

China's New Approach to Conflict Management: The Cases of North Korea and Taiwan

Quansheng Zhao

SILK ROAD PAPER
May 2006



*Central Asia- Caucasus Institute
Silk Road Studies Program*

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A Joint Transatlantic Research and Policy Center
Johns Hopkins University-SAIS, 1619 Massachusetts Ave. NW, Washington, D.C. 20036
Uppsala University, Box 514, 75120 Uppsala, Sweden
www.silkroadstudies.org

“China's New Approach to Conflict Management” is a *Silk Road Paper* published by the Central Asia-Caucasus Institute & Silk Road Studies Program. The *Silk Road Paper* series is the Occasional Paper series of the Joint Center, published jointly on topical and timely subjects.

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ISBN: 91-85473-18-9

Printed in Sweden

Distributed in North America by:

The Central Asia-Caucasus Institute
Paul H. Nitze School of Advanced International Studies
1619 Massachusetts Ave. NW, Washington, D.C. 20036
Tel. +1-202-663-7723; Fax. +1-202-663-7785
E-mail: caci2@jhuedig.admin.jhu.edu

Distributed in Europe by:

The Silk Road Studies Program
Uppsala University
Box 514, SE-75120 Uppsala
Sweden
Tel. +46-18-471-2217; Fax. +46-18-106397
E-mail: info@silkroadstudies.org

Editorial correspondence should be addressed to Svante E. Cornell, Research and Publications Director, at either of the addresses above (preferably by e-mail).

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Abstract:

In analyzing China's new approach to conflict prevention and management, this paper examines Chinese foreign policy toward two flashpoints in East Asia – the Korean Peninsula and the Taiwan Strait. It argues that there has been an evolution in terms of Beijing's approaches toward these two international crises over time. One can discern three different approaches. First, historical legacies have always played a critical role in the formulation of China's policy calculations and the Korea and Taiwan issues are no exception. I call this the "history-embedded" perspective. Second, with the recent rise of China's economic and political might, nationalism in China has correspondingly been on the rise. National interests have been further prioritized over ideological considerations. This approach can be called "national interest-driven" foreign policy. Third, Beijing has become increasingly confident not only about its strengths in the world arena but also in its ability to coordinate with related powers regarding their various interests. This approach can be called "co-management of international crises" with major powers. This paper argues that until recently China has emphasized the first two sets of considerations, but seems to be gradually moving toward a new approach in terms of conflict prevention, namely co-management with major powers.

Introduction

It is well known that the Korean Peninsula and the Taiwan Strait are two flashpoints in East Asian international relations in the post-war era. The roots of the problem can, of course, be traced back more than a century. China has remained a chief player in both of these two hot spots and therefore a focal point in the peaceful settlement of these two issues. World attention on these two hot spots has not declined over the last few decades. Rather, it has increased given the most recent North Korean nuclear crisis and tensions across the Taiwan Strait. It is important for us when analyzing Beijing's policies toward the two hot spots to not only examine the evolution of China's policies over the last century but also to compare China's approaches to North Korea and Taiwan.

This paper presents three sets of arguments. First, historical legacies have always played a critical role in China's policy calculations and Korea and Taiwan are no exceptions. I call this the "history-embedded" perspective. Second, with the recent rise of China's economic and political might, nationalism in China has also been on the rise. National interests have further been placed on top of ideological considerations. This approach can be called "national interest-driven" foreign policy. Third, Beijing has increasingly become confident with, not only, its own strengths in the world but also its ability to coordinate various interests among related powers. This approach can be called "co-management of international crises" with major powers. I further argue that the first two approaches, namely, history-embedded and national interest-driven, are not new to Beijing's thinking; whereas the third approach, co-management with major powers is an approach that has only developed in the last several years.

History-Embedded Approach

The controversies surrounding the Korean Peninsula and Taiwan, as the two hot spots in the region, are not new to China or other powers. More than a century ago in 1895, in the wake of its defeat in the Sino-Japanese war, the Qing Dynasty was forced to sign the treaty of Shimonoseki, ceding Taiwan to Japan. For the next half century Taiwan was a Japanese colony, which is one of the historical roots of Taiwan's separation from the mainland. At the same time, the treaty opened the door for Japan's dominance in Korea, which had been a tributary state of China for centuries, and paved way for Japan's

formal annexation of Korea in 1910. Japan did not give up Korea or Taiwan until 1945 when it was defeated in World War II. One can see that from Beijing's perspective there has been a clear link between Taiwan and Korea from as early as the late 19th century; both have been crucial to China's security concerns and key national interests, albeit for different reasons.

The linkage between these two flashpoints emerged again half a century later. In early 1950, following Mao Zedong's communist victory over Chiang Kai-shek's nationalist army in 1949, the People's Liberation Army (PLA) was ready to take over Taiwan. This attempt was prevented by the outbreak of the Korean War¹, when the PLA's main target was switched from Taiwan to Korea, where the Chinese fought against the United States from 1950 to 1953. The Korean War also prompted President Harry Truman to order the US Seventh Fleet into the Taiwan Strait to guarantee Taiwanese security, thereby internationalizing the issue of Taiwan and making it a focus of future conflict between Beijing and Washington. There was a saying during that time, "It was Kim Il-sung who saved Chiang Kai-shek." Once again, one can see connections between Taiwan and Korea from Beijing's perspective. Against this background, this paper will analyze Beijing's policy toward these two hot spots focusing primarily on the most recent developments from 2000 onwards.

When examining the foreign policy of the People's Republic of China (PRC) toward the Korean Peninsula, one needs to first look at historical, and then strategic and geographical factors. China's vital interest in the Korean peninsula has long been demonstrated by Beijing's dilemma with regard to Pyongyang and Seoul, as well as its sensitivity toward the changing of major power relations in the peninsula.

Historical legacy can be traced back many centuries. China and Korea share a history of complex and intimate relations, which were symbolized by a hierarchical tributary system. As Chae-Jin Lee points out, "Korea's tributary relations with China began as early as the fifth century, were regularized during the Koryo dynasty (918-1392), and became fully institutionalized

¹There are many studies analyzing the Korean War. One may see, for example, Allen Whiting, *China Crosses the Yalu: The Decision to Enter the Korean War* (New York: Macmillan, 1960); Bruce Cumings, *The Origins of the Korean War*, (Princeton, N.J.: Princeton University Press, 1981 and 1990); Sergei Goncharov, John W. Lewis, and Xue Litai, *Uncertain Partners: Stalin, Mao, and the Korean War* (Stanford, Calif.: Stanford University Press, 1993); and Jian Chen, *China's Road to the Korean War* (New York: Columbia University Press, 1994).

during the Yi dynasty (1392-1910).”² There were many significant interactions between the two countries during the past centuries. Each ruler of China – whether the leader of a dynasty or republic – has more or less regarded Korea as one of the most prominent students of traditional Confucian Chinese culture, making Korea an important component of what may be called “East Asian civilization.” Moreover, Korea often had a buffer function between China and far-away nations, of which Japan is the prime example.³

In Korea's early history, for example, the peninsula was divided into three kingdoms: Silla, Koguryo, and Paekche. In the seventh century, Silla, the kingdom in the south, entered into a political and military alliance with China's Tang dynasty, and in 668 A.D. unified the Korean Peninsula into a single country. During the unification process, the Chinese and the Silla state also repulsed a Japanese expedition sent to aid Paekche. From that time on, Korea remained a unified country, with only occasional and relatively brief periods of political division.

