of a formal link between Taiwan and the organisation, the U.S. has indicated that it regards Taiwan as bound by the provisions of the NPT, and Taiwan has said that it will observe its regime. The IAEA applies safeguards to Taiwan's nuclear materials on an 'unofficial basis'.¹⁹⁶ (This did not stop Taiwan from pursuing a covert nuclear weapons development program in stops and starts, or at least keeping alive its interest in one, from the 1960s until the mid-1980s.)¹⁹⁷

Over the last seven years, Taiwan has pressed governments to support its application for observer status in the World Health Assembly (WHA), the governing body of the World Health Organization (WHO). Its push for status as a "health entity" in the WHA, following the success in 2000 of its three-year bid for entry into a new regional fisheries commission,¹⁹⁸ produced important breakthroughs in

¹⁹² Seventeen according to the Taiwan government. See *The Republic of China Yearbook – Taiwan 2002*.

¹⁹³ Taiwan was still a member of the ADB when in 1983 China expressed its intention to join, associated with a demand for Taiwan's expulsion. In 1988, after years of diplomatic wrangling and strong U.S. insistence that Taiwan remain a member, Taiwan finally agreed to continue its participation in the ADB alongside China under the terms eventually agreed by China: that Taiwan's name in the bank should be re-designated as 'Taipei, China'. See Kun-Shuan Chiu, 'The United States and the ROC's Membership in International Economic Organizations', in David Tawei Lee and Robert L. Pfaltzgraff Jr, *Taiwan in a Transformed World* (London, 1994), pp. 121-123.

¹⁹⁴ Taiwan applied for membership of the General Agreement on Tariffs and Trade (GATT) in 1990 under the name of 'Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu'. The application was transferred to the WTO when it was created in 1995. On 11 November 2001, the trade ministers unanimously approved Taiwan's bid. Taiwan's formal membership took effect on 1 January 2002.

¹⁹⁵ See European Parliament resolution on the Commission Communication on Europe and Asia: 'A Strategic Framework for Enhanced Partnerships', 5 September 2002, excerpts on Taiwan available at: www.taiwan-info.de/html/english/eup-resol0902-en.htm.

¹⁹⁶ James A. Kelly, 'Breaking the Walls of Separation: Taiwan's Growing Ties to Multilateral Institutions', in Lee and Pfaltzgraff (eds), op cit, p. 136.

¹⁹⁷ David Albright and Cory Gray, 'Taiwan: Nuclear Nightmare Averted', *Bulletin of the Atomic Scientists*, January/February 1998, Vol. 54, N°1, www.bullatomsci.org/issues/1998/jf98/jf98albright.html.

¹⁹⁸ In September 2000, parties meeting in connection with the Convention on the Conservation and Management of Highly-Migratory Fish Stocks in the Western and Central Pacific Ocean agreed to permit Taiwan to become a member of the associated Commission, an international organisation, to be established on the basis of the Convention. Taiwan will enjoy all the rights of a founding member of the Commission. This is the first time since Taiwan was ejected from the United Nations in 1971 that it has enjoyed full parity with and participated alongside China in talks on a multilateral convention, and gained the right on the basis of such a convention to participate as a founding member in an international body. Taiwan signed the Convention not as a contracting party, but as a fisheries entity going by the name of Chinese Taipei. Once the Commission has been officially established, Taiwan will be able to join with most of the rights enjoyed by other members. However, Taiwan will not be allowed to take part in discussions on where to locate the Commission's headquarters; cannot put forth candidates for the position of chairman or vice chairman of the Commission; cannot take part in the hiring of the Commission's executive director; and cannot take part in decisions regarding the admission of new members. China was adamantly opposed to Taiwan participating in the Convention. Beijing directed its

public support in the U.S., UK,¹⁹⁹ Japan²⁰⁰ and the EU. The parliaments in the U.S.²⁰¹ and the EU²⁰² passed measures supporting Taiwan's membership. In the U.S. case, this was actually an April 2002 law authorising the State Department to develop a plan to help Taiwan gain observer status in the WHA. (The U.S. decided as part of its Taiwan policy review in 1994 to actively support such bids and to look for ways to have Taiwan's voice heard in international organisations where membership was not possible.) That said, at the WHA meeting in May 2002, the U.S. delegate failed to speak as strongly as Taiwan had been promised, and leading governments in Europe also backed away from private undertakings they had made to Taiwan representatives,²⁰³ although Japan issued a statement of support. At the May 2003 WHA meeting, despite the new impetus provided by the SARS crisis, vigorous lobbying by the U.S. State Department, and strong support from the UK, EU, Japan and others, Beijing leaned on enough member states to keep the issue off the official agenda.

VII. 'ONE CHINA' IN TAIWAN'S DOMESTIC POLITICS: WHAT ROOM FOR MANOEUVRE?

Though not yet complete, the erosion of support in Taiwan for the 'one China' concept has been substantial. Trying to pin down the exact dimensions of the erosion is a topic of intense political and scholarly debate in Taiwan itself. There is certainly some pressure on the government from the electorate to be seen to be doing more to promote an independent foreign policy, even at the risk of annoying China.²⁰⁴ There is now a regular chorus of assertion from many sides of politics and the public in general that Taiwan is an independent sovereign country.²⁰⁵ In August 2002, after Chen created a small storm of protest from China and the U.S. by referring to China and Taiwan as separate countries,²⁰⁶ the Cabinet Level Mainland Affairs Council (MAC) tried to calm the waves by issuing a position paper that did not in fact resile from the main point. The MAC explained that all Chen

embassies to demand that nations taking part in the negotiations abide by the 'one China' principle, and also lodged a protest with the UN, proposing more than 20 restrictions on Taipei's participation. Taiwan was finally able to overcome many of these obstacles with the help of a leading international fisheries official. See 'Taiwan to be founding member of fisheries body', *China Times*, 28 September 2000. www.taiwanheadlines.gov.tw/20000928/20000928p4.html.

¹⁹⁹ John Battle, Minister of State, British Foreign and Commonwealth Office, 'Taiwan's relationship with the World Health Organization'. Available at: www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1007029391629&a=KArticle&aid=1013618401732.

²⁰⁰ "MOFA to continue seeking support for renewed WHO bid", *Taiwan Headlines*, Available at: www.taiwanheadlines.gov.tw/20020530/20020530p3.html.

²⁰¹ Public Law 106-137 Concerning the Participation of Taiwan in the World Health Organization (Enacted 7 December 1999). Available at: www.taiwandocuments.org/pl106-137.htm

²⁰² "European Parliament resolution on the Commission Communication on Europe and Asia: A Strategic Framework for Enhanced Partnerships". Available at: www3.euro.parl.eu.int/omk/omnsapir.so/calendar?APP=PDF&TYPE=PV2&FILE=p0020905EN.pdf&LANGUE=EN.

²⁰³ ICG interviews, May 2002.

²⁰⁴ See Su, 'Domestic Determinants of Taiwan's Mainland Policy', op. cit. Su writes: 'Translating this popular sentiment into policy practice would necessarily entail greater confrontation with the PRC and more frictions with Taiwan's friends abroad who may wish to maintain good relations with both and yet avoid being drawn into their bilateral conflict. The Taipei government is thus caught between the rock and the hard place. Pushing too hard on the foreign front may damage the cross-Strait relations and create tension. Yet doing little, for whatever reason, runs the risk of being perceived by the voters as too soft'.

²⁰⁵ As one scholar summarised it: 'The precise policy stance of the plural pro-independence forces which are going to dominate Taiwan's politics remains to be determined, but an air of realignments and constitutional reforms aimed at the establishment of sovereign statehood is pervasive. Perhaps only a convincing move toward democratic changes in the People's Republic could imprint a different direction in the historical trend of Taiwan'. See Leopoldo Lovelace, Jr, 'Is There A Question of Taiwan In International Law', *Harvard Asia Review*, 2 June 2000.

²⁰⁶ Chen said: 'Taiwan is not a part of any other country, nor is it a local government or province of another country. Taiwan can never be another Hong Kong or Macau, because Taiwan has always been a sovereign state. In short, Taiwan and China standing on opposite sides of the Strait, there is one country on each side'. See Opening Address of the 29th Annual Meeting of the World Federation of Taiwanese Associations via Live Video Link. www.president.gov.tw/1_news/index_e.html. Chen also said: 'I sincerely call upon and encourage everyone to give thought about the importance and urgency of initiating a referendum legislation'.

meant was that Taiwan is an independent sovereign country.²⁰⁷

The two major parties and majority opinion in Taiwan oppose provoking China to any extreme response by a blatant and unredeemable move toward a break, and they favour continuing progress toward peaceful and mutually advantageous relations.²⁰⁸ But there is not much consensus on the degree of 'wobble room' that remains for testing China's patience. The major parties want Taiwan to be recognised as a sovereign state and to keep pushing the limits, but cannot agree on how this should be done. At the other end of the spectrum, there is certainly no consensus for a move toward meeting China's demand for recognition of the 'one China' principle.

Trends to date suggest strongly that the DPP under President Chen is unlikely to satisfy that demand. Although he has for the most part taken a low-key approach since May 2000, one observer noted that his 'inclinations toward the "new paradigm" [an independent Taiwan] seem to be more pronounced and more frequent in his second year as the President than in his first year'.²⁰⁹ He has done nothing in his third year to move back toward China's demand. For these reasons, the old 'one China' principle in state practice on formal diplomatic recognition of China or Taiwan does not really operate as any sort of constraining force on this emerging domestic sentiment. That is the principal problem for states today: their main policy framework for handling Taiwan affairs for

more than two decades is no longer very helpful in addressing the destabilisation of that policy.

Two main parameters are shaping the 'wobble room' available to Taiwan on the 'one China' principle: national identity and party politics. This section reviews these and concludes with an assessment of how nationalist politics is beginning to take hold in a way that – unless and until coherent leadership of an opposite line emerges to stabilise opinion in favor of some form of unification or integration – can only further erode support in Taiwan for the 'one China' idea.

A. NATIONAL IDENTITY

The importance of Taiwan's new national identity in present day politics and in how individual Taiwanese see themselves and others has been attested by many observers. One of the best illustrations occurred in the 1998 Taipei mayoral election campaign, in which the KMT candidate, Ma Ying-jeou, defeated the DPP candidate (now Taiwan President), Chen Shui-bian, in large part thanks to the KMT's campaign theme of the 'new Taiwanese'. Former President Lee recounts the turning point in the campaign when, in order to help Ma garner support from Taiwan-born voters, he challenged him in public at a rally to answer the question: 'Where are you from? What are you?' Ma, who was born in Henan Province on the mainland in 1950, replied in a Taiwan language (Holo): 'I was brought up in Taiwan and raised on the nourishing food of Taiwan. I love Taiwan. I am a new Taiwanese'.²¹⁰ Though this was a local election, similar sentiments about identity abound at the national level as well: to be successful, political candidates need to aspire to the 'new Taiwan' identity – no matter that this is not a commonly understood commodity.

The movement for building a new Taiwanese identity has many sources, many advocates and many forms. Some independence advocates cite a long struggle against almost 400 years of

²⁰⁷ Central News Agency, 8 August 2002. The report refers to a position paper released by the Mainland Affairs Council specifically to explain what Chen said in a televised address to the Federation of Taiwan Associations meeting in Japan on 3 August.

