



BULLETIN

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Prospects for Cross-Strait Relations under New Chinese Leadership*

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China's new leaders will continue the policy of improving relations with Taiwan with the main goal of reunification. A new element of PRC's Taiwan approach might be pressure on Taipei to begin political negotiations. On the other hand, Taiwan's president, Ma Ying-jeou, will be focused on the institutionalisation of cross-strait relations aimed at opening reciprocal representative offices but shelving political talks. PRC-ROC rapprochement creates a chance for Poland to improve economic cooperation with Taiwan and China. Polish companies should consider cooperation with Taiwanese counterparts as a platform to enter PRC's market.

China's New Leaders' Policy towards Taiwan. The change of leadership in China after the CCP Congress and parliamentary session showed that one of the basic priorities of the policy of China's new leaders are cross-strait relations. CCP Secretary General and PRC Chairman Xi Jinping replaced Hu Jintao as chief of the party's working group on Taiwan; Wang Yi, the former chief of the Taiwan Affairs Office of the State Council (TAO), who, contrary to his two predecessors, did not serve as ambassador to the U.S., was elevated to the post of minister of foreign affairs; and a deputy minister of foreign affairs, Zhang Zhijun, was nominated as TAO head.

Reunification will remain the main goal of China's Taiwan policy. The framework of cross-strait relations is based on Hu Jintao's six-point proposal announced in 2008 ("One China" principle, economic cooperation, cultural dialogue, people-to-people relations, protection of sovereignty, termination of hostilities and a peace agreement), and the CCP-KMT 1992 consensus on "one China, different interpretations." Adhering to that framework, in April Xi Jinping presented his four expectations about cross-strait relations, perceived as an operational level of Hu's six points: promotion of economic cooperation, strengthening high-level economic negotiations, acceleration of post-ECFA talks, and rejuvenation of the Chinese nation.

Supposedly, a quite new element in the PRC approach towards Taiwan may be pressure to launch political talks. Chinese leaders will be raising political issues as a next step in defusing tensions and increasing cooperation between the mainland and the island. Xi Jinping's "Chinese Dream," defined as "a great restoration of the Chinese nation," could be interpreted as a signal to put pressure on Taiwan to start political talks. What is more, then-TAO chief, Wang Yi, in March mentioned comprehensive cross-strait relations, which means consultations should not be restricted. As political cooperation is a sensitive issue, this matter should be dealt with according to the rule of negotiating the easiest topics first then the complicated ones later, but with the assumption that political talks will be launched first on the academic level. A similar approach was presented by Zhang Zhijun in his first remarks about Taiwan after assuming the TAO chief post, when at the 11th Cross-Strait Relations Symposium held in China in late March he claimed that political talks should not be perceived as a restricted topic.

Cross-Strait Relations—the State of Play. The new Chinese leaders have a more favourable situation in cross-strait relations than their predecessors. During Taiwan President Cheng Shui-bian's two terms (2000–2008, Democratic Progressive Party, or DPP), bilateral relations were acrimonious due to his approach favouring independence. Ma Ying-jeou's (Kuomintang, KMT) victory in 2008 significantly improved PRC-ROC relations, but

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the end of 2011 and the first half of last year was perceived as a slowdown in cross-strait cooperation. The main reasons were the elections in Taiwan in January 2012 and Taiwanese society's perception that the process of deepening relations with the PRC was moving too quickly.

Nevertheless, both sides have been continuing to improve relations. At the last long-awaited eighth round of talks between the Chinese Association for Relations Across the Taiwan Strait (ARATS) and the Taiwanese Strait Exchange Foundation (SEF)—the semi-official institutions for China-Taiwan negotiations—held in August 2012, a long-discussed investment protection agreement was signed. Both sides also agreed to establish reciprocal economic offices. Furthermore, the two sides signed a currency clearance agreement, while banks have already begun negotiations about a currency swap of about \$48 billion. Furthermore, ARATS and SEF opened talks about the establishment of reciprocal representative offices. In addition, there are frequent consultations between officials, scholars and experts. During the last five years more than 1,500 Chinese officials of various levels have visited Taiwan. Moreover, there are 616 direct flights between Taiwan and the mainland every week. Since 2008, about 4.8 million tourists from China have visited Taiwan. These achievements and announcements of further cooperation are notable examples of improvement in cross-strait relations. They create grounds for China's pressure on Taiwan about political issues, and pose a challenge for Taiwan's future approach towards PRC.