The tributary relations between China and Korea came to an end when China was defeated in the Sino-Japanese war of 1894-95 and was forced to sign the treaty of Shimonoseki with Japan. In the same treaty, the Qing government was forced to cede Taiwan to Japan. One other significant historical event was the Russo-Japanese War of 1904-05, which further confirmed Japan's leading position in the region, at the same time giving way to an American intervention into Northeast Asian geopolitics. This historical event indeed set up a broad stage for four major powers, namely, China, Japan, Russia, and the United States, to play on for the next century and beyond. In 1910, Korea became a Japanese colony, and remained so until 1945, when Japan was defeated in World War II. In 1945, the peninsula was once again divided as a result of the beginning of the Cold War between the two superpowers: the United States and the Soviet Union: the leaders of the Korean communists and later, the Democratic People's Republic of Korea (DPRK), developed close ties with both Russian and Chinese Communist Parties. For example, as David Shambaugh notes, “the late Kim Il-sung was educated in China and was once a member of the CCP.”⁴ Here we can see that the connections between the two hot spots, as well as the intertwined

² Chae-Jin Lee, *China and Korea: Dynamic Relations*. Stanford, CA: Hoover Institution, 1996, p. 1.

³ Among many excellent analyses of the historical legacy of China's security concerns over Japan, see Thomas J. Christensen, “China, the US-Japan Alliance, and the Security Dilemma in East Asia,” *International Security*, 23, 4 (Spring 1999): 49-80.

⁴ David Shambaugh, “China and the Korean Peninsula: Playing for the Long Term”, *The Washington Quarterly* 26, 2 (Spring 2003): 43.

involvement of the major powers, started more than a century ago.

As mentioned earlier, the Korean War served as another historical reminder for the Beijing leadership that made it fully aware of the importance of Korea to its national security. China's reentry into the Korean Peninsula began in October 1950, when the new Beijing leadership made the momentous decision to cross the Yalu River and enter the Korean War, thereby placing itself in direct military confrontation with the United States. This conflict was to end in a military stalemate three years later. The casualties on both sides, the estimations of which vary, were tremendous. According to Chinese statistics, US casualties reached 390,000, whereas Chinese losses amounted to 115,000 dead and 221,000 wounded.⁵ Another account claimed that the number of dead on the Chinese side alone reached about 400,000.⁶

Later, in response to the 1954 Mutual Defense Treaty signed by the US and Taiwan, Beijing's support of North Korea was formally declared in the form of the 1961 Treaty of Friendship, Cooperation and Mutual Assistance with the DPRK.⁷ For the next coming decades, there were ups and downs in terms of the relationship between Beijing and Pyongyang, but the treaty still existed officially. Therefore, theoretically, if the US were to attack the DPRK, according to Anne Wu, the terms of this treaty could force Beijing into conflict with the US.⁸ Although this PRC-DPRK alliance has hardly been mentioned in conjunction with the most recent Six-Party Talks, one may have to bear in mind this basic fact.

The Korean War has also had strategic implications for East Asian international relations; that is, Korea historically has been known as a place of "*bingjia bizheng*" (meaning a strategic stronghold for military conflict) among major powers. This strategic importance is still very much essential today. All four East Asian major powers – China, Japan, Russia, and the United States – have their own vital stakes in the dynamics of the Korean Peninsula.⁹

⁵Deng Lifeng, *Jianguo hou junshi xingdong quanlu* [The complete records of China's military actions since 1949] (Taiyuan: Shaanxi renmin chubanshe, 1994): 312-313.

⁶Jonathan Adelman and Chih-yu Shih, *Symbolic War: The Chinese Use of Force, 1840-1980* (Taipei: Institute of International Relations, National Chengchi University, 1993), 189.

⁷Dingli Shen, "Can Alliances Combat Contemporary Threats?," *The Washington Quarterly* 27, 2 (Spring 2004): 172.

⁸Anne Wu, "What China Whispers to North Korea," *The Washington Quarterly* 28, 2 (Spring 2005): 37.

⁹For an excellent illumination of the importance of the Korean Peninsula, see Robert Scalapino, "The Changing Order in Northeast Asia and the Prospects for US-Japan-China-Korea Relations," paper presented at joint East-West Center/Pacific Forum Seminar held in

The geographical implications of the Korean Peninsula also figure prominently in China's security calculations. The developments in the Korean Peninsula – both North and South – will inevitably have a direct and often immediate impact upon on the population of that region which may, in turn, affect the stability and prosperity of China's northeast region – an area surrounded by Russia as well as Korea and Japan (where a strong American military presence resides).

Historical legacy has also played a significant role in Beijing's policy calculation, since it often figures in the PRC's domestic considerations. There are three critical factors. First, with nationalism on the rise on the mainland, Beijing's leadership has been acutely sensitive to the issues of sovereignty and regime legitimacy. Therefore, no Chinese leader, conservative or reformer, wants to risk being cast as a *lishi zuiren* (a person condemned by history) for not acting to prevent a split of the nation. Because of this constraint, the Beijing leadership has consistently refused to renounce the use of military means to prevent Taiwan's independence. It has also refused to allow Taiwan more space within the international community.

Second, since modernization has become the PRC's top international and domestic priority, Beijing promotes economic integration within the so-called "Greater China"—namely, the mainland, Taiwan, and Hong Kong. Taiwan has made a significant contribution to the PRC's modernization in terms of providing investment, trade, technology and managerial know-how to speed up China's economic modernization. Beijing is well aware of Taiwan's example as one of several developmental models from which it may learn (others include Japan, South Korea, and Singapore). Beijing would like to make every effort to achieve peaceful unification with Taiwan, as a military confrontation across the Taiwan Strait would certainly damage its progress toward modernization. "Economic Integration Based Unification" (EIU) has therefore become the most desirable scenario for Beijing's leadership.

Third, China's rapid economic growth and rise in status within the international community has allowed Beijing to become more assertive in its foreign policy, including its policy toward Taiwan. Therefore, one can see conflicting considerations behind Beijing's Taiwan policy, making it sometimes appear flexible and at other times rigid. In general, however, Beijing would like to promote bilateral negotiations at an early stage to

achieve a result that is favorable to its desire for unification. Time and again, however, Beijing may need a period to digest any significant developments on the island—such as the perceived shift away from the “one China” principle—to formulate its own policy toward such change. The changing international environment has kept Beijing very aware of the issue of *Taidu* (Taiwanese independence). As long as Taiwan maintains *de facto* separated from the mainland, political forces both within and outside the island will continue to promote *Taidu*. Moreover, as a result of post-Cold War developments, international public opinion might be increasingly sympathetic towards Taiwan.