²⁰⁸ Some analysts even suggest that this consistency is being imposed by the fact that Taiwan's political system is one of money politics. The argument is that large Taiwan firms with significant business interests in China have gradually tamed even the DPP into being less confrontational toward China, including through agreeing in 2002 to submit legislation for the restoration of comprehensive direct air and shipping links with the mainland. ICG interviews, May 2002. In his inauguration speech of May 2000, President Chen referred to money politics and the influence of organised crime on Taiwan politics, and he vowed to 'eliminate vote-buying and crack down on "black-gold" politics'.

²⁰⁹ Su, 'Domestic Determinants of Taiwan's Mainland Policy', op.cit.

²¹⁰ Lee Teng-hui, "The Road to Democracy: Taiwan's Pursuit of Identity", PHP Institute, Tokyo, 1999, p. 192. Other sources note that Ma claimed at the time to have been born in Taiwan (in Wanhua). See Stephane Corcuff, "Taiwan's "Mainlanders", New Taiwanese?", in Corcuff (ed), *Memories of the Future: National identity Issues and the Search for a New Taiwan* (Armonk NY, 2002), p. 187.

continuous foreign rule: first against the Dutch (1624-1662);²¹¹ then against Koxinga (a mainlander of mixed stock who expelled the Dutch) and his successors from 1662 to 1683; against the Qing Dynasty ('an alien regime') that conquered China in 1644 and took over Taiwan in 1683; against Japan from 1895 to 1945; and then against the KMT (after 1945). These advocates of a new Taiwan identity paint today's Taiwanese as the political heirs of, and victors in, an anti-colonial struggle against occupying powers: first Japan, but especially the Chinese KMT. As a result, for these independence advocates and many others in Taiwan, calling oneself 'Taiwanese' means being descended from people who were in Taiwan before 1895, even if these in turn were descendants of people who had migrated from the Chinese mainland.

Some 85 per cent of the 22 million people in Taiwan can trace their origins to migration from the two provinces opposite the Taiwan Strait, beginning in large numbers several centuries ago. These Taiwanese speak the southern Chinese dialects Hakka and Minnan (Hokkien) and are identified by some ethnologists as Han Chinese. Other commentators try to distinguish the descendants of immigrants from Han Chinese. William Lo, secretary-general of the Presbyterian Church of Taiwan, explained that the southern Chinese migrants became different people from the Han on the mainland after their arrival in Taiwan because the men came single and mixed with dark-skinned aboriginal women to create a new race or separate ethnic group.²¹² Prior to the Dutch colonisation, Taiwan had only a population of aborigines, which group now numbers about 300,000.

About 14 per cent of the people of Taiwan are the offspring of the KMT army and government personnel and other refugees who came to Taiwan with Chiang Kai-shek in 1948 and 1949, or in later evacuations of ROC controlled islands, such as Dachen which fell to the Communists in 1955.

There were probably about one million mainlanders in a total Taiwan population at that time of about seven to eight million. In the past, these people were commonly referred to as 'Mainlanders' (*Waisheng-ren*, which means people from other provinces of China apart from Taiwan Province). Lee Teng-hui and others call this group 'latecomer Taiwanese'. Others less well disposed refer to them now as 'Chinese', which in their view distinguishes them pejoratively from 'Taiwanese'.

Thus, calling oneself Taiwanese as opposed to Chinese has a certain political meaning for supporters of Taiwan independence. As with any ethnic label in a situation of rapidly evolving political formation, and after five decades of intermarriage, there is great potential both for confusing usage and political manipulation. This has been aggravated in Taiwan by the confrontation between China and Taiwan since 1995. Now to be labeled Chinese is to be seen by some as a supporter of China, and to be labeled Taiwanese is to be seen as being a true patriot. A poll, conducted as something of a political stunt by a group of 39 legislators in November 2002, identified leading opposition politicians, James Soong and Ma Ying-jeou as the 'least patriotic politicians in the country', an allusion not just to their policies but to their ethnic origins.²¹³

In an opinion poll conducted several times each year since 1996, on average about 60 per cent of respondents have seen China as hostile toward the Taiwan government and about 45 per cent have seen it as hostile toward the people of Taiwan.²¹⁴ In a poll released in August 2002, some 55 per cent recorded the view that Taiwan should continue to press for an end to its international isolation even at the risk of increased tension with China.²¹⁵ About 70 per cent were against the 'one country, two systems' concept.

It has become customary for many in Taiwan to think of themselves as 'Taiwanese' by nationality but culturally 'Chinese'. But even this has its complications, especially those arising from 50 years of Japanese colonisation. Unlike in other

²¹¹ The Dutch introduced sugar-plantations, which laid the foundation for Chinese mass-migration, and Protestant Calvinism, which left a base for Scottish Presbyterian missionaries to continue this work in the 1880s. The Presbyterian Church, as the oldest protestant group in Taiwan, is completely indigenised – one reason why it is highly politicised and one of the core standard-bearers of Taiwan's separate identity.

²¹² ICG interview, Taipei, August 2002.

²¹³ See Ko Shu-ling, 'Question of Loyalty Causes Controversy in the Legislature', *Taipei Times*, 6 November 2002.

²¹⁴ See www.mac.gov.tw/english/index1-e.htm.

²¹⁵ 'MAC Finds "One Country, Two Systems" Runs against Public Opinion', *China Post*, 24 August 2002. See the further discussion of opinion poll evidence below.

Asian countries, especially Korea and China where the Japanese were notorious for their cruelty, their rule in Formosa (as Taiwan was then called), was harsh, but in contrast to Chinese administration on the mainland, orderly and in some ways positive. Many elderly Japanese-educated Taiwanese, including former President Lee, speak about the good old days under the Japanese. Lee likes to stress his hybrid bicultural identity and speaks better Japanese than Mandarin Chinese, which he only started studying at the age of 21. Although Lee used the KMT skillfully to rise to the top, he later spoke about it as 'the alien regime'.

A further complication with assertion of a Chinese cultural identity is that following reversion to Chinese control at the end of World War II, the Taiwanese were thoroughly 're-Sinified' – but only by KMT repression. They were indoctrinated with an entirely negative view of their own local culture. In two short years, the KMT alienated the people of Taiwan with governmental behavior that was vastly inferior – more uncivilised, more corrupt, more lawless, and more arbitrary – to that of their Japanese predecessors. When the Taiwanese rose in rebellion on 28 February 1947, the army suppressed them with utmost brutality, particularly targeting the intellectuals and the middle class and alienating the Taiwanese profoundly from their new mainland Chinese masters.²¹⁶ Many Taiwanese fled to China – not yet fully Communist – and to Europe and the United States. They founded a global umbrella organisation, the 'World United Formosans for Independence' (WUFI) that fought KMT rule from exile until the late 1980s.

Revulsion over the '2-28' massacre and the repression of local culture only strengthened Japan nostalgia among the majority of Taiwanese and weakened the appeal of 'Chineseness'. Minnan and Hokkien languages and local literature were completely banned in schools, radio (and later TV), the print-media and book-publishing. In 1986 and 1987, when the ban on opposition parties and martial law

were lifted, a new era in Taiwan politics and society opened: free travel to the mainland, democratisation, and relaxation in inter-ethnic relations. The mass media, freed from KMT censorship, started to promote native Taiwanese folksongs, movies in indigenous languages, books and magazines on local Taiwanese history, literature, politics and customs. This suppression and then liberalisation of local culture, more than anything else, forged the modern anti-Chinese, separatist Taiwanese identity.

The gradual democratisation launched by the KMT also meant Taiwanisation because of overwhelming demographics. The appointment of Lee Teng-hui, Taiwan-born, as Vice-President during the final years (1984-1988) of Chiang Ching-kuo's rule was one of the earliest signs of this inevitable Taiwanisation at the highest level of government. When Lee became the first Taiwan-born president in 1988, the overwhelming majority of Taiwan's people still saw themselves as Chinese, but a new 'Taiwan identity' was unmistakably emerging. Through their mass travel to the mainland, the Taiwanese saw how economically advanced they were and backward much of the mainland was. They took pride in their modernity. Their strong determination to reject Beijing's communism and united front tactics set them apart from the Mainland Chinese. Due to Lee Teng-hui's massive recruitment of Taiwanese into the KMT, the old political conflict between native Taiwanese and Mainlanders became less pronounced. As the KMT became Taiwanised, the opposition party, the DPP, set up in 1986, was forced to redefine the political content of the Taiwan independence movement from anti-KMT to anti-Mainland China and anti-reunification.²¹⁷

As the above discussion suggests, the relationship between the resident Taiwanese and their mainlander occupiers was, with only a few brief and bloody exceptions, not so much one of sustained political struggle at the end of which the occupier might one day be evicted, but one in which the Taiwan population had to face 'settler colonialism'

²¹⁶ Wang Ming-jen, a senior minister of the Presbyterian Church, has designated the 2-28 Incident as the third largest massacre of the twentieth century, after the Holocaust and the Genocide on the Armenians by Ottoman Turks. Wang Ming-jen, 'Leaving the darkness of 2-28 behind', *Taipei Times*, 29 February 2000. Though he overlooks the Rwandan Genocide, 2-28 may still be the fourth largest. An estimated 30,000 Taiwanese were killed. See footnote 14 above.

²¹⁷ This paragraph has been derived from Hsin-huang, Michael Hsiao and Alvin Y. So, 'Economic Integration and the Transformation of Civil Society in Taiwan, Hong Kong and South China', in Shu-min Huang & Cheng-kuang Hsu (eds), *Imagining China: Regional Division and National Unity* (Taipei, 1999); and ICG interview with Michael Hsiao, August 2002.

by people who had been cut off from their source.²¹⁸ The two groups (Taiwanese and mainlanders) had to fight over a way to live with each other, and to integrate. This was at times marked by widespread brutality, but the Taiwan-born people did not have the capacity to evict the occupiers until the two communities had become so integrated that it was no longer possible to contemplate it.

Thus, part of the new identity argument in Taiwan is about ethnic origins, a subject that is as complex and politicised in Taiwan as in many other countries, though it has not, in recent decades at least, produced extreme ethnic hatred and large scale violence. The 1947 massacre remains, as noted above, a reference point for current representations of ethnicity and identity, but most senior politicians take pains to discourage any vilification on ethnic lines. For example, Vice President Annette Lu in a speech on 17 November 2002, warned of the dangers of ethnic conflicts arising from radical efforts to remove references to 'China' from public institutions. She said: 'There should not be any divisions between mainlanders and local Taiwanese'.²¹⁹ But these attempts by politicians to soften inter-ethnic differentiation have not obliterated the underlying hostility toward people identifying as Chinese by many who identify as Taiwanese only.

The hard-line advocates of independence (a minority) within the DPP, including President Chen Shui-bian, along with other groups (the Taiwan Solidarity Union, the splinter Nation Building Party, the splinter Taiwan Independence Party, and a number of associations and societies in Taiwan and worldwide) reject any suggestion that they are Chinese. They see themselves as only Taiwanese. And there are occasions when political leaders use ethnic identification (Chinese or Taiwanese) as a lever for political gain. There is anecdotal evidence – perhaps confirmed by public statements from people like Lu appealing for calm – that there has been some rise in vilification along ethnic lines (mainlander versus Taiwanese).²²⁰

A considerable amount of public polling has been conducted on the issue of 'national identity' and its

relationship to the question of Taiwan independence. Most shows an increase in the number of people identifying as Taiwanese in preference to Chinese. According to National Chengchi University's Election Research Center, in 1991 18.2 per cent identified themselves as Taiwanese, 23.5 per cent as Chinese, and 50.4 percent as both. By 2000, this had changed dramatically: 50 per cent identifying as Taiwanese, 8 per cent as Chinese, and 39 per cent as both.²²¹ Other polls confirm these general trends, with one showing an even lower percentage (7 per cent) identifying as Chinese.²²² The precise form of the questions used and the lack of any more penetrating questioning about what the selected identity means to the respondent limit their value. In particular, it would be useful to know what those identifying as both Chinese and Taiwanese specifically felt about unification with China or about a radical move by Taiwan to sever the few remaining symbolic ties to China.

