



# BULLETIN

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## Prospects for Normalization of China–Taiwan Relations

by Justyna Szczudlik-Tatar

*The implementation of the policy principles of Taiwan's president Ma Ying-jeou—"no" to independence and unification, the resumption of dialogue—has improved relations between China and Taiwan. Taiwan's goals are: to maintain the status quo and to minimize the risk of a conflict, for instance of an armed intervention by China. The PRC's aim is to implement the One-China policy—in other words, unification. To this end, China has sought to make Taiwan economically dependent and to undermine the U.S. position in the region, and this policy will be continued at least until 2012, when a new general secretary of the CPC is elected and a presidential election is held in Taiwan. A meeting of the two leaders, the first in history, is not unlikely.*

The upcoming fourth round of talks between the Chinese foundation ARATS (Association for Relations Across the Taiwan Straits), and Taiwan's SEF (Straits Exchange Foundation), scheduled to kick-start negotiations on an Economic Cooperation Framework Agreement (ECFA), constitutes yet another sign that relations between China and Taiwan are improving. This process started in the wake of last year's presidential election won by Ma Ying-jeou of the opposition Kuomintang (KMT) party, which favors a *rapprochement* with China. Under President Chen Shui-bian (2000–2008) of the Democratic Progressive Party (DPP), a champion of the island's independence, relations with China deteriorated rapidly.

**Relations between China and Taiwan under Ma Ying-jeou's Presidency.** In 2008 China-Taiwan dialogue was resumed and it has since continued on three levels: between the ARATS and SEF foundations; between the KMT and the CPC parties; and between government officials.

Improving relations have been reflected in the resumption of talks (suspended in 1999) between ARATS and SEF—institutions with a semi-official status (because China does not recognize Taiwan's statehood) established to conduct dialogue. Since the 2008 presidential election three rounds of talks have been held, resulting in a total of nine signed agreements, including on financial cooperation. Taiwan agreed to open its market to PRC investors and the parties agreed to establish direct air and sea connections as of July 2008. Round four will focus on ECFA negotiations, with both sides anxious to sign this document as soon as possible: Taiwan, because of its strained economic situation brought about by the global crisis; and China—to capitalize on its position as the main economic partner to deepen the island's economic dependence. The agreement will very likely be concluded during the fifth round of talks in April 2010.

In 2005, a visit of Kuomintang leader Lien Chan in China marked the beginning of contacts between the KMT and the CPC. In a symbolic gesture, Hu Jintao congratulated Ma Ying-jeou on his election as KMT head last July. This was the first contact between the leaders of the PRC and Taiwan since 1949. When Ma Ying-jeou had decided—contrary to his earlier declarations—to run in the elections for party leader, he was counting on bringing about a meeting with Hu Jintao. The meeting might take place in 2012, when Hu Jintao's term as CPC general secretary is due to elapse and a presidential election is held in Taiwan.

As a tangible outcome of unofficial talks between the leaders of the two sides, China agreed to Taiwan's attendance, in an observer capacity and under the designation "Chinese Taipei," in the 62<sup>nd</sup> session of the World Health Assembly (WHO's decision-making body). Yet China is likely to be

disinclined to take decisions of this kind should proponents of the independence option return to power in the island.

**China's Goals.** Since 1949, the PRC's Taiwan policy has evolved from a preference for armed liberation, through a peaceful liberation and peaceful unification to, ultimately, the peaceful development principle currently in effect. However, unification has remained China's unwavering objective. The PRC's policy towards Taiwan rests on Hu Jintao's "six points" announced by the PRC chairman in December 2008. These are: (1) the One-China principle; (2) economic cooperation; (3) strengthening cultural contacts; (4) developing people-to-people contacts; (5) protection of sovereignty and dialogue on international matters; (6) termination of hostile relations and signing of a peace agreement. Yet, while the two sides agree on One-China, their interpretation of this principle differs: the PRC claims to be the sole representative of One-China, while Taiwan officially calls itself the Republic of China.

As Taiwan's foremost trade and investment partner, China has worked towards ensuring Taiwan's dependence, with the ECFA financial cooperation agreement and the establishment of air connections designed to serve this end.

Also, the PRC has sought to exploit internal rifts within the KMT to influence the Taiwan authorities. For instance, it objected to the presence at the 2008 APEC summit in Lima of a representative of the island handpicked by Ma Ying-jeou and suggested instead the former vice-president of Taiwan, Lien Chan, who is believed to be Ma Ying-jeou's party rival. As in the past year, Lien Chan represented Taiwan at the APEC summit in Singapore in November.

Another aim behind the improvement of relations is to reduce the regional role of the United States, which, in spite of the absence of diplomatic relations, is Taiwan's paramount ally and guarantor of its security.

**Taiwan's Goals.** Taiwan's policy towards China has also been changing: from a desire to regain control on the continent, to unification on Taiwan's terms, and a drive for independence. At this point, Ma Ying-jeou's policy towards the PRC rests on "three new 'no-s'" proclaimed still during the election campaign: (1) "no" to unification; (2) "no" to the independence of Taiwan; (3) "no" to the use of force. This program confirms a desire to maintain the status quo while improving relations with China.

Currently Taiwan's priorities are to deepen economic cooperation with China and to sign the EFCA at the earliest possible date. Taiwan is struggling with economic problems: plummeting exports (some 30% of the island's exports are bound for China) and investment; rising unemployment; absence of free trade agreements with countries in the region. Other important aims include enhancing Taiwan's international significance (e.g. through presence in international organizations); ensuring the island's security by minimizing the likelihood of a Chinese intervention (including the removal from the Taiwan Strait of Chinese missiles targeted at the island); and maintaining an alliance with the U.S.

Ma Ying-jeou's policy, perceived as submissive to China, could undergo modifications under the impact of political quarrels and public discontent. It was due to opposition pressures that the authorities consented to Dalai Lama's visit last August.

**Scenarios.** There are three likely scenarios of the development of China-Taiwan relations. The first—least likely at the moment—features the island proclaiming independence. Yet the DPP's electoral defeat signals Taiwan society's opposition to this concept, and the U.S. has taken much the same stance, fearing destabilization in the region. The proclamation of independence would probably trigger a military response from China, putting the U.S. in an awkward position. The United States would have to choose between its alliance commitments to Taiwan and the desire to maintain good relations with the PRC.

The second scenario features unification. An armed intervention by China is unlikely, since it involves a high risk of destabilization of the immediate international environment and loss of reputation. For China the most desirable option would be Taiwan's voluntary accession as a special administrative region similarly to Hong Kong or Macau, but this plan is unlikely given the objections of the people of Taiwan. A opposite scenario, i.e. unification on Taiwan's terms, is unrealistic.

This leaves, as the most likely scenario, the preservation of the *status quo* with expanded forms of mutual cooperation. Whether or not this happens will depend on Taiwan's internal situation. An electoral victory of an opposition party (e.g. the DPP)—a development that might reflect discontent with KMT rule rather than independence aspirations—could sour relations with the PRC. Till the end of Hu Jintao's terms as the CPC leader (2012) and the PRC chairman (2013), China's policy of furthering the island's economic dependence will be continued. From the PRC's perspective, for the time being this is the best way to prepare the ground for future unification.