For more than a century, the two hot spots have remained contentious for the major powers. As analyzed earlier, they have triggered wars, over different times and causes, among major powers in the region such as China, Japan, the United States and Russia. As a vital and rising power, China's position regarding these two hot spots has naturally drawn close attention and needs to be thoroughly examined.

Evolution of China's Korea Policy in the 1990s

The dynamics of Chinese foreign policy have been fundamentally influenced by the changes in its domestic politics.¹⁰ Since the beginning of the Deng era in 1978, Beijing has adopted reform-oriented and much more practical policies, both internally and externally. China has totally changed its attitudes toward such previously labeled “capitalist practices” as joint ventures, foreign investment, and foreign loans. China has also shown more flexibility regarding its foreign policies toward Israel, South Africa, and South Korea, with which Beijing did not have diplomatic relations during the era of Mao. By emphasizing the transitions of Chinese foreign policy in the post-revolutionary era since 1949 when the Republic was established, we can have a better understanding of China's policy options and China's diplomatic dilemma regarding the Korean Peninsula.

The first official step to enhance bilateral relations between China and South Korea was the agreement to set up trade offices in each capital in October 1990. South Korea quickly appointed a former assistant foreign minister as the head representative of its trade office, and both offices formally opened in

¹⁰ For a detailed analysis on this regard, see Quansheng Zhao, *Interpreting Chinese Foreign Policy* (New York and Hong Kong: Oxford University Press, 1996).

the spring of 1991, leading to the normalization of relations between the two countries the next year.¹¹ South Korea has become increasingly important as a trading partner for China. In 1995, for example, China's trade with South Korea reached US \$17 billion, thirty times more than its trade with North Korea of US \$550 million. Bilateral trade between Beijing and Seoul further increased to US \$31.3 billion in 2002, accounting for 9.4% of South Korea's total foreign trade. China is also the largest recipient of South Korea's overseas development assistance.¹² In 2004, for the first time, China became South Korea's largest trading partner as bilateral trade reached US \$79.3 billion, thereby surpassing trade with the United States (US \$71.6 billion) and Japan (US \$67.8 billion).¹³ The same year, despite an increase by 35 percent over the previous year, China's trade with North Korea was a mere US \$1.4 billion.¹⁴ The difference between China's economic relations with the two Koreas is striking.

As one can see, South Korea and China's economic interdependence has greatly increased in the past few years. With its prominent role in regional integration and, given the rivalry between Tokyo and Beijing, one may speculate if Seoul may play an even greater role in providing a site for further institutional building. The major obstacle in this, however, is the unsolved problem of Pyongyang. North Korea's alleged development of nuclear weapons, as well as South Korea's voluntary revelation of its research on nuclear weapons all make the situation more complicated.¹⁵

The rapidly developing political and cultural relationship with China has had a profound impact on South Korea's diplomatic and security perceptions. As a long-time ally of the US, Seoul only normalized its relations with Beijing in 1992. But it has already indicated an attitude of neutrality toward Beijing and Washington in the case of a military confrontation between the two powers. In fact, after their meeting last January, US Secretary of State Condoleezza Rice and South Korean Foreign Minister Ban Ki-moon announced agreement on a policy of "strategic flexibility" for US troops in

¹¹ For detailed analysis of economic relations between China and Korea see Chae-Jin Lee, *China and Korea* (Stanford, Calif.: Hoover Institution, 1996); see chapter 5 "Economic Relations."

¹² Jae Ho Chung, "South Korea between Eagle and Dragon," *Asian Survey* 41, 5 (September/October, 2001): 781.

¹³ Trade Statistics (from Korea customs service), 2004. Available at <<http://english.customs.go.kr/kcshome/jsp/eng/PGAS301.jsp>>.

¹⁴ "North Korea-China Trade Surges," *The Chosun Ilbo*, January 31, 2005. Available at <<http://english.chosun.com/w2ldata/html/news/200501/200501310009.html>>.

¹⁵ Donald Greenless and Murray Hiebert, "Nuclear No-No," *Far Eastern Economic Review* (September 16, 2004): 22-25.

South Korea. In their joint statement, South Korea stated that it “fully understands the rationale for the transformation of the US global military strategy, and respects the necessity for strategic flexibility of the US forces in the ROK,” whereas “the US respects the ROK position that it shall not be involved in a regional conflict in Northeast Asia against the will of the Korean people.”¹⁶ This wording is yet another indication that South Korea may follow a strictly neutral position, despite its military alliance with the United States.¹⁷ This tendency toward neutrality was further reinforced with the growth of anti-Americanism in South Korea under the new president Roh Moo Hyun. This may actually provide more leverage for Seoul to develop a more inclusive multilateral security regime including not only Washington and Tokyo, but also Beijing.

As one of the most isolated societies in the world, North Korea does not have much economic interaction with the outside world. Its economic partners are still highly concentrated in China and its southern brother. On the security front, Pyongyang has correctly perceived the US to be its main threat and has therefore consistently tried to bring the US to the table for bilateral dialogue intended to set up a security arrangement for North Korea. This position was rejected by the Bush Administration, and Washington has increasingly realized the necessity of having multilateral discussions.

China long ago dropped its view of North Korea as a close ally, although it still occasionally uses the expression “as close as lips and teeth” to describe its relationship with the country. This policy shift was completed over a decade ago when Beijing established formal diplomatic relations with Seoul. For the past few years, despite the still close relationship between the two countries, Beijing has been willing to put pressure on Pyongyang from time to time to indicate its displeasure with the latter’s development of nuclear weapons. In addition to political pressure, China also has economic means to exert this pressure. Most of North Korea’s food and fuel is provided by China. In March 2004, when Pyongyang test-fired its missiles, China cut off crucial oil supplies to North Korea for three days under “technical” pretenses. On the other hand, one must recognize the limits of Beijing’s influence over Pyongyang. North Korea has certainly enjoyed its own independent foreign

¹⁶ “(2nd LD) Korea, US Agree on Strategic Agenda, USFK Deployment Flexibility,” *Global News Wire* (January 19, 2006).

¹⁷ For an analysis on South Korea’s dilemma over China, see Jae Ho Chung. “South Korea between Eagle and Dragon: Perceptual Ambivalence and Strategic Dilemma,” *Asian Survey* 41, 5 (2001): 777-796.

policy and autonomous decision making. One may even suspect that North Korea has enjoyed using the nuclear issue as a bargaining chip to play with its long-time rival, the United States. Furthermore, increasing nationalistic sentiments in North Korea have also greatly counterbalanced China's potential influence and Beijing has been keenly aware of its limitations and behaved cautiously. For example, last fall, the Beijing leadership was pressured by Pyongyang to shut down an influential policy oriented journal, *Zhanlue Yu Guanli* [*Strategy and Management*], after the magazine published an article highly critical of the North Korean regime, in which it was suggested that China should shift its policy toward North Korea in a more balanced direction.¹⁸

There are also problems in China's relations with South Korea. Their differing political systems and levels of economic development, as well as historical legacies, are sure to contribute to the friction. About two million Koreans live in China, most of them in the Jilin Province, on the China-Korea border. The best-known Korean-Chinese community area is in the Yanbian Korean Minority Autonomous Region. In general, this large number of Koreans has played a positive role in facilitating Sino-South Korean relations. But as bilateral relations have further developed in past years, some problems have emerged.