The available data from other questions in these polls show that the number identifying as Taiwanese has been far greater than the number supporting 'independence' now. For example, in one poll taken in May 2000, the month of Chen Shui-bian's inauguration as President, the percentage of respondents who advocated 'independence as soon as possible' was only 5 per cent. Analysts more sympathetic to the KMT, to unification or to maintaining the status quo place considerable store in such figures and in the fact that by far the greater proportion of respondents has favoured maintaining the status quo at least for now (63.4 per cent in the May 2000 poll), or indefinitely (another 16.6 per cent). More detailed polling figures on this subject are in the following table:

²¹⁸ Rwei-Ren Wu, 'Toward a Pragmatic Nationalism', in Corcuff (ed), op cit., pp. 211-212.

²¹⁹ See 'Activists Call for Revamping of Country's Name', *Taiwan News*, 18 November 2002.

²²⁰ ICG interviews, November 2002.

²²¹ Szu-yin Ho, 'Identity, Interests and Interaction between Taiwan, China, and the United States', paper presented in Berlin, 27 October 2002. Ho is the Director of the Institute of International Relations of National Chengchi University.

²²² See Su, 'Domestic Determinants of Taiwan's Mainland Policy', op.cit.

Opinion Poll Results on Status Quo, Independence and Unification²²³

	May 2000	April 2002	December 2002
Unification as soon as possible	4.1	1.8	4.2
Independence as soon as possible	5.0	4.5	5.9
Status quo now, Independence later	12.0	15.2	10.0
Status quo now, Decision later	42.3	36.5	33.3
Status quo indefinitely	16.6	14.0	21.5
Status quo now, Unification later	19.1	13.3	10.3

However a closer look at this data suggests that most in Taiwan are not so overwhelmingly opposed to independence as the large support for the status quo suggests. As shown in the Table 1 results for May 2000, April 2002, and December 2002, the status quo option usually provides four different sub-questions, including 'independence later'. Thus, if one adds the results for 'independence as soon as possible' to 'status quo now, independence later', it appears that clear support for independence sooner or later was around 15 to 20 per cent between April 2000 and December 2002.

But it would be wrong to place too much emphasis on these polls. The question about 'favouring independence' or 'favouring the status quo' is particularly flawed since neither is well defined, and this sentiment is highly conditioned by China's military threats. The large middle ground ('status quo now, decision later'), probably reflects the many people who would favour independence if China was not threatening Taiwan. If Beijing were ever to make clear that Taiwan could choose its own path without adverse consequences, the support for independence would likely be much higher than indicated in these figures. The trend in a variety of polls over the last twelve years shows a decisive shift in favour of 'independence'. In

particular, as Mainland Affairs Council statistics on these polls show, opposition to China's 'one country, two systems formula' has consistently run at more than 70 per cent for twelve years, dipping in some three-monthly periods to just below 70 per cent, but peaking at key points of crisis or political change (1995, 1999, May 2000) in the high 80 per cent range.

Moreover, the polls show that there is (as would be expected) a degree of sensitivity to political stimulus. For example, in one series, support for independence almost doubled, from 15 per cent to 28 per cent in 1999, in response to renewed Chinese pressure on Taiwan after President Lee's statement on 'special state to state relations'.²²⁴ This highlights the importance of the 'sleeper factor': that is, apart from those firmly favouring independence at some time (the 15 to 20 per cent), the roughly 40 per cent of Taiwan voters favouring the status quo now and a decision later can probably be assumed to be swing voters who would be the target of any political campaign for a radical move to sever the last symbolic ties with China. It would also be prudent to see this large group of 40 per cent ('status quo now/decision later') as well represented in the 55 per cent who want Taiwan to continue to press for an end to its international isolation even at the risk of increased tension with China and the 70 per cent who are against the 'one country, two systems' concept, as mentioned above.

All poll data suggests that 'unification' is simply a failing cause. Even if that interpretation is too strong, there seems to be little evidence that unificationists have as many levers to increase support as the independence camp. The military tension of 1996 pushed backing for unification to a peak (24 per cent) but it returned by 2002 to a low of 15 per cent, after starting on 17 per cent in 1992.²²⁵ That said, it needs to be reiterated that the term 'unification' in these polls is as undefined as 'independence' and therefore of questionable validity given the range of possible variations.

Other analysts have characterised this middle ground that favours continuation of the status quo as

²²³ Source: Mainland Affairs Council, www.mac.gov.tw/english/english/pos/9112/9112e_1.gif.

²²⁴ Data from Mainland Affairs Council, 'Seeking Constructive Cross-Strait Relations: Taipei's Current Mainland Policy', Taipei, April 2002, p. 12-2.

²²⁵ Data from Ho, 'Identity, Interests and Interaction between Taiwan, China, and the United States', op. cit.

pragmatists and note from additional data that the intensification of Chinese pressure in 1996 actually increased their number. For example, it has been suggested that this group (about 40 per cent in 1996) would accept either unification with China or Taiwan independence depending on which offered a lasting peace (or on China catching up to Taiwan's level of democratisation and economic liberalism).²²⁶

The demographic data that others have advanced in support of such arguments are as follows. Taiwan is already a 'pan-Chinese', cosmopolitan society with 3.5 to 4 million out of 22 million people who consider themselves not Taiwanese, but 'Chinese from Taiwan'. The 12 per cent Hakka, 2.75 million people, do not consider themselves exclusively Taiwanese either. Demographic integration with the mainland has unfolded on a massive scale in recent years. Approximately half a million 'people from Taiwan', both 'Chinese and Taiwanese', now live in the Shanghai area as businesspeople and IT-specialists. The total of 'Taiwan-people' now residing all over China is estimated by some at over one million. Tens of thousands of Taiwanese students study at mainland universities in the hope of becoming officials and successful businesspeople there. As Taiwan is now beginning to liberalise its regime for mainland Chinese citizens visiting and working in Taiwan, this process of integration at the personal level can only be expected to intensify.

The important conclusion from the above, though, is that building majority support for either Taiwan independence or unification can probably not be achieved without further strong political direction, campaigning and mobilisation – or a renewal of military confrontation or other coercion by China. Former president Lee Teng-hui and his new TSU party have shown willingness to give such a lead, but other parties present confused or obfuscated positions. Within the DPP, only the fundamentalists and hardliners, who include President Chen, seem to be willing to practice this kind of politics. The majority of Taiwan's politicians appear to have been prepared, in the recent past at least, to live with ambiguity in preference to pushing either radical idea – independence or unification – too hard.

B. PARTY POLITICS

The domestic political order in Taiwan is highly unstable, with several recently established major parties operating in a new system after the overthrow of a one-party (KMT) dictatorship that had been in place for more than 40 years. The system itself is still reeling from a decade of dramatic evolution, with an important election almost each year since 1991.²²⁷ The first democratic elections for the national parliament came only in 1992 and the first direct election of the President by universal franchise only in 1996. Beginning in 1991, there have been six constitutional revisions that were intended for the most part to provide for this process of democratisation but also affected the positioning of Taiwan on its relationship to the mainland. The constitutional amendments were further shaped to suit the short term goals of politicians, for example by providing for direct election of the President in only one round, a situation that fits imperfectly with the multiparty character of the current system. Chen Shui-bian was elected by a 39 per cent plurality at a time when his party, the DPP, held only 70 of 225 seats in parliament.

The parties, factions and ethnic groups are deeply divided about the future and the 'one China' principle. There is no longer any agreement even on what 'maintaining the status quo' in cross-Strait relations means. And no party or political leader has a plan for moving forward on Taiwan's status in the near future in a way that is acceptable to China or practicable. Without a new cross-Strait bargain, there is little hope that domestic politics will facilitate a return to the calm in relations that prevailed during the early 1990s. Of the major parties, the DPP is deeply split, the KMT has divided more than once, and the others – the PFP and the TSU – are new and relatively untested. The following discussion seeks to give some flavour of the dynamics of party politics to illustrate the prominent, though clearly not central, role that the status question can play. The sort of infighting outlined is not unusual in any political system, but it comes at some considerable cost to Taiwan when basic issues of system consolidation, national identity formation and external threat have to be faced. The fluidity in the political system and

²²⁶ Robert Marsh, 'National Identity and Ethnicity in Taiwan: Some Trends in the 1990s', in Corcuff (ed), *Memories of the Future*, op. cit., p. 147.

²²⁷ Elections for the National Assembly, Legislative Yuan, Governor of Taiwan Province, President, and the Mayors of Taipei and Kaohsiung.

party allegiances provides fertile ground for adventurist politics.

A number of senior political analysts in Taiwan are saying that the Presidential election scheduled for 20 March 2004 will be dominated by the politics of identity and that the consequences are quite unpredictable.²²⁸ Against a unified opposition ticket, the DPP might have few options but to play the card of identity politics to drive a wedge into the opposition voter base. In April 2003, after the KMT and PFP had decided in principle on a joint ticket and when the exact date of the election was announced, the DPP trailed the opposition pan-Blue camp (KMT and PFP) very badly in the polls: 27 per cent to 44 per cent.²²⁹

That said, there is a real question as to whether this new momentum can be sustained. The joint ticket was agreed in principle between the two parties only in February 2003, very little is known of the deal that was done to secure it, it is a long way to the election, and cleavage seems very likely. The two main actors, Lien Chan and James Soong, are not the best of friends, speaking directly to each other rarely if at all.²³⁰ The biggest worry many in the KMT have about the 2004 presidential election stems from the fact that Lien is a very lacklustre candidate, who won only 23 per cent of the vote in 2000. Soong, at the head of a new minor party, won 37 per cent, and many in his party do not really want to settle for him being number two on the ticket.

In the legislative elections of December 2001, as noted elsewhere, the DPP and TSU together gained 100 of 225 seats. If the TSU supports the DPP in 2004, as Lee has said it will, the DPP would be not far from commanding a majority. It would only need to improve by 10 per cent on its 2000 result. Moreover, the KMT stands for nothing very much except patronage and the past. Lee Teng-hui and Chen Shui-bian may well be effective in airing its considerable dirty laundry.

²²⁸ ICG interviews, May, October, November 2002.

²²⁹ 'Polls Indicate Strong Support for Lien-Soong', *China Post*, 20 April 2003.

²³⁰ That the personal relationship is strained is perhaps not surprising. The KMT allowed Lee Teng-hui to undermine Soong in the years preceding the last presidential election, in which Lien and Soong were rival candidates. Soong, at the head of a splinter party, then outpolled Lien, at the head of the KMT.