Taiwan's Cross-Strait Relations Approach. President Ma's response to the power change in China and new leaders' remarks about cross-strait relations was to offer assurances that the current policy of economic and people-to-people contacts should be maintained. It seems that Ma's expectations from the new Chinese leaders is to continue the current approach to cross-strait relations and avoid political talks, with the argument that negotiations are premature while also rejecting a peace agreement. It is a clear response to society's demands to not go too fast in relations with China since the vast majority of Taiwanese support the status quo.

The rapid China-Taiwan reconciliation during Ma's first term posed paradoxically a challenge for KMT's next step. Ma's remarks in the campaign (in fall 2011) about signing a peace accord with China met with resistance in Taiwan and a decline in the president's popularity. He defended the proposal by arguing that the decision should be made after reaching consensus in Taiwan and passing a referendum, reiterating his "three no's" policy ("no" to unification, "no" to independence and "no" to using force) while emphasising that a peace accord is beyond his presidency. His main focus is to continue fulfilling the provisions of the Economic Cooperation Framework Agreement (a China-Taiwan FTA-like accord) and shelving political talks, but making efforts to establish ARATS and SEF offices, which will be dealing only with non-political issues. Despite the recent announcement by Ma of new ideas aimed at improving business and people-to-people contacts, "the next step" problem remains unsolved.

Conclusions and Recommendations for Poland. Although Beijing would like to launch political negotiations with Taiwan, the PRC's leaders are aware of the sensitivity of the issue and the situation on the Taiwanese political scene. Chinese pressure, at least in the short term, will be moderate and have as the main goal to institutionalise bilateral relations. Both Xi Jinping, who served as a governor of Fujian, the closest province to Taiwan, and Wang Yi, the former TAO head, know Taiwan very well. Taking into account the low public support for President Ma, the PRC is expected to consider contacts with the DPP, the potential victor in the next elections in 2016. Ma's unpopularity in the context of the upcoming local elections in 2014 means that his short-term goal is to regain public support. Apart from addressing domestic issues, he would like to present Taiwan's wider international presence and ensure the island's security through stable relations with China, an alliance with the U.S., strengthening Taiwan's defence capabilities and participating in international forums. But despite improvements in cross-strait relations, the latest PRC move in April to deploy an anti-carrier missile battery near Taiwan to prevent U.S. aid for the island in case of conflict (it limits U.S. capabilities to send carrier-based aircraft to the Taiwan Strait as it did in 1996 after PRC missile tests near the island) not only demonstrates the PRC's ability to respond assertively to the U.S. pivot to the Asia-Pacific region but also shows that there is still a risk of increasing distrust between China and Taiwan.

Poland, which is interested in strengthening its presence in Asia, should take the opportunity provided by better PRC-ROC relations to enhance cooperation with both Taiwan and the PRC. EFCA creates a chance for Polish firms to cooperate with Taiwanese counterparts in order to enter China's market. Although Poland's main goal in relations with China is improving the trade balance by increasing exports and investments in the PRC, there are many obstacles for Polish companies, especially the SME sector, to do business in China. EFCA, which exempts tariffs for many products and opens the Chinese market for services from Taiwan, together with cooperation with Taiwanese companies that share the same cultural background as China and understand the mainland's economic conditions, could be a platform for improving Poland's economic presence in China. A similar approach has been implemented by Japanese companies, which have established joint ventures with Taiwanese entrepreneurs under the ECFA framework to enter the Chinese market.