One alarming development is that a few South Korean visitors openly have advocated that these Korean-Chinese regions actually are part of the Korean territory. Some South Koreans have indicated that the China-Korea border issue will be opened up once Korea achieves unification.¹⁹ These problems prompted Chinese premier Li Peng to ask the South Korean government to exercise more "self-control" when he met the visiting South Korean Prime Minister Lee Hongkoo in Beijing in 1995.²⁰

In fact, Beijing and Seoul have already begun to work on drawing a border between their countries across the Yellow Sea although negotiations on the water border have been held up because the Yellow Sea is as narrow as 200 miles in certain places.²¹ Because the 1982 United Nations Convention on the Law of the Sea gives countries exclusive rights to marine resources within 200 miles of their shores as exclusive economic zones (EEZs) there have been

¹⁸ John J. Tkacik, Jr., "China's 'S & M' Journal Goes Too Far on Korea," *The Asia Times*, (September 2, 2004), <<http://www.asiatimes.com>>.

¹⁹ Author's field trip to South Korea, summer 1994.

²⁰ "Nanhan pianzi pian chaoxian tongbao."

²¹ "South Korea, China to Hold Talks," *Associated Press*, (June 23, 1997).

many different claims over the water border between the two countries.²² In 2002, there was another dispute between Seoul and Beijing caused by a Chinese study project on the history of Northeast China related to the issue of the Kokuryo Kingdom.²³ Although the dispute has been put under control, it nevertheless indicates a potential territory quarrel in the future.

Another perspective examines the balance of power and community building efforts and their relationship with the six-party talks. In the early 1950s, the PRC, inspired by its perceived threat of an invasion of Western imperialism, provided substantial military support to North Korea in its war with the South. There is no doubt that strategic and political calculations dominated China's Korea policy. Beijing also learned several lessons from the war. In terms of casualties and political implications for Chinese foreign policy and the evolution of East Asian international relations, the war proved very costly for China.

Taking into account the changing international and domestic environment, Beijing has made substantial adjustments in its Korea policy. Since the late 1980s, Beijing has had strong incentives to develop relations with Seoul because a closer relationship might increase China's leverage in dealing with the Korean problem and within East Asia as a whole. As one US official in Washington suggests, "Having good relations with both [Koreas] puts China in the best possible situation" in world politics as well as in regional affairs.²⁴ Since the reform policies of the Deng era, Beijing has consistently expressed interest in avoiding another major military conflict and, therefore, has a keen interest in maintaining a peaceful and stable environment in the Korean peninsula. China has thus to take balanced actions toward the two Koreas.

It is believed that Beijing does have a certain degree of influence on Pyongyang in terms of its policy toward Seoul. In May 1991, for example, North Korea announced a dramatic reversal of its "one-Korea" policy, saying that it would seek separate United Nations membership, as demanded by South Korea. Beijing reportedly played a key role in Pyongyang's sudden

²² Louis B. Sohn, *The Law of the Sea*, (St. Paul, Minn.: West Publishing, 1984): 115-149.

²³ Kokuryo (BC 37-AD 668) was a kingdom with a vast territory ranging from the northern part of the peninsula to Manchuria. South Korea says this was a Korean kingdom, a regional regime founded by a minority people living in its outlying districts, while China's project indicates that the kingdom was actually a Chinese one. See "Correcting Distorted Korean History," *The Korea Times* (November 28, 2003).

<<http://times.hankooki.com/lpage/opinion/200311/kt2003112818380711300.htm>>.

²⁴ Nayan Chanda, "Chinese Welcome North Korea's Kim, But Relations Are Subtly Changing," *Asian Wall Street Journal Weekly* (October 21, 1991): 24 and 26.

shift, engaging in many behind-the-scenes maneuvers.²⁵ In late 1990, Beijing had made it clear to Pyongyang that China would no longer commit itself to meeting North Korea's demand for a veto of any South Korean application to join the United Nations in the year to come.²⁶ This change is not only a reflection of China's difficult position in facing pressures from the international community, but also a de facto and effective ultimatum to press North Korea to change its position. In April and May of the following year, Beijing and Pyongyang held frequent consultations on the UN membership issue, including a visit by Chinese premier Li Peng to North Korea in early May.²⁷ Immediately after North Korea's announcement to seek separate UN membership, Li Peng commented that the move was "an interim measure before the unification" and would be "welcomed by the international community, including China."²⁸ The two Koreas now have separate UN memberships, a major step toward peaceful settlement in the Korea Peninsula.²⁹

The death of Kim Il Sung in July 1994 and his replacement by his son, Kim Jong Il, did not change China's policy toward the Korean Peninsula. In his October-November 1994 visit to Seoul, Chinese Premier Li Peng assured South Korean President Kim Young Sam that China supported the Geneva nuclear accord signed between North Korea and the United States in September.³⁰ Soon thereafter, Chinese president Jiang Zemin also expressed "strong support" for the nuclear deal when he met with US President Bill Clinton at the APEC summit in Jakarta.³¹ At the same time, Beijing indicated that it supported replacing the Panmunjom armistice with a permanent peace treaty – a position strongly supported by Pyongyang, but not by Seoul, at that time.

China's balancing act in the Korean Peninsula is also reflected in the controversial issue of nuclear development in North Korea. In the spring of 1994, the International Atomic Energy Agency (IAEA) unearthed fresh evidence of North Korea's clandestine nuclear program. The IAEA director

²⁵ Damon Darlin, "North Korea Reverses Position on U.N., Seeks Admission Separately From South," *Asian Wall Street Journal Weekly* (June 3, 1991): 18 and 23.

²⁶ Ted Morello, "Veto Vanishes: Thaw Clears Way to (United Nations) Membership for Koreans," *Far Eastern Economic Review* (December 5, 1990): 15.

²⁷ *Shijie Ribao [World Journal]* (April 12, 1991): 1.

²⁸ "Li Peng on Domestic and World Issues," *Beijing Review* 34, 26 (July 1-7, 1991): 24-29.

²⁹ It is interesting to note that the PRC has been firm in opposing Taiwan's UN membership, for fear of the creation of "two Chinas."

³⁰ Shim Jae Hoon, "Sitting on the Fence," *Far Eastern Economic Review* (November 10, 1994): 15.

³¹ "Beijing Backs North Korea Pact," *South China Morning Post* (November 15, 1994): 1.