1. DPP Factionalism

Forming opposition parties was illegal in Taiwan until 1987 but the DPP was established in September 1986 by 132 dissidents, among them many former political prisoners and politicians who had participated in parliamentary politics as independents or 'non-party' individuals (*tang-wai*, which means those 'outside the party', i.e. the ruling KMT). The founders came from a loose alliance of action groups that relied on street protests and the publication of dissident journals and whose main common goal was an end to the KMT's martial law regime. There were in addition pro-independence, anti-nuclear, environmental, feminist, social welfare and human rights groups. Many of these still operate as separate factions within the DPP. The party's main political goal in 1986 was termination of Martial Law, not resolution of the status conflict with China. But the two issues were intertwined. The Taiwanese majority – 85 per cent – had no political power. Many of their leaders had been killed by the KMT military and security apparatus in 1947 or had fled abroad, where they became Formosan nationalists. Independence became an important issue in the DPP only after the death of Chiang Ching-kuo in 1988, when there was fear of a coup by pro-mainland KMT generals. On that issue, the party has three main factions: pragmatic moderates, pragmatic hardliners and fundamentalists. President Chen Shui-bian can be described as a pragmatic hardliner, somewhere in the middle of his pro-independence party.

Independence and identity became core issues in 1992 and 1993, when President Lee Teng-hui, himself a native Taiwanese, started inviting the leaders of the World United Formosans for Independence (WUFI)²³¹ back home. Simultaneously Lee started the process of democratisation and further localisation of the KMT, which duplicated, complicated and rivalled the DPP's development as the sole standard-bearer of democratisation and 'Taiwanisation' of Mainlander-dominated politics. As a result, independence took a more central place in DPP politics than originally envisaged. The former

²³¹ WUFI is the precursor of the World Federation of Taiwanese Associations (WFTA).

exiles established the Taiwan Independence Alliance within the DPP.²³²

As cross-Straits economic interaction intensified, the DPP shifted its position towards China from the right of self-determination to 'already existing sovereign independence'. This shift was formalised in its 1999 'Resolution Regarding Taiwan's Future' (discussed above). Independence was only one of many highly divisive issues within the DPP. Hsu Hsin-liang, one of the founding fathers and a two-term party chairman, had become increasingly opposed to independence activism. After visiting China, Hsu became convinced that China only wanted symbolic unification and that if Taiwan did not agree and speed up establishment of direct links, economic disaster would befall the island.²³³ Amid a raging internal party debate over whether to abandon the goal of independence, Hsu left in April 1999 to run for president as an independent. He could not be the DPP candidate because its pro-independence sentiment was too strong.²³⁴

Another founding father and former party chairman, Shih Ming-teh, was drifting away from the party as well. He had returned his membership card already in September 1999 but party chairman Lin Yi-hsiung refused to accept it and organised a massive campaign to persuade Shih to change his mind. Shih finally quit in November 2000. He had been a staunch believer in Taiwan independence and had spent 25 of his 61 years in prison for his beliefs, for which he was dubbed 'Taiwan's Nelson Mandela'. Nevertheless, he advocated that the DPP in power had to soften its independence rhetoric. He was

fiercely criticised within the party for advocating the withdrawal of Taiwan troops from Kinmen and Matsu and reconciliation between political parties. After Chen's election victory in March 2000, Shih advocated building a coalition alliance in the Legislative Yuan. He also sought the speaker's position to stabilise the political foundation for the DPP government but Chen rejected his proposal and agreed with the KMT to keep on incumbent KMT-speaker Wang Jin-pyng. Relations between Shih and Chen have been icy ever since.

Shih's most recent disagreement with Chen has centred around the president's perceived ineptness at governing and his lack of respect for party elders of whom Shih is the most venerable. Shih has deplored the fact that the DPP in power has continued to resort to mass activism to resolve political disputes. Above all, he recommended that Chen abide by Taiwan's semi-presidential system, give the premier's post to the KMT – because it had more seats in the parliament at that time – and build a majority alliance in the legislature. For his efforts, Shih was ostracised by Chen and the DPP, whose mainstream preferred to run a minority government by struggle rather than parliamentary compromises. Last ditch efforts failed to keep Shih inside the party.²³⁵

Even the incumbent party chairman Frank Hsieh, concurrently mayor of Kaohsiung, ran afoul of the independence hardliners. The New Tide Institute, one of the independence factions, threatened to oust him for his reunificationist sympathies. Hsieh had said that the DPP does not rule out reunification as a future option. As mayor of Taiwan's second largest city and a world class port, Hsieh had a particular interest in speeding up establishment of direct shipping links and had also stated that Kaohsiung and Xiamen, separated by the Taiwan Strait with a maximum width of 200 km., were 'according to the constitution, two harbours within one country'. DPP Secretary General Wu Nai-jen came to the defense of Hsieh, stating there was no absolute right or wrong on the independence/unification issue. 'New Tide' radicals lamented that if even the pro-independence party, the DPP, did not rule out unification, cross-Strait negotiations would be tantamount to surrender. The 'Taiwan

²³² Until then, the DPP had consisted of two major factions, the 'Formosa' Faction and the 'New Tide' Faction. Other visible factions (or issue groups) were the Justice Coalition (anti-corruption), the Welfare State Coalition, the New Power (anti-nuclear power), the New Century (to regain Taiwan's seat in the United Nations) and the Women's Issues Faction. Its first factional dispute was in 1991 when the moderate 'Formosa' faction under Hsu Hsin-liang defeated the radical "New Tide" faction, then led by Shih Ming-teh for the chairmanship. As discussed below, Hsu and Shih later left the party and are now pro-unificationists.
²³³ Jason Blatt, 'Leader quits party as ideology battle rages', *South China Morning Post*, 26 April 1999 and ICG interview, Taipei, August 2002.

²³⁴ Hsu, himself without party organisation, chose a parliamentarian from the New Party, Josephine Chu, as his running mate. They got 0.63 per cent of the vote.

²³⁵ Stephanie Low, 'Shih Ming-teh says "goodbye" to DPP despite call to stay', *Taipei Times*, 15 November 2000; 'Shih Ming-teh still adamant he will be leaving the DPP', *Taipei Times*, 16 November 2000; Editorial: 'The Unkindest Cut of All', *Taipei Times*, 16 November 2000.

Independence Party' (TAIP), a faction that split from the DPP in October 1996 because of its lack of independence zeal, was much harsher: 'The DPP has shown its real face now. Taiwanese have been cheated by the DPP for more than 10 years'.²³⁶

2. Chen's Leadership: Personal and Institutional Aspects

The disputes with his predecessors as party chairmen illustrate how little personal loyalty Chen could rely upon at those times, but to some observers they also show how inconsistent his leadership over cross-Strait relations has been. In his inaugural address he had promised no referendum and no abolition of the Guidelines on National Unification and the National Unification Council as goodwill gestures to China, but in the inner party wrangling and as a major gesture to his own hardliners, he refused to yield to China on the all important 'one China' principle. He was manoeuvring in seemingly opposite directions. He has been characterised as a minority president who has not made any serious effort at cohabitation, who rules not by compromise but by activism, confrontation and struggle, and who zig-zags for support, one moment from this faction, another moment from that one. As he launches statements unexpectedly, he comes under strong pressure and then yields immediately. The result is often confusion and instability.

For example, immediately after his election, Chen showed willingness to compromise on 'one China'. On 27 June 2000, just over one month after his inauguration, Chen told a visiting delegation of the U.S. based Asia Foundation: 'We accept the previous [1992] consensus that each side of the Taiwan Strait can adhere to its own interpretation of the meaning of "one China", but mainland China still insists on its cherished "one China" principle'. Chen's core supporters rose in rebellion, accusing

him of 'crawling into the cage' that China had erected for him. The National Security Council, staffed with Chen supporters, deemed the event a crisis and feared that it would be interpreted as surrender to Beijing. The pro-independence English-language *Taipei Times*, closely linked to the militant Chinese language pro-independence press, harshly criticised him.²³⁷

Chen was immediately corrected by Tsai Ing-wen, the influential Chairperson of the MAC, who in a bureaucratic operation that showed remarkable similarity with the August 2002 mini-crisis, also had to repackage the 'true meaning' of the 'misunderstood' presidential statements. After a full day of interpretation of Chen's comments, Tsai explained that the president's comments were consistent with his inaugural speech of May 20.²³⁸

Chen's first public effort to improve relations with China failed because it came too soon, was ill-conceived and was not cleared with his senior advisers and the DPP party organisation. The second followed very soon thereafter. DPP moderates, led by Chen Zau-nan, proposed to drop the idea of an independent 'Republic of Taiwan' from the party charter at its congress in July 2000. But under pressure from DPP radicals, supported by President Chen, the motion was withdrawn on the grounds that China should first renounce its longstanding threat to use force.²³⁹ Again, Chen did not lead but was swayed by the conflicting forces and backtracked on his

²³⁶ TAIP Secretary General William Huang alleged that the DPP had betrayed its founding ideals and treated independence just as a vote winning election tactic: 'After Hsu Hsin-liang was elected chairman of the DPP in 1996 (for the second time), the stance of the DPP has gradually switched to one that is pro-unification. DPP Legislator Chen Zau-nan first suggested dropping the pro-independence clause from the DPP platform, and now even unification is considered a future option for the DPP', Huang complained. Chong Hiu-yeung, 'DPP Faction threatens to oust Hsieh', *Taipei Times*, 13 September 2000. Joyce Huang, 'DPP moves to quell turmoil within its ranks', *Taipei Times*, 23 November 2000; and ICG interviews in Taipei, August 2002.

²³⁷ Editorial: 'Chen has gone too far this time', *Taipei Times*, 29 June 2000. The editorial said: 'Vice-president Annette Lu has been roundly criticized by many for the supposed danger her ... undiplomatic, even brazen remarks entail. Unfortunately, a far more ominous threat looms from her boss. ... When the president himself makes careless remarks, the level of risk rises dramatically. We refer, of course to the outrageous statement Chen Shui-bian made to visitors ... where he apparently indicated willingness to accept the 'one China, each side with its own interpretation' line, dreamed up almost ten years ago by some of his KMT predecessors. Chen's remark is either an amazing mistake, or a sign of weakness – pressured not only by China itself, but also by the opposition parties, the domestic and international media, possibly the U.S. and perhaps even elements of his own military and security apparatus. Chen appears to have lost his nerve ... his statements are irresponsible...'

²³⁸ Veronica Lo, 'Chen's remarks nothing new: MAC', *Taipei Times*, 29 June 2002.

²³⁹ Hung Chen-ling, 'DPP will discuss independence at party congress', *Taipei Times*, 16 June 2000; Lin Chieh-yu, 'Motion to ditch independence clause dropped', *Taipei Times*, July 16, 2000.

'concessions'. While discussing the future of the National Unification Council during his tour of Taiwan's Central American allies in mid-August 2000, he said in the Dominican Republic: 'If reunification [was] the only option, Taiwan would no longer be a democracy'.²⁴⁰ This appeared to be the first hint at a referendum that Chen in his inauguration address had vowed not to hold.

Chen had always been uninterested in the KMT's institutions for national reunification. When Lee Teng-hui's government invited him to take a seat in the NUC in 1997, he declined, called the NUC 'as superfluous as an appendix' and said that 'nobody would feel remorse if it would be cut away'. As president, he preferred to cut away the Guidelines on National Unification (GNU)/NUC altogether, but realising that his historical duty as national leader was to avoid war and maintain peace and stability across the Taiwan Strait, he understood that he had to wave the unification banner in some way. After a long debate, Chen decided not to reform or abolish the symbolically important NUC but instead declined to chair it himself and turned over its functions – advice to the president on cross-strait relations – to a 'Presidential Advisory Group on Cross-Strait Relations' chaired by Nobel laureate and Academia Sinica President Lee Yuan-tseh.