Hans Blix called the Yongbyon facility, which Pyongyang described as a radio-chemical laboratory, “the most proliferation-sensitive facility” of North Korea's seven nuclear installations. Since then, Pyongyang has been under tremendous pressure—even possible economic sanctions from Washington and Seoul, as well as the international community—to further open its nuclear installations for international inspection.³² While admitting that China did not have accurate information regarding North Korea's nuclear weapons development program,³³ Beijing indicated that it would oppose economic sanctions on Pyongyang. In a meeting with South Korean President Kim Young Sam and Foreign Minister Han Sung Joo during their visit to Beijing in March of 1994, Chinese leaders made it clear that they would oppose any economic sanctions on North Korea and would even be reluctant to go along with a resolution from the United Nations Security Council. Rather, Beijing would like to have more time to “work its persuasion on Pyongyang before any UN sanctions are imposed.” The PRC demanded that the Security Council downgrade its plea for inspections of the North's nuclear installations from a resolution to a non-binding “statement.” A vote on a resolution would require China to go on record with either a veto or an abstention. A statement would require no vote.³⁴

In addition, China's balancing role has been requested by both North and South Korea. For example, in June 3-7, 1999 high-level talks were held between Chinese President Jiang Zemin and North Korea's number two leader Kim Yong Nam.³⁵ The North Korean senior delegate was the first to come to Beijing in almost eight years. After the NATO bombing of the Chinese embassy in Belgrade, North Korean leadership feared the risk of American military action against it, and recognized the wisdom of closer ties with China. One visible change has been Beijing's approval of North Korea's request to open a consulate in Hong Kong.³⁶

A month later, South Koreans made a similar move with China. In his path-breaking visit to Beijing, South Korean Defense Minister Cho Seong-tae called for China to play a “bridging role” between North and South Korea.

³² Nayan Chanda, "Seal of Disapproval," *Far Eastern Economic Review* (March 31, 1994): 14-15.

³³ "South Korea: Information Gap," *Far Eastern Economic Review* (April 21, 1994): 13.

³⁴ "Making Haste Slowly: Seoul, Tokyo, Play up to Beijing on North Korean Issue," *Far Eastern Economic Review* (April 7, 1994): 16. For a detailed analysis of China's assessment of North Korea, see Banning Garrett and Bonnie Glaser, "Looking Across the Yalu: Chinese Assessments of North Korea," *Asian Survey* 35, 6 (June 1995): 528-545.

³⁵ Susan V. Lawrence, "Brave New World: Nato's role in Yugoslavia prompts Chinese soul-searching," *Far Eastern Economic Review* (June 17, 1999): 14.

³⁶ "Regional Briefing," *Far Eastern Economic Review* (May 27, 1999): 16.

Furthermore, Cho indicated that South Korea might enhance its military ties with other powers in the region, such as China, Japan, and Russia, which could signal Seoul's interest in a multilateral security system.³⁷ This situation was bolstered by these unprecedented talks between Cho and Chinese Defense Minister Chi Haotian in Beijing, and Chi's acceptance of Cho's invitation to visit South Korea in the future at a mutually agreed upon time.³⁸

Beijing has nevertheless closely watched the developments in Pyongyang. On August 31, 1998, for example, North Korea conducted a satellite-launching rocket test close to Japan; some believed it was a missile exercise.³⁹ China was alarmed by this development, for Beijing would not like to see "a politically unstable, nuclear capable North Korea."⁴⁰ China's balanced actions further demonstrated that China was "playing both sides of the Korean equation," and Beijing was "in favor of resolving the North's nuclear issue but without hurting its interests in the North."⁴¹

Since the beginning of the post-Cold War era, East Asian international relations have been greatly affected by the reconfiguration of power relations in the region. It is a common belief that the end of the Cold War in the late 1980s – especially with the collapse of the Soviet Empire – significantly altered the configuration of major power relations in the Asia Pacific region.⁴² Beijing has to prepare itself to face the strategic challenge presented by this development, including such events as the new guidelines of the US-Japan Security Treaty, and discussions of a theater missile defense (TMD) system in East Asia. Although the tension in the Korean Peninsula appears to have been significantly reduced due to the Kim Dae Jung–Kim Jong Il summit in June 2000, the TMD plan is still ongoing. In addition, with US President George W. Bush's new administration and his "Axis of Evil" statement, the pace toward conciliation between Washington and Pyongyang may slow down or even reverse. This development has alarmed Beijing, which fears a new US-Japan alliance to militarily contain China.

³⁷ "China Called Upon to Play Bridging Role for 2 Koreas," *Korea Times*, August 25, 1999.

³⁸ "Korea-China Defense Ministers' Talks," *Korea Times*, August 27, 1999.

³⁹ Shim Jae Hoon, "Rocket Man," *Far Eastern Economic Review* (September 17, 1998): 17.

⁴⁰ Shawn Crispin and Shim Jae Hoon, "Broken Promises: Washington, Pyongyang Set for New Confrontation," *Far Eastern Economic Review* (October 22, 1998): 16-18.

⁴¹ Shim Jae Hoon, "Sitting on the Fence," *Far Eastern Economic Review* (November 10, 1994): 15.

⁴² For detailed analyses of this change, see *Future Trends in East Asian International Relations*, ed. Quansheng Zhao (London: Frank Cass, 2002).

To counterbalance this perceived hostile environment, China has developed the following four strategies in its foreign policy: first, China has further enhanced its cooperation with Russia and other former Soviet states, not only in economic and political areas but also, and more importantly, in security matters as illustrated by the Shanghai Cooperation Organization established in 2001. Second, Beijing has rekindled its interest in maintaining substantial influence over Pyongyang so that China will have greater leverage in terms of political and strategic maneuvering in the Korean Peninsula. Third, China has moved to improve its relationship with its neighbors in Southeast Asia, that is, with the ASEAN countries. Finally, China has increased its community-building efforts in East Asia, as demonstrated by the establishment of the China-Japan-Korea Forum in economic and technology field. This three-way forum was initiated at the recent summit meeting during the “ASEAN Plus Three” Conference held in Singapore in November 2000⁴³ by Chinese Premier Zhu Rongji, Japanese Prime Minister Yoshiro Mori, and South Korean President Kim Dae Jung.⁴⁴ From the above discussion on the evolution of China’s Korea policy one can see that China, a key player in the regional security arrangement, has increasingly shown its willingness to cooperate with major powers in the peaceful settlement of controversies around the Korean Peninsula.

China’s Efforts toward Co-Management of the North Korean Nuclear Crisis

Until the beginning of this century, China has long favored a bilateral approach to deal with any Korean controversies. After relations with Moscow deteriorated in the late 1950s, Beijing literally abandoned multilateral frameworks in regard to the Korean Peninsula. Instead, during the Cold War and the first period of the post-Cold War era, China maintained a bilateral approach and conducted its negotiations with Tokyo, Pyongyang, and Washington, respectively. In the past few years, however, one can witness a change in Beijing’s position as it moves toward a multilateral approach to co-manage the issues related to the Korean Peninsula.

Let me first bring the discussion to how the most recent developments in the post-9/11 period have affected Chinese foreign policy and the Korean Peninsula. The September 11 attacks on New York and Washington

⁴³ *Renmin Ribao* [*The People’s Daily*], November, 25 2000, p. 1.