This advisory group, however, was ad hoc and without muscle. It was meant as a multi-party task force but the three main opposition parties, which still had an overwhelming majority in parliament, boycotted it because of the arbitrary sidelining of the NUC. Analysts said Chen was forced to weigh whether to accept a backlash from Beijing or face the wrath of the DPP hardliners.²⁴¹ While installing the new taskforce, Chen appealed to Chinese leaders on 2 September 2000 to leave the issue of reunification to the next generation. The GNU were never observed and the NUC never convened. So, despite Chen's promise not to abolish them, they were left in a limbo tantamount to abolition.²⁴²

While cross-strait economic and civil exchanges were expanding, political relations were deadlocked. Domestic politics were also in disarray. The DPP had

won the 2000 election against all expectations and was woefully unprepared for governing. Similarly, after five decades as the ruling party, the KMT did not adjust to its new role of opposition easily. The political system soon became paralysed, and both major parties were to blame.

What threatened Taiwan's governability most seriously during the second half year of Chen's term was the political debacle concerning construction of Taiwan's fourth nuclear power plant. Already under pressure for his softening stance towards China, Chen felt obliged to honor his anti-nuclear campaign pledge and ordered a halt although the plant was already one-third built. The opposition coalition declared war on the government, boycotted the legislative process for two months and besieged the president with an impeachment procedure. The parliament finally ordered the Cabinet by 135 to 70 to resume construction as the only way to make the country governable again.²⁴³ China responded to Chen Shui-bian's troubles with glee and made common cause with his rivals.²⁴⁴

At the height of the political crisis, the Presidential Advisory Group on Cross-Strait Relations made public its recommendations for improving ties with China. These were based on the explicit premise that the 'Republic of China (ROC) and the People's Republic of China (PRC) neither mutually represent one another, nor belong to each other', and may be summarised as follows:

- ❑ deal with cross-strait disputes, particularly the 'one China' principle according to the constitution of the ROC;
- ❑ create a new mechanism or adjust current organisations (such as the National Unification Council) to prevent the total breakdown of

²⁴⁰ Lin Chieh-yu and Catherine Sung, 'Chen likely to reject NUC chair', *Taipei Times*, 18 August 2000.

²⁴¹ ICG interview, Taipei, August 2002.

²⁴² Willem van Kemenade, 'Taiwan: Domestic Gridlock, Cross-Strait Deadlock', *Washington Quarterly*, Autumn 2001; and ICG interview, Taipei 2002.

²⁴³ Lin Chieh-yu and Stephanie Low, 'Chen hints at renewed construction', *Taipei Times*, 4 February 2001. Lin Mei-chun, 'Chen tries to bridge DPP factionalism', *Taipei Times*, 4 February 2001. Stephanie Low, 'Power plant compromise approaching', *Taipei Times*, 13 February 2001. Joyce Huang and Lin Chieh-yu, 'Government gives in on power plant', *Taipei Times*, 14 February 2001.

²⁴⁴ During a visit to Beijing, former U.S. officials, Kenneth Lieberthal, Douglas Paal and Winston Lord were told by Vice Premier Qian Qichen and ARATS-chairman Wang Daohan that they did not trust Chen Shui-bian and would not work with him. 'China distrustful of Chen Shui-bian: US officials', *Taipei Times*, 14 December 2001.

present mechanisms for handling cross-Strait relations; and

- appeal to the PRC to respect the dignity and the 'space' of Taiwan, end military threats and work together with Taiwan to sign a peace agreement, so as to build confidence and establish a win-win situation.²⁴⁵

Threatened by impeachment over the nuclear power plant debacle, Chen did not respond to the Advisory Group's recommendations. Lee Yuan-tseh urged him in December to reconvene and reform the National Unification Council, but Chen, more responsive to pressure from his own hardliners, reneged. One moderate DPP legislator, Shen Fu-hsiung, a member of Lee's advisory group, had drafted a proposal to restructure the NUC into a consensus building mechanism. He had discussed this with heavyweights from the three opposition parties, but it led nowhere due to Chen's reluctance to displease his own hardliners.²⁴⁶ In March 2001, Lee Yuan-tseh met Chen again to discuss the future of his Advisory Group and the NUC but neither of the bodies has since convened.²⁴⁷

However, Chen has continued to surprise with hints at a change of heart. For example, on 10 August 2001, he told U.S. Senator Christopher Bond: 'If cross-Strait affairs are to see any progress, then China must take into consideration the ROC Constitution'. It was the first time he specifically suggested using the constitution to settle the problem. The former chairman of the Mainland Affairs Council under the KMT-government, Su Chi, criticised Chen immediately for making such a potentially important statement to the relatively low ranking Senator Bond rather than to Senator Joseph Biden, then Chairman of the Senate Foreign Relations Committee, whom he had met four days before.²⁴⁸ The implication of Su's comment is that Chen had meant his statement for a limited

audience, not as a serious political signal towards Beijing or Washington.

While the political dialogue was completely deadlocked, Chen thought that he could mellow China and his own business community, by starting some token movement on the 'Three Links', including direct shipping and air links.²⁴⁹ Chen was only willing to open the 'Mini Three Links' between the Taiwan-held coastal islands Kinmen and Matsu and adjacent mainland ports. China considered these inadequate and irrelevant and wanted full-scale air and shipping links with Taiwan proper. Rather than greet the historical maiden voyage of a ship from Kinmen to Xiamen, whose 194 passengers included the Kinmen county magistrate and several legislators, Beijing ignored it and instead hosted a major delegation of KMT legislators, led by John Chang Hsiao-yen, the grandson of Chiang Kai-shek and the last politically active scion of the Chiang family.²⁵⁰ China also stepped up efforts to build close relations with Taiwan's business community, sowing further discord between it and Chen's government.

For a while, Beijing believed that it would not need Chen anymore and focused on expanding ties with other more constructive and cooperative forces among the opposition parties, academia, business and the media. Chen's approval rating declined from 80 per cent in May 2000 to 34 per cent in March 2001. But by the December 2001 elections, in which the DPP replaced the KMT as the largest party in the parliament, Chen's fortunes had risen again. His performance in that campaign, especially his ability to keep voter attention off the poorly performing economy, was regarded by many as evidence of a more skilled politician and president than had hitherto been imagined. In fact, there is considerable room to believe that Chen has been badly underestimated by many observers. There is no doubting the seriousness of some of the policy and process failures described above, but he has established a quite definite political style: compromise through confrontation and campaign politics. This may not be the most desirable style, but it may well be more common in Taiwan than we would like to think and more appropriate to

²⁴⁵ Hsiao Hsin-huang, 'President's Advisory Group on Cross-Strait Relations: Functions and Multistage Consensus', *Exchange Magazine* (Jiao Liu, in Chinese), February 2001.

²⁴⁶ 'Lee tells Chen to compromise on cross-strait relations', *Taipei Times*, 12 December 2002.

²⁴⁷ Joyce Huang, 'Lee Yuan-tseh subdued on meeting with the president', *Taipei Times*, 17 March 2001.

²⁴⁸ Brian Hsu, 'U.S. Senator softens Bush's tough words', *Taipei Times*, 7 August 2001. Staff Writer, with CNA, 'Accept the ROC, Chen tells China', *Taipei Times*, 11 August 2001.

²⁴⁹ Issues regarding the third, postal, link had largely been resolved earlier. The 'three links' issue is fully discussed in the companion ICG Report *Taiwan Strait III: The Chance of Peace*, op.cit.

²⁵⁰ Reuters, 'KMT Legislators in Beijing to discuss Transport Links', *Taipei Times*, 5 January 2001.

the confused and embryonic state of its identity formation than many people credit.

3. Taiwan Solidarity Union

In mid-2001, Taiwan's dysfunctional party politics experienced a shock from an unexpected corner. When he was expelled from the KMT and the party reversed his Taiwanisation policy, former President Lee Teng-hui vowed to create a new 'Taiwan-first' force that would strengthen the DPP in its independence struggle. After one year of 'recharging' and at the age of 78, he made a spectacular return from retirement. Lee lured a number of disaffected 'Taiwan First' politicians away from the KMT and regrouped them in a new nativist, virulently anti-China party, the 'Taiwan Solidarity Union' (TSU). The TSU's goal was to stabilise the chaotic political arena and break the gridlock created by adversarial politics between the new ruling DPP and the disgruntled opposition camp of KMT and PFP. The TSU also aimed at providing a vision for the future that would reflect the aspirations of mainstream Taiwan society today.²⁵¹ It sought especially to counter a perceived shift toward closer ties with China pursued by the 'blue camp' of KMT and PFP that was straying from the direction Lee had set. Preparations for setting up the TSU had been meticulously orchestrated by Lee, who saw himself in this act as the saviour of Taiwan. The main entrance at party headquarters is adorned with a brass-plate: 'The School of Lee Teng-hui'.

Lee set out on a mission to stimulate Taiwanese nationalism and escalate the 'de-Sinification' of Taiwan. He campaigned vigorously during the December 2001 parliamentary elections against the 'pan-Blue' coalition that he often branded as agents of China and traitors. Lee used demagogic tactics against the KMT, accusing it of colluding with Beijing: 'You can see there is collusion between the two sides', he said. 'Almost the moment after my party membership was revoked, the Beijing People's Television Station immediately reported that bad-egg Lee Teng-hui was expelled from the KMT'.²⁵² He even accused his one time prime minister and vice-president, Lien Chan, of straying from the

KMT party-line and joining the communists against Taiwan.²⁵³ During the campaign, Lee drew new voters from two directions: the more nativist camp in the KMT and DPP 'fundamentalist' splinters such as the Taiwan Independence Party and the New Nation Alliance.²⁵⁴

The TSU won thirteen seats, well short of its goal of 35, and now operates as a coalition partner to the DPP. It makes 'identity politics' its core theme, with Lee Teng-hui as the 'spiritual father' and 'high priest'. The relatively small party has a disproportionate influence, pressing the DPP to show more zeal on independence and identity issues, such as referendum legislation. The membership is predominantly native Taiwanese who want people to identify more with a 'new Taiwan', rather than maintaining the status quo. Many of Hakka origin have joined, and even some mainlanders.

One prominent party official, Eric Wu Dong-sheng, a new member of the Legislative Yuan and director of the TSU Policy Committee, explained the background of the membership. A native Taiwanese, he joined the old mainland-oriented KMT in 1982 because until the lifting of martial law it was still rather risky to participate in the 'tang-wai' opposition movement. Wu said:

After the DPP was founded in 1986, we sympathised with it but still didn't join. When Lee Teng-hui became chairman of the KMT, he co-opted most of the DPP agenda, and it was quite satisfactory to stay in the KMT. When Lee Teng-hui's presidency was over and Lee was sidelined by the KMT, the new party-leader Lien Chan shifted the party away from Lee's pro-independence legacy. Then it was time for us to leave.²⁵⁵

²⁵¹ That is what the inaugural issue of the *TSU Newsletter*, published one year after the party's foundation, claimed. See Letter from Chu-wen Huang, TSU Chairman, *TSU Newsletter*, Vol. I, 1, 11 August 2002.

²⁵² Jason Blatt, 'Party colluded to smear me - Lee', *South China Morning Post*, 1 October 2001.