⁴⁴ *Ibid.*

catalyzed a major shift in US foreign policy priorities, in which China no longer figured as a main target for American pressure. A convenient, yet legitimate, reason for Washington to shift its foreign policy priority is the need for anti-terrorist coalition building. The war on terror has naturally become a centerpiece of US foreign policy, and China's cooperation on this issue is of value to the United States. Therefore, as geopolitical considerations have gained primacy, other considerations such as ideology – including anti-communism and the promotion of human rights – have been put on the back burner, in a fashion akin to President Richard Nixon's focus on "opening up" China despite its political differences. Geographically, the Middle East, namely Iraq and Afghanistan, has become the top priority and there are several hundred thousand US troops stationed there, whereas for the moment Asia has become a secondary consideration. It is logical, then, that Washington's perception of Beijing has shifted from that of a rival and competitor to a cooperative partner.

The attention on North Korea has also intensified since the revelation of North Korea's nuclear plans. The country has been included in Bush's "Axis of Evil," and is one of the main reasons for increased cooperation between Beijing and Washington. During the same period, China's relations with Taiwan deteriorated, partially because the independence-oriented Democratic Progressive Party (DPP) moved into power, indicating a regime shift in Taiwan. In order to get help from Washington to curtail this movement toward independence, Beijing must show its own gestures of goodwill on the Korean front.

The movement toward East Asian community building, starting with economic initiatives, including ASEAN 10 + 1, ASEAN 10 + 3, and a number of forthcoming free trade agreements, has also been of significance. Increased discussions on the security dimension have brought some unprecedented possibilities to the table regarding a regional security framework that would include all major powers, i.e. the US, China, Japan, Russia, and South Korea, among others. This mood of coordination on the security front has also provided a foundation for China's foreign policy shift toward the Korean Peninsula, from a passive to a more active position.

Since the beginning of the 21st century, China has developed a new line of thinking regarding its security framework known as a "new security concept." This notion was elaborated by Chinese Vice Foreign Minister Wang Yi as a "comprehensive, common, and cooperative" security

framework.⁴⁵ In implementing this new idea, China emphasizes more gentle and friendly relations with its neighboring countries, as well as more agreeable policies on multilateral security arrangements in the region.

In August 2003, a multilateral arrangement for the North Korean nuclear crisis issue materialized in the form of the six party talks between China, the US, Japan, Russia, and the two Koreas. By the end of 2005 five different rounds of talks had been hosted by the Chinese in Beijing. The acceptance of this multilateral approach, despite initial reluctance, proved necessary for Pyongyang as well. In order to understand Beijing's policy directions, we must examine its motivations to host the talks. China's foreign policy continued to prioritize a stable and peaceful international environment to allow it to concentrate on economic modernization. A nuclear North Korea would not be conducive to this development. Additionally, a North Korea actively developing nuclear weapons would almost inevitably stimulate a new arms race in Northeast Asia, prompting both South Korea and Japan to consider the nuclear option. With Sino-Japanese relations at a low, Beijing would definitely not want to see Japan move in this direction. Beijing also has its own national interests and foreign policy headaches around the issue of Taiwan, which requires close coordination between China and the United States in order to curb a possible shift in Washington's Taiwan policy. These highly visible six-party talks, have also allowed Beijing to portray itself as a responsible major power that can take the lead in the handling of difficult international issues, which has in turn increased China's international standing.

One other reason for the ability of the major powers to co-manage the North Korean nuclear crisis is the long-standing consensus among the four major powers in the region. They all oppose nuclear proliferation in general and prefer a nuclear-free Korean Peninsula in particular, and must thus put stability and peace as their top policy choices. China's position has certainly been in line with this consensus, which became a foundation for the six-party talks. From passively dealing with the North Korean issue to actively hosting the six-party talks, Beijing has gone through a major shift in its policy orientation over the past several years. In doing so, China has conducted highly visible and unprecedented shuttle diplomacy to ensure that North Korea comes to the negotiation table. It is only natural that different

⁴⁵Michael Vatikiotis and Murray Hiebert, "How China is Building an Empire," *Far Eastern Economic Review* (November 20, 2003): 30-33.

countries have different considerations to take into account based on their own national interests. Although there is consensus among the major powers regarding the desirability of a nuclear-free peninsula, China certainly has its own distinct policy calculations.

In the short space since the six-party talks began in August 2003, it has become clear that Washington, Beijing, and Pyongyang are the major players in this setting in the sense that the United States and North Korea are the chief negotiating parties, whereas China plays the important role of host and mediator. Thus Tokyo and Moscow, although important, has so far only played secondary roles. China's primary diplomatic actions, therefore, have been used to bring the US and North Korea to the table. The next tier of efforts will be to coordinate with Japan, Russia, and South Korea.

Common Ground

There is much common ground between Beijing and other powers in terms of the North Korean nuclear crisis. First, a peaceful and stable international environment is in all own countries' national interests. They do not want to see a military confrontation on the Korean Peninsula or the advent of a nuclear arms race in East Asia. As mentioned earlier, China's top priority in its strategic goals for the new century will continue to be economic modernization, which requires a peaceful environment. Furthermore, among the two flashpoints in the Asia-Pacific, namely Taiwan and the Korean Peninsula, the former is clearly more at the heart of China's core national interests. Therefore, the Chinese government would prefer to focus its energy and resources on the settlement of the Taiwan issue and not let a potential military confrontation on the Korean Peninsula jeopardize its position regarding Taiwan as happened during the Korean War in the 1950s.

Third, all major players view the six-party talks as an excellent vehicle not only for increasing their international profile in the region but also for providing mechanisms to solve their individual problems by simultaneously conducting bilateral negotiations with Pyongyang. For example, right before the fifth round of six-party talks, Japan and North Korea conducted bilateral negotiations in Beijing on November 3 and 4, 2005, focusing on three key issues in their bilateral relations: the issue of abductions of Japanese citizens; nuclear missile and security issues; and negotiations over historical problems. Both sides agreed to continue these bilateral negotiations with the ultimate

goal of an eventual diplomatic normalization.⁴⁶ At the same time, Beijing has further enhanced its ties to Pyongyang in substantial ways. During the six-party talks, China and North Korea conducted frequent visits, both at state and working levels. One instance of this occurred in late October 2005 when Chinese President Hu Jintao visited Pyongyang in preparation for the talks and had lengthy meetings with North Korean President Kim Jong Il.⁴⁷ Japanese Chief Cabinet Secretary Hiroyuki Hosoda openly praised this visit, saying, "We believe there will be a good impact" on the forthcoming six-party talks.⁴⁸

Fourth, all powers in the region have recognized the special stabilizing role of the United States in the Asia Pacific. Because of this, they are willing to cooperate with Washington, albeit to different degrees. In other words, no country wants to challenge the US position in the region or withhold cooperation, as long as the US stance is in accordance with its own interests. Furthermore, all participating parties have clearly recognized that the format of the six-party talks is the only multilateral security forum led by both the United States and China, and that it may evolve into a new security framework (which will be discussed in detail later). Therefore, it is only natural that other players, such as Japan and Russia, also have a positive attitude toward this new framework. For example, in virtually all opening statements of the Japanese government, Japan's attitude has been very positive. After the three-day talks of the fifth round in November 2005, Japanese delegation leader Kenichiro Sasae spoke highly of the statement issued by the Chinese delegation leader, who also served as chairman, and praised him for "taking into account all parties' interests."⁴⁹

Different Concerns

Yet there are also a number of different concerns that Beijing and Washington/Tokyo may have. First, China and the United States hold different positions with regard to the issue of regime change. Beijing is much less inclined to agree with America's position, that the ultimate goal may be a new regime in Pyongyang as a way to totally solve the problem. The

⁴⁶ *The Asahi Shimbun*, November 5, 2005, p. 1.