²⁵³ 'Lien says he can never forgive Lee', *Taipei Times*, 16 April 2002.

²⁵⁴ Lin Chieh-yu, 'Parties scramble as Lee's new movement prepares to take their voters', *Taipei Times*, 9 July 2001.

²⁵⁵ ICG interview, Taipei, August 2002.

²⁵⁶ The key issue in such a referendum would be independence versus (re)unification, but the issue is articulated in different ways by different players: as earlier noted, Chen's view is that Taiwan does not need a referendum to establish its independence, only to achieve unification. The talk about a referendum on independence/unification is judged by many to be premature without enabling legislation (and constitutional change) that would provide for changes to the Constitution by referendum. But there appears to be broad sentiment in

Wu denies that the party is extreme on independence, 'only more vocal!' As for reform of the constitution, the group supports replacing the current semi-presidential, five-branch system with a stronger, three-branch, presidential system. Apart from ending the political deadlock, the party's objective is to empower Taiwan, i.e. strengthen national identity and its international position.

The instrument to do the latter is a referendum, which has become a more prominent issue in Taiwan politics after President Chen's remarks in August 2002 on this highly sensitive issue.²⁵⁶ Some in the DPP consider the TSU a constructive competitor that helps keep it on course. The TSU has in fact vowed to keep the DPP on the right track and has extracted a price for several legislative bargains, i.e. a more forthcoming attitude on referendum legislation in exchange for TSU votes confirming Yao Chia-wen, an independence fundamentalist, as president of the Examination Yuan.²⁵⁷ It is evident that Lee Teng-hui is exerting great pressure on Chen Shui-bian to show more independence zeal. It may have been Lee who persuaded Chen to deliver his 21 July and 3 August statements. A group of TSU legislators threatened to introduce an independence referendum bill in September 2002. 'We will definitely push it and push it all the way...The DPP doesn't want to deal with it now, but it can't oppose it if we do it either', said TSU secretary general Lin Jih-jia. Of the four

Taiwan that if a law was passed with major party support to provide for change to the constitution by referendum, then democratic principles would dictate recognition of the referendum law as part of the fundamental law of Taiwan.

²⁵⁷ The Examination Yuan is one of five 'seats' of civil authority in Taiwan's unique constitutional structure. It sits alongside the Executive Yuan (the Cabinet), the Legislative Yuan (the parliament), the Judicial Yuan (the judiciary) and the Control Yuan (a central comptroller-general or auditor-general, but with powers of impeachment and censure). The Examination Yuan is responsible for the national examinations and the management of all civil service personnel. It enjoys nominally equal status with the Executive Yuan, the Legislative Yuan, the Judicial Yuan, and the Control Yuan. The Examination Yuan exercises its powers independently.

proposed referendum bills, the TSU draft is the most radical, calling for a vote on formal independence, and changing the flag, the anthem and the country's official name (to Taiwan).²⁵⁸

4. Shrinking, 'Re-Mainlandised' KMT

Lee Teng-hui's presidency had been an era of schisms within the KMT. The party split for the first time in 1991 over the independence issue when the DPP defied all warnings from the KMT and Beijing and included in its manifesto a commitment 'to build an independent state'. President Lee was tolerant of this but preferred the middle ground, believing that the status quo – no reunification, no independence (also called 'creative ambiguity') – was best for the time being. Without a formal split, the party polarised into a Taiwanese mainstream (*chu-liu*), led by Lee, and the mainlander non-mainstream (*chih-liu*), led by the Prime Minister, General Hau Pei-tsun, a Chiang-family stalwart and defender of the KMT's mainland legacy. The mainlanders saw a rapid loss of political power and fading of orthodoxy within the party.²⁵⁹

Occasionally, President Lee's Taiwanese mainstream faction ignored party discipline and made ad hoc coalitions with the DPP. With its support, Lee fired his mainlander prime minister in 1993 and replaced him with a 'half-Taiwanese', Lien Chan, born on the mainland but from a mainlander mother and a Taiwanese father.

In 1993, the rift widened into an open schism. Young second and third generation mainlanders accused President Lee of allowing the KMT to degenerate into a vote-buying patronage syndicate that was using dictatorial methods and drifting rudderless towards independence. They left the KMT and set up the 'New Party'.

The 1994 White Paper on cross-Strait relations exposed new divisions in the KMT. A number became disaffected when they saw many Taiwan-born KMT members, including President Lee (also the party chairman), working alongside the DPP. This led to the unusual situation in the 1996 presidential election of the former Prime Minister, General Hau Pei-tsun, who represented the 'true',

²⁵⁸ Reuters, 'TSU to press for referendum legislation', *Taipei Times*, 14 September 2002.

²⁵⁹ Willem van Kemenade, *China, Hong Kong, Taiwan, Inc., op. cit.*, Chapter 3: 'Taiwan: From Republic of China to *De facto* Island State', pp. 128-171.

old KMT, running on the New Party ticket against Lee with a Taiwan-born rival of Lee, former Deputy Prime Minister, Lin Yang-kang, as his running mate though neither was a party member. During the campaign Hau called Lee 'a traitor to the motherland'. A few days after Lee's victory, Hau and Lin were expelled from the KMT.

A more serious split in the KMT was looming that also involved one of the few remaining symbols of Taiwan's attachment to 'one China' – the Taiwan provincial administration. As mentioned above, at a National Development Conference in December 1996, President Lee proposed to eliminate Taiwan's provincial government, which was a money-gobbling administrative redundancy. For Beijing, eliminating the provincial government meant removing a powerful symbol of Taiwan as a province of China. But for the KMT and Taiwan internally, the process was far more dramatic.

Since 1994, the provincial government had been headed by a well-connected, popularly elected governor, James Soong, a second generation mainlander who had put down roots in Taiwan and had a significant following among the native islanders but nevertheless symbolised continuity with the KMT tradition of reunification. As Secretary General of the KMT, Soong had been an indispensable ally for Lee Teng-hui in breaking the power of the orthodox mainland-oriented party elders in the early 1990s and had set the party on the path of further indigenisation and democratisation. A considerable part of Taiwan's population, mainlander and Taiwanese, saw Soong as a future president. Although he had played his part in the KMT's repressive past and was of mainland origin, he had changed with the times, transcended the ethnicity issue, had become a highly effective administrator and, last but not least, was seen as best qualified to improve relations with China. A member of the KMT elite disclosed to ICG that at the meeting when Lee Teng-hui informed Soong of the plan to sideline him, Lee offered him the presidency of a small college or, more insulting, an ambassadorship to one of Taiwan's impoverished third world 'allies'. 'At that moment (in 1997)', the source said, 'I knew James was finished and that the party would split again'.²⁶⁰

It was both a clash of personalities and a struggle over Taiwan's future and its relationship to China.

Lee wanted to destroy James Soong before he became a certainty to win the presidency in 2000. Before Lee had to step down after twelve years as a president,²⁶¹ he was determined to make irreversible his policy of paying lip service to the status quo but in reality promoting independence 'in disguise'. Lee's final steps towards that goal were to block Soong from becoming the KMT candidate and then to redefine cross-Strait relations as no longer relations within one country, but between two separate states. His ploy to anoint Vice President Lien Chan as the KMT candidate was either a fatal miscalculation or an utterly devious Machiavellian manoeuvre to deliver another destructive blow to the party that had served his political ambitions so well for 40 years. Both theories have about equal credibility across Taiwan's political spectrum.

Supporting Lien Chan was a losing strategy, but Lee Teng-hui stuck to it against all opinion polls. Many believe that Lee wanted the KMT to lose, because it was a hybrid, split party that would not fight for Taiwan independence, whereas the DPP would. Soong was undaunted by Lee's feud, announced his candidacy as an independent and initially held a commanding lead in the polls despite his instant expulsion from the KMT. Lee was increasingly willing to use draconian means to damage Soong further, even comparing him with Adolf Hitler, warning the electorate that his victory would destabilise East Asia, and calling him a traitor and a liar who would sooner or later hand Taiwan to Beijing on a platter. When this didn't bring down Soong's ratings, a KMT investigator filed a lawsuit against him in mid-November 1999 charging misappropriation of up to U.S.\$35 million in party funds while secretary general of the KMT. Soong probably put money aside to finance the resumption of his political career after Lee ended his elected gubernatorial tenure prematurely, but this was not unusual in Taiwan's culture of money politics. Whatever the exact facts were behind the allegations, they were unmistakably part of Lee's strategy to destroy Soong's presidential ambitions for a second time.²⁶²

²⁶¹ Lee's presidency had three terms– the first as a handpicked successor of Chiang Ching-kuo, the second elected by a National Assembly of octogenarian mainlanders, and the third popularly elected.

²⁶² Taiwan's not so independent judiciary dismissed the case against Soong in early 2001. In the meantime disclosures had been made that Lee, while president, kept a

²⁶⁰ ICG interview, Taipei, August 2002.

After Lee's attacks, Soong's poll ratings plummeted, but he kept a lead of 10 to 15 per cent over the KMT's Lien Chan and was ahead of Chen Shui-bian until the final weeks. There is little doubt that James Soong's defeat was Lee's work. Soong, supposedly the alien mainlander, scored only 2 per cent less in the popular vote than Chen Shui-bian, the native son of Taiwan's rural south. Analysts in all three political camps say that Lee and the KMT underestimated the loyalty of Soong's backers, who supported him despite the party funds controversy. The KMT may have also miscalculated the willingness of native Taiwanese to give Soong the benefit of the doubt on relations with China.

Lee himself was also a big loser. A day after Chen Shui-bian's victory, an unruly crowd, largely of Soong and New Party supporters – the two breakaway wings of the KMT – demonstrated in front of the ostentatious KMT-headquarters and demanded Lee Teng-hui take responsibility for Soong's defeat and immediately resign as party chairman. They accused Lee of splitting the party and then 'dumping Lien to save Chen'.²⁶³ The double defeat for Lee was that when Lien took over the party chairmanship, he turned his back on Lee's 'special state-to-state relations', rejected his legacy of promoting Taiwanese independence in disguise and based mainland policy again on the '1992 consensus of one China – two interpretations'. Senior members of the New Party, who had quit the KMT in 1993 in protest at Lee's Taiwan-centric ideology, and Chen Li-an, Hau Pei-tsun and Lin Yang-kang, who quit the KMT to run against Lee for the presidency in 1996 on a reunificationist platform, all returned to 'Mother KMT'.²⁶⁴ The party elite clamored for Lee's expulsion: 'Lee wants to take the KMT's money to help the DPP. Such a traitor should be ousted', said Liang Su-jung, a senior KMT legislator.²⁶⁵ The KMT revoked Lee's party membership in September 2001 after he started campaigning openly for the TSU. This was considered 'more gentle' than a decision to

large slushfund, inherited from 'Chiang Father & Son' to finance Taiwan's unconventional diplomacy, overseas lobbying and the like. Jou Ying-cheng, 'Prosecutors not to pursue Soong', *Taipei Times*, 21 January 2001.

²⁶³ Jou Ying-Cheng, 'Defeat a bitter pill for torn KMT', *Taipei Times*, 21 March 2000; Yu Sen-lun, 'Anger reflects unsolved ethnic tensions: analysts', *Taipei Times*, 21 March 2000.

²⁶⁴ Laurence Eyton, 'Lee era fades and consensus with it', *Taipei Times*, 17 March 2000.