⁴⁷ During this visit President Hu Jintao also visited a new Chinese-financed glass factory in Pyongyang. See Anthony Faiola, "N. Korea Gains Aid Despite Arms Standoff," *The Washington Post*, November 16 2005, p. A14.

⁴⁸ "Japan expects Hu's Pyongyang visit to move nuclear talks forward." *Agence France Presse - English*, October 21, 2005.

⁴⁹ "Japan delegation head praises six-way talks statement," *British Broadcasting Corporation*, November 11, 2005.

hardliners in Washington, particularly within the Pentagon, have long believed that an ultimate way to solve the North Korean problem is to facilitate regime change, as US military forces did in Iraq (although the war option with North Korea has been constantly cautioned). Beijing, however, has made it clear that it does not favor a quick regime change, which may lead to the total collapse of the Pyongyang government. Tokyo is more or less in agreement with Washington, although it may appear differently in rhetoric.

Second, Beijing has its own security concerns over the possible collapse of the regime in North Korea, which may push even more refugees across the border into China. The refugee issue has already become a burden to the Chinese. Due to widespread famine in North Korea beginning in the late 1990s, North Koreans have been crossing illegally into China in hope of escaping hunger.⁵⁰ According to the Seoul-based humanitarian group, "Good Friends," the estimated number of North Korean "food refugees" in China reached 300,000 in 1999; a number at odds with the official estimate of 1,500.⁵¹

Hundreds of North Koreans have already made their way over the Sino-Korean border either by swimming along the coast of the Yellow Sea or walking over the mountains. The flow of refugees was so great that the South Korean consulates in Beijing and Hong Kong were swamped with requests for asylum. Many more refugees have been caught by the Chinese and returned to North Korea, where severe punishment awaited them.⁵² Unfortunately, the refugees have little legal protection, and allegations of widespread abuse are common. Refugees who have already come from North Korea have been an enormous burden on China. Therefore, China does not want to see the further deterioration of this situation, such as would happen following a regime collapse. Another undesirable consequence of this scenario could be a quick collapse of North Korea bringing US military forces up to the Yalu River at the Sino-North Korean border—thus, China may prefer that the Pyongyang regime exist to serve as a buffer between Chinese and American military forces.

The refugee issue has caused problems for China's foreign relations,

⁵⁰ Kim Ji-ho, "N.K. 'Food refugees' in northern China suffer abuses without legal protection," *Korea Herald*, September 7, 1999,

<http://www.koreaherald.co.kr/news/1999/09/_11/19990907_1140.htm>.

⁵¹ "Human rights of N.K. refugees," *Korea Herald*, September 6, 1999,

<http://www.koreaherald.co.kr/news/1999/09/_03/19990906_0318.htm>.

⁵² Mary Jordan, "Fearing Deluge, Political Fallout, China Spurns fleeing N. Koreans," *Washington Post*, April 14 1997, p. A14.

including those with Japan. On May 8 2002, five North Korean asylum seekers tried to force their way into the Japanese consulate in Shenyang, China, and were arrested inside the consulate gate by Chinese police. This incident created diplomatic tension between China and Japan.⁵³ Similar previous attempts by North Koreans have also taken place in Beijing at the embassy compounds of the United States, Germany, Canada, and Spain.⁵⁴ The unhappy episode of the Shenyang incident indicated that, despite the fact that Beijing and Tokyo share common interests in dealing with Pyongyang, unexpected incidents like this may time and again jeopardize Sino-Japanese relations in a sensational way.

Japan, for example, has its own grievances with North Korea, namely the issue of North Korea's abduction of Japanese citizens over the past few decades. This has caused outrage within the Japanese society and made a hard line policy toward Pyongyang quite popular. Japanese leaders and diplomats have repeatedly raised this issue whenever they have had an opportunity to meet with representatives from North Korea, both within and outside the negotiation tables of the six-party talks. Obviously, this abduction issue has no direct linkage to the Chinese interests.

Third, there are also different policy preferences in the sense that China prefers to rely more on "carrots," whereas the US tends to lean toward the use of "sticks." Beijing has advocated a more patient policy toward Pyongyang, thereby providing more incentives for North Korea to change its policy. Tokyo, in contrast, would not oppose a harsher policy, including economic sanctions on North Korea.

Fourth, it is obvious that Beijing and Washington/Tokyo carry different weight in terms of their political and economic influence over Pyongyang. In addition to being a long-time ally with relations rooted back in the Korean War, China has enjoyed much economic leverage over North Korea. As a chief provider of energy and food, China is able to use economic means to indicate its policy preferences, as mentioned earlier. The United States and Japan, on the other hand, have time and time again been easy scapegoats for Pyongyang's propaganda. Whenever there is something that requires pinning blame, the US and Japan have proved to be easy targets.

Despite the above mentioned differences, one may expect that for the foreseeable future, common interests of China and the other powers,

⁵³David Kruger, "Diplomatic Chaos," *Far Eastern Economic Review* (May 23, 2002): 11.

⁵⁴ "Korean Refugees," *Far Eastern Economic Review* (May 9, 2002): 24.

particularly the desire for a stable and nuclear-free Korean Peninsula, will prevail. Furthermore, the factors behind China's decision to host the six-party talks are also likely to remain.

Coordination between China and Other Parties

There is naturally frequent coordination among the six-parties. Beijing's shuttle diplomacy has been helpful in bringing different parties together. As one can imagine, the six-party talks, even in a technical sense, are not an easy task in terms of language interpretation. Interpreters for five languages—Chinese, English, Korean, Russian, and Japanese—are needed. But perhaps even more difficult is how to coordinate different positions, stances, and concerns. Fortunately the common ground is large enough to overcome the difference and all related parties have been relatively well-coordinated by the Chinese. There are five ways to coordinate between China and other powers.

First, there are frequent gatherings and discussions among leaders of the five countries to adjust their policy toward North Korea. In addition to high-level periodical state visits, these countries' leaders have met from time to time in international settings, such as the annual meetings of APEC and ASEAN + 3. The issue of Korea crisis management is one of the topics discussed that has been discussed at such meetings. In addition, leading politicians and leaders other than the heads of state visit each other and take these opportunities to discuss the issue of North Korea.