²⁶⁵ Joyce Huang, 'Members of KMT call for Lee's ouster', *Taipei Times*, 3 July 2001.

'expel' him, and gives Lee the option of rejoining the party.

But the KMT was still a long way from even accepting Lien's proposal to solve the 'one China' dilemma with a 'confederation' model to replace Lee Teng-hui's 'special state-to-state' model. Lien launched his proposal for a 'confederation' under which both entities would maintain their central governments on 8 July 2000, asking the Central Standing Committee to submit it to the National Party Congress at the end of July.²⁶⁶ Days before that congress, however, Lien withdrew the proposal due to Beijing's veto, but also for lack of broad support inside Taiwan. He ordered the party to set up a special task force to win more support at home and across the Strait.

The pro-independence media responded with considerable glee to the malaise in the once all-powerful, mega-rich party and blamed it on the revival of the KMT's identity as a mainland Chinese political party: 'This revived alien party interprets Lee Teng-hui's nativist reconstruction of the KMT as having created an ethnic rift. The ideology of this revived alien party now lies well outside the mainstream popular will'.²⁶⁷

There has been deep confusion in the 'nativised' part of the KMT, and the party may be doomed to split and crumble further. The *Taipei Times* commented editorially: 'Having lost its stranglehold on power, the KMT seems to have turned a blind eye to everything except its desperate desire to grab it back....After the December [2001] election, the KMT is sure to become an empty shell, a scarecrow left to rot in the field. It would be hard for the KMT not to rot in the rain and sun'.²⁶⁸

The KMT dropped from 113 to 68 seats in the parliamentary elections in December 2001. Of the 68 parliamentarians, 60 are native Taiwanese and only eight are mainlanders. In June 2002, the KMT expelled four legislators due to repeated violation of party discipline on important votes. Two others were

²⁶⁶ John Pomfret, 'In Policy Shift, Taiwan Opposition Envisages Confederation With China', *International Herald Tribune*, 9 July 2001; Crystal Hsu, 'KMT's Lien accepts defeat and shelves "confederation" plans for the time being', *Taipei Times*, 26 July 2001.

²⁶⁷ Lee Chang-kuei, 'KMT is looking increasingly marginalized', *Taipei Times*, 13 August 2001.

²⁶⁸ Editorial: 'KMT digging its own grave', *Taipei Times*, 12 September 2001.

suspended and another seven were admonished to toe the party line.²⁶⁹ Another former legislator jumped to the DPP in July 2002 after he was appointed chairman of a state enterprise. The DPP is skillfully using the power of incumbency to encourage defections in exchange for senior jobs in government or state enterprises. KMT leaders admit that without incumbency it is almost unthinkable the party's fortunes can be reversed.²⁷⁰ In November 2002, another KMT legislator, Chen Horng-chi, defected to the TSU, citing disaffection with the drift back to unificationist policies.²⁷¹ The landslide victory of the KMT incumbent mayor of Taipei, Ma Ying-jeou, in December 2002 certainly lifted KMT morale, but whether it will improve party performance at the national level is a different question.

Mainland fever is at its peak within the KMT despite the fact that the great majority of party members are native Taiwanese. Pro-DPP media sometimes scathingly note that for the KMT, the road back to power goes through Beijing. Scores of party delegations have been visiting China in recent years and have allegedly urged Beijing to avoid a dialogue with Chen that might strengthen his chances of re-election. According to one analyst's interviews in China, KMT representatives visiting China have called on its leaders to await the return of their party to power, promising that the KMT would pursue a cross-Strait policy more amenable to Beijing, with some even urging Beijing 'to further weaken Chen Shui-bian domestically by attacking him personally as an advocate of independence'.²⁷² The KMT furiously rejected the allegations.

KMT officials criticise the DPP from the other side, saying that it is undermining Taiwan's interest by not visiting China officially. The head of the KMT 'Mainland Affairs Department', Chang Jung-kung, emphasised that DPP politicians also make dozens of visits to China but low profile, because China doesn't allow them in as official party delegations.²⁷³ The mayors of Taiwan's three largest cities lament that they are unable to develop optimal economic

relations with China's nearby ports due to the partisan politics of the central government.²⁷⁴ Jason Hu, foreign minister under Lee Teng-hui and now mayor of Taichung, stated: 'The DPP in fact is boycotting the mainland. Should we join them or try to limit the damage?' Hu stressed: 'We want the people to know that we are able to deal with the mainland, and that the DPP has proven it is not'.²⁷⁵ Even the DPP mayor of Kaohsiung, Frank Hsieh, has been harassed repeatedly by DPP hardliners for pursuing full and direct business-relations with the major sister port of Xiamen across the Strait.

The KMT claims that it had a consistent and constructive cross-Strait policy from the late 1980s based on 'one China with each side having its own interpretation' (the '1992 consensus') until Lee Teng-hui's announcement of the 'two states theory' in July 1999. After Lee's exit from the party, the KMT returned to the status quo ante and will stick to that. KMT officials are also critical of what they consider the overly servile attitude of the DPP government towards the Bush Administration. One senior KMT leader led a delegation of parliamentarians to the United States in late August/September 2002 to plead with the U.S. Congress and Executive to rein in Chen Shui-bian before he did something irreparable.²⁷⁶ Perhaps the KMT's view of its role in the current logjam is best summarized by Su Chi, the former KMT chairman of the Mainland Affairs Council: 'Without the KMT as a buffer, Taiwan would only have Chen and Lee Teng-hui to represent Taiwan's voice and would thus definitely face military attack from China'.²⁷⁷

KMT fortunes began to look considerably better by 2003, after the Ma victory in the Taipei mayoral contest, after it agreed on a joint ticket with the PFP for the March 2004 presidential election, and after its poll figures had begun to look much brighter than the DPP's. But, as discussed above, there was still concern in the party – and a degree of scepticism more generally – about the capability of Party Chairman Lien Chan, its likely presidential candidate, to deliver a victory in 2004.

²⁶⁹ Stephanie Low, 'KMT gives boot to four lawmakers', *Taipei Times*, 26 June 2002.

²⁷⁰ ICG interviews, Taipei, August 2002.

²⁷¹ *Taipei Times*, 10 November 2002.

²⁷² Bonnie S. Glaser, 'China's Taiwan Policy: Still Listening and Watching', Pacific Forum, The Centre for Strategic and International Studies, Honolulu, 17 August 2001.

²⁷³ ICG interview, Taipei, August 2002.

²⁷⁴ ICG interview, Taipei, August 2002.

²⁷⁵ Quoted in: Willem van Kemenade, 'Taiwan: Domestic Gridlock, Cross-Strait Deadlock', op. cit.

²⁷⁶ ICG interview, Taipei, August 2002.

²⁷⁷ Su Chi, 'Pro-Independence Sentiment Grows with Taiwan's Democracy', *International Herald Tribune*, 13 August 2001.

5. People First Party

The People First Party (PFP) was established in the aftermath of the 2000 presidential election following the third split in the KMT, a result of the clash between President Lee and James Soong, but more fundamentally over the ethnic issue. Lee Teng-hui was determined to prevent a second generation mainlander from the inner circle of the Chiang dynasty (Soong was private secretary to Chiang Ching-kuo for fifteen years) from becoming president of Taiwan and instantly abandoning Lee's twelve-year policy of transforming the KMT from an 'alien regime to a native one'. If not for Lee's personal vendetta and the politically motivated exposure of his unusual financial dealings at the height of the election campaign, Soong would almost surely have become the first popularly elected mainlander president. Although Soong is definitely a 'Greater China' adherent, who advocates constructive relations with China and eventual reunification, he has a large following among the Taiwanese thanks to his political acumen and his days as an elected provincial governor.

Soong was the first candidate during the 2000 presidential campaign to disclose with some detail his views on cross-Strait relations. He rejected Lee's two states theory and proposed instead to put cross-Strait relations on a 'quasi-international basis with mutually exclusive sovereignty'. He further proposed that the two sides sign a 30-year non-aggression pact to be witnessed by the major regional powers. After those 30 years, the two sides would continue their relations as independent sovereign states, modeled after the European Union. Eventual integration would be a decision for the people of Taiwan.²⁷⁸ The KMT criticized Soong's views as 'vague' and the DPP as 'lowering Taiwan's status to only quasi-international'. Scholars in official Chinese think-tanks welcomed them as 'sounding a little better' than Lee Teng-hui's two states theory but refrained from endorsing them.

After his electoral defeat in March 2000, Soong's supporters called on him to form a new party, which within weeks led to the establishment of the 'People First Party'. (Its Chinese name, *Ch'in Min Tang*, as noted earlier, translates literally as 'Close to the People Party'.) The PFP attracted many KMT and New Party legislators and followers, but was not just

a narrowly based mainlander party. Soong wanted to transcend ethnic boundaries and picked a native Taiwanese surgeon, Chang Chau-hsiung, as his vice chairman. He also could draw on a broad pool of experienced civil servants, mostly native Taiwanese, from the liquidated provincial government apparatus that he had headed for four years.

PFP Vice Chairman Chang Chau-hsiung, a southern Taiwanese from Kaohsiung, declared emphatically that the issue is not whether reunification will take place or not. For him it is a certainty that it will at some point. The real issue is to make sure that it happens under conditions that provide for freedom, democracy and prosperity. Chang said the PFP fundamentally approves of the Guidelines on National Unification, which would make the PFP position technically the same as that of the KMT: 'However, while the KMT speaks of reunification it is covertly working towards creating two Chinas'. Chang dismissed as demagogues those who simplify Taiwanese politics as 'pro-China' or 'pro-Taiwan':

Of course some say that Taiwan's economy is suffering because China has stolen all our jobs. But this is globalisation. Taiwan can't avoid globalisation. The situation is reminiscent of twenty years ago when some politicians called National Taiwan University students the country's most unpatriotic, and claimed that NTU was just a prep school for American graduate schools. But aren't all those people now working in the Hsinchu Science Park the very ones who worked in the U.S. for years? You have to open your eyes and take the long view of this kind of thing.²⁷⁹

And he rejects cooperation with the DPP, unless it accepts the 1992 consensus ('one China', different interpretations) and changes its China policy.

The PFP is the only party that has published a brochure on its cross-Strait policy – a realistic, pragmatic, middle of the road sixteen pages that take the positive changes in China in recent years and the volatile global political and economic situation into account, a flexibility that the DPP with its rigid insistence on the right to self-determination regardless of political-strategic complexities, fundamentally lacks. The document advises the DPP government to catch up with the changes in China

²⁷⁸ Willem van Kemenade, 'Taiwan, Voting for Trouble', *Washington Quarterly*, Spring 2000.

²⁷⁹ Laura Li, 'Interview: Chang Chau-hsiung of the People First Party', *Kuang Hua* (Sinorama) Magazine, January 2002.

and East Asia before it is too late. It urges Chen Shui-bian to admit that he is not just Taiwanese but also Chinese and give up his refusal to accept the 1992 consensus that has undermined the peaceful foundation for cross-Strait relations and created unnecessary tension. 'If China could tolerate a loose interpretation of "one China" that enables Taiwan to maintain its international personality, then there will be room to maneuver and develop further'.