Second, China has fully utilized its shuttle diplomacy to coordinate different parties' positions. China's envoys paid periodic visits to other capitals in order to brief their counterparts and to make preparations. Third, China has opened new diplomatic channels to discuss concerned issues. In early 2005, for example, China proposed to set up a strategic dialogue between Beijing and Tokyo at the Deputy Foreign Minister level.⁵⁵ General security issues, including North Korea, will be among the major points discussed. Fourth, frequent information exchanges through diplomatic channels have taken place, primarily between these countries' embassies in Beijing and the Chinese Embassy in other capitals. Fifth, frequent working discussions at the lower diplomatic levels have also taken place including diplomats from all states concerned.

⁵⁵ *Asahi Shimbun*, February 8, 2005, p. 2.

Nationalism and Beijing's Taiwan Policy

Let us now discuss the evolution of the PRC's Taiwan policy over the years. In order to achieve its goal of national unification, Beijing has maintained two different approaches—peaceful means and military force—to prevent Taiwan from gaining independence (*Taidu*). Beijing has made it clear that it will never give up military means to deter any step toward *Taidu*. Concerned observers on both sides of the Taiwan Strait, as well as in the United States, have often asked under what circumstances, if any, the PRC would resort to the use of military force. The simple answer from Beijing is that force would be used if Taiwan openly claimed independence. This point is well understood in Taipei and it seems that few rational politicians would conduct this kind of suicidal action by moving ahead toward a permanent separation from China.

Regional (as well as global) attention to PRC-Taiwan relations has increased since March 2000 when the pro-independence Democratic Progressive Party (DPP) defeated the long-time ruling Nationalist Party (KMT) and its candidate Chen Shui-bian became the next ROC president. Given the controversial nature of cross-Strait relations and the high stakes of major powers in the region, it is necessary for all players to understand the development of the PRC's Taiwan policy and the dilemma Beijing faces with the new development of the island.

Beijing's dilemma with Taiwan is twofold. First, Beijing would like to achieve national reunification with Taiwan through a peaceful path, but must be prepared for a war scenario if Taiwan insists on breaking away from the mainland. Second, there has been a consensus among China's elite since 1978 when Deng Xiaoping began his reform and openness policy that economic development should be the top priority for China. The modernization drive, however, has in turn promoted greater nationalistic sentiment among Chinese people, as communism's appeal as the ruling ideology has noticeably declined. This development has permitted the Beijing government to whip up nationalist sentiments within the country. These trends make a compromise with Taiwan's demand for separation virtually impossible for any leader to grant. The Beijing leadership is faced with the following dilemma: if Beijing concentrates only on economic modernization without using military force on Taiwan, then Taiwan may move toward a permanent separation; on the other hand, if there is a war over Taiwan, there will almost certainly be a great economic setback on the mainland.

As China views its claim to Taiwan as non-negotiable, in addressing concerns raised by the most recent DPP regime, it envisions two possible scenarios under which Taiwan can finally be reunified with mainland China: “Economic Integration Based Unification” (EIU) and “Taiwan Independence Led War” (TIW). In the EIU scenario, the increasing economic interdependence between Taiwan and the mainland will create a favorable environment for cross-Strait integration not only economically but also socio-culturally and may well lead to political accommodation in the long run. The hope of EIU increases Beijing’s confidence in its long-term goal of national unification with Taiwan, thereby providing a basis for Beijing to primarily use economic means (a naturally peaceful means) as a foundation for its Taiwan policy.

The TIW scenario refers to a situation in which an independence-oriented party such as the DPP comes into power and the likelihood for Taiwan to move towards independence increases significantly. To prevent Taiwan from doing so, Beijing believes it has to heavily depend on military force and prepare for war. On the other hand, the PRC’s bottom line is not all that clear in terms of what actions that may constitute “Taiwan independence,” thereby leading to military action. Beijing has never provided a clear definition as to what constitutes a true declaration of “Taiwan independence”-- a legal status change from *de facto* to *de jure* or other related activities, such as a change of constitution or change of state name (to for example “The Republic of Taiwan”). Rather, Beijing’s exact definition of “Taiwan independence” seems to evolve over time.

Beijing’s assessment of the developments on Taiwan is one of the most important factors for its policy choices. One should pay close attention to the impact of the change in the ruling party in 2000 from the KMT (and its ultimate aim of reunification with the mainland) to the DPP (and its emphasis on Taiwan’s eventual independence) on Beijing’s perception toward Taiwan. Beijing has been trying to gauge to what extent the new DPP regime’s public policy profile constitutes a definite relinquishment of the long-established “one-China” position, and therefore a move toward independence. One may argue that toward the end of 2002, Chinese leaders concluded that instead of an “ad hoc adjustment” there was a “far-reaching change” brought about by the new DPP regime, leading to Beijing’s own policy shift in its Taiwan policy. While still maintaining that both peaceful and military means are two options for the “Taiwan problem,” Beijing may have lost hopes with the Chen Shui-bian regime and may increase its

military preparation for future development.⁵⁶

China's fundamental concern is that Taiwan's prolonged separation may in fact promote eventual independence. Thus, the PRC State Council issued a Taiwan White Paper in February 2000, which lists another situation that would prompt the PRC to use military force against Taiwan—that is, if Taiwan indefinitely delays negotiations with the mainland.⁵⁷ Beijing's fear of an "indefinite delay" was further fanned by the victory of pro-independence DPP candidate Chen Shui-bian⁵⁸ and Chinese leaders became increasingly concerned about developments leading to TIW.

One of the most cited pieces of evidence of the DPP's *Taidu* tendency is the "independence clause" within the DPP's Political Platform. This document was adopted in October 1991 when the DPP's fifth Party Congress was held. Section A of the DPP's Political Platform is entitled "The Establishment of a Sovereign and Independent Republic of Taiwan," and Article 1 of this section makes the following explicit proposal: "In accordance with the reality of Taiwan's sovereignty, an independent country should be established and a new constitution drawn up in order to make the legal system conform to the social reality in Taiwan and in order to return to the international community according to the principles of international law."⁵⁹ One may notice, however, that there are ongoing discussions within the leading circles of the DPP that it should modify this "independence clause," either by softening the language or placing it in a "historical context."⁶⁰

⁵⁶ See Quansheng Zhao, "Regime Change and the PRC's Taiwan Policy in the DPP Era," *East Asia: An International Quarterly* 20, 3 (Fall 2003): 61-85.

⁵⁷ In the Taiwan White Paper, the PRC government states:

[I]f 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.

See "The One China Principle and the Taiwan Issue," *Renmin Ribao* [People's Daily], February 22, 2000, p.1. The English version was reprinted in *Issues & Studies* 36, 1 (January/February 2000): 161-81. Previously, the conditions for China's intervention were the declaration of Taiwan independence or foreign power occupation.

⁵⁸ Julian Baum with Dan Biers, "When a Giant Falls," *Far Eastern Economic Review* (April 6, 2000): 18.

⁵⁹ "