The document lists proposals and phases for implementing the various stages of political and economic 'integration', for which it uses the term, *zheng-he* (merge into an entirety), somewhat different from the term used by Chen Shui-bian (*tong-he*, which has a clear connotation of cooperative rule). The option of 'one country – two systems' is explicitly excluded. The term 'unification' (*tong-yi*) is frequently used as a possible final goal, but 'sovereignty' (*zhu-quan*), the central obstacle, is meticulously avoided for the obvious reason that it is too divisive. Instead it says: 'On both sides exists a legal government with effective jurisdiction (*youxiao guanxia*), and each side has absolute administrative authority internally (*juedui de zhiquan*)'.²⁸⁰

Whether the flexible policies of the PFP will ever be tested in the cross-Strait war of nerves depends on the volatile political situation in Taipei. Before the December 2001 parliamentary election there was some speculation that James Soong would become prime minister in a coalition government under President Chen Shui-bian but resistance in both camps was too big. The only alternative now is for a grand alliance between the KMT and the PFP, either a formal merger between the two parties, or a close coalition arrangement, not just a joint ticket to beat Chen in 2004. The chances for this to succeed remain, as discussed earlier, very problematic. A principal initiator of such an alliance or merger is John Chang, son of the late President Chiang Ching-kuo, former foreign minister and KMT presidential secretary general under former President Lee. He is obviously a mainlander and an outspoken reunificationist, who has led several KMT delegations to China. Uniquely for a senior Taiwan political figure, he grew up in poverty in Hsinchu, a multi-ethnic town 70 km. south of Taipei and speaks Minnan and Hakka like his Mandarin mother tongue. Chang knows better than anyone else that the only way for the KMT to make a

comeback is to 'reunify' with all the factions that broke away in the last ten years. He also feels that peaceful reunification and Taiwan's future are in danger if Chen Shui-bian is reelected in 2004.²⁸¹

The personal and legal obstacles against a close coalition alliance or merger are huge, even though the two parties have agreed in principle on a joint ticket for the next election campaign. James Soong would like to bring the KMT back under his control, but Lien Chan wants to stay on as number one in any merged party or joint ticket because of his seniority; it remains highly doubtful that Soong, the near winner of 2000, will be content to stay number two. Secondly, the KMT charter has an anti-Soong clause, inserted by Lee Teng-hui, stipulating that a former member cannot rejoin the Central Committee for three years, and those once ousted from the party are banned for life from becoming its chairman or presidential candidate.²⁸²

6. New Party

When the KMT split into a Taiwanese mainstream and a mainlander non-mainstream during the early 1990s, a group of 'Young Turks', all second and third generation 'alien' mainlanders, founded the 'New Party' (NP) to offer the electorate a third option between a corrupt 'indigenising' KMT and an 'adventurist' pro-independence DPP. The party carried 15 per cent of the electorate during its early years, implying that more or less all the mainlanders residing in Taiwan voted for it. In 1995 the NP won 21 seats in the Legislative Yuan, thereby becoming the third largest party. The main issues in its platform were anti-corruption, social justice and vehement opposition against DPP agitation for Taiwan independence. The party became increasingly obsessed with denouncing President Lee Teng-hui, whom it blamed for destroying the old orthodox KMT and also for plotting, step by step, the secession of Taiwan from 'Mother China'. During the first direct presidential elections in 1996, the New Party presented a personalised anti-Lee ticket with General Hau Pei-tsun, former aide-de-camp of Chiang Kai-shek and prime minister (1990-1993) and former Vice Prime Minister Lin Yang-kang, an erstwhile native Taiwanese rival of Lee, as presidential and vice presidential candidates. They

²⁸⁰ 'Basic Views of the People First Party' (in Chinese), Taipei, August 2000.

²⁸¹ ICG interview, Taipei, August 2002.

²⁸² Stephanie Low, 'PFP rejects merger with KMT', *Taipei Times*, 1 May 2002.

got 15 per cent of the vote. Following infighting between conservatives and radicals, the party's parliamentary caucus was more than halved during the 1998 parliamentary election to ten.

To regain its appeal, the party resorted to extravagant tactics during the 2000 presidential election. It nominated a non-party member, the flamboyant and controversial writer Li Ao, as its candidate. At election rallies it also featured the erstwhile mistress of former French foreign minister Roland Dumas, Christine Devier-Joncour, whom it had flown in to assist in its "inquiry" into the lost millions from a French-Taiwanese frigate deal of the early 1990s. Manchuria-born Li Ao used rich, erotic metaphors in his speeches and was an ardent advocate of immediate acceptance of 'one country – two systems', 'because it embodied a pledge of 50 years no change – in Taiwan – and during these 50 years China would change faster than Taiwan, so Taiwan would run no risk'. He received 0.13 per cent of the vote.

The return of the KMT to its pro-China origins after Lee Teng-hui's *de facto* expulsion and the rise of the People First Party have further narrowed the political niche of the New Party. During the December 2001 elections, its seats in parliament were reduced from seven to one. It is now well below the threshold of 5 per cent that qualifies a party for government subsidies. Its respectable members have flocked back either to the KMT or to the PFP. Its most notorious member, Elmer Feng, is still engaging in pro-China stunts that have earned him the labels 'rabid reunificationist, traitor and enemy agent' in the pro-independence media. What was a highly serious emerging force ten years ago has vanished in all but name because the volatile dynamics of multi-ethnic party politics have made it irrelevant.²⁸³

C. NATIONALIST POLITICS AND THE ROOM FOR MANOEUVRE

Taiwan's move away from 'one China' has occurred under presidencies held by the two leading parties. In each case, the elected presidents have been strong advocates of independence, and both were born in Taiwan. The repositioning of the government on the issue of 'one China' has been caught up in the dynamic evolution of domestic politics since the

creation of the pro-independence DPP in 1986 and the lifting of martial law in 1987. The view that Taiwan is an independent sovereign country is now bipartisan. No democratically elected Taiwan government can negotiate on any other basis.

The issue of 'one China' or Taiwan independence has never been far from centre stage in the major schisms of the KMT, in the factional wrangling of the DPP and even in a number of local elections. The major parties (DPP and KMT) have been hurt, either domestically or internationally, by taking strong positions on this issue and are now somewhat averse to being too precise about their China policy. At present only the TSU is giving a strong, clear lead. The PFP has a clear set of policies but is not as visible in promoting them, in part because those policies call for a quieter style of interaction with China. But the intensification both of the national identity issue and of 'nationalist politics' has been unmistakable, and public opinion does appear to be susceptible to strong leadership on the status issue.

It would appear that President Chen's ambivalent positioning suits the pragmatic approach that is needed to keep cross-Strait relations from seriously deteriorating. But it is not clear at all that this ambivalence can last if other politicians start to play the identity card. It is quite unlikely that Chen himself will remain ambivalent if his position going into the 2004 Presidential campaign looks weak. In Taipei's feisty politicking, the introduction of draft referendum legislation is likely to take centre stage in coming years. If Chen goes soft on it, hardliners in the DPP and TSU will keep the issue alive, perhaps leading to a more serious crisis in the not too distant future.

But there is another important issue, one of political style in Taiwan, that is unsettling to outsiders. President Chen Shui-bian and KMT chairman Lien Chan are not on speaking terms. They only hurl occasional recriminatory statements at each other through the media. This is democracy Taiwan style. One wonders how, if the head of state, concurrently leader of the ruling party, and the leader of the democratic opposition cannot bring themselves to deal with each other in a reasonably moderate way, any consensus on the way ahead can be established. This confrontational political style aggravates the pace of deterioration in cross-Strait relations caused by the lack of consensus among the opposing political parties.

²⁸³ Crystal Hsu, 'New Party fighting for its life as elections approach', *Taipei Times*, 24 April 2001.

VIII. CONCLUSION

Taiwan is already *de facto* independent. The issue in 2003 is not about its freedom to control its own affairs or whether 'Taiwan should be independent'. It is about China and Taiwan opposing each other on the issue of *de jure* recognition of Taiwan's independence and its participation in international affairs as a state. All moves in cross-Strait relations are being used for domestic political advantage in Taiwan in an increasingly competitive and fragile political system. Issues around the new Taiwan identity that is not Chinese and of 'Taiwan independence' are gaining in prominence.

China is losing patience and looking for early signs of 'progress'. It is concerned that trends in Taiwan's domestic politics and U.S.-Taiwan relations are seriously undermining its position, and its determination to prevent a final break with Taiwan is unshakeable.

At the same time the U.S. and most of the international community have stuck doggedly to observance in principle of the 'one China' idea. But there is an increasingly wide gap between theory and practice, especially in the case of U.S.-Taiwan military relations.

China and Taiwan are engaged in a political contest over what they each consider existential values, and China continues to link its position to possible use of force. The U.S. supports Taiwan's position that the contest must be settled peacefully. But the cross-Strait relationship has gradually become more tense: Taiwan is becoming more assertive, and China is increasing its pressure. A wide range of coercive options, non-military as well as military, are open, and it has already started climbing the ladder of escalation.

The parties to this conflict, their partners and the international community at large now need to review existing policies against the backdrop of its dynamic evolution over the last decade to ensure that more attention is focused more effectively on containing and reducing the tension. In particular, the old premise that Taiwan can be kept in a box and asked to tone down its aspirations for a new international identity is no longer particularly useful.

Taiwan may never be at peace internally if the zealotry of identity politics is allowed to polarise its

society. And it will be on a collision course with China if this persists and intensifies. Taiwan needs political leaders who are prepared to give lower priority to 'national identity building' and higher priority to building stable foundations for peace in the cross-Strait relationship. If Taiwan has to wait until 2008 for such leadership to be shown across the party political spectrum – and to deliver the necessary outcomes – that may be too late.

How in all these circumstances the military risk can be contained, and stability in cross-Strait relations maintained in the medium term, are the themes taken up in the two ICG companion reports published simultaneously with this one.²⁸⁴

Beijing/Taipei/Washington/Brussels,

6 June 2003

APPENDIX A:
MAP OF TAIWAN AND ADJACENT AREAS



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APPENDIX B:
LIST OF ACRONYMS

ADB	Asian Development Bank
APEC	Asia Pacific Economic Cooperation
ARATS	Association for Relations across the Taiwan Strait
ASEAN	Association of Southeast Asian Nations
ASEM	Asia Europe Meeting
CCP	Communist Party of China
CIA	Central Intelligence Agency
CSCAP	Council on Security and Cooperation in the Asia Pacific
DPP	Democratic Progressive Party
EU	European Union
GDP	Gross Domestic Product
GNU	Guidelines on National Unification
IAEA	International Atomic Energy Agency
IMF	International Monetary Fund
IOC	International Olympic Committee
KMT	Kuomintang (Nationalist Party)
MAC	Mainland Affairs Council
NATO	North Atlantic Treaty Organisation
NP	New Party
NPT	Nuclear Non-Proliferation Treaty
NPC	National People's Congress
NTU	National Taiwan University
NUC	National Unification Council (Taiwan)
PFP	People First Party
PLA	Chinese People's Liberation Army
PRC	People's Republic of China
ROC	Republic of China
ROCOT	Republic of China on Taiwan
SAR	Special Administrative Region
SCO	Shanghai Cooperation Organization
SEATO	South East Asia Treaty Organisation
SEF	Straits Exchange Foundations
SNTV	Single Non-transferable Vote

TAIP	Taiwan Independence Party
TRA	Taiwan Relations Act
TSU	Taiwan Solidarity Union
USSR	Union of Soviet Socialist Republics
WFTA	World Federation of Taiwanese Associations
WHO	World Health Organization
WHA	World Health Assembly
WTO	World Trade Organization
WUFI	World United Formosans for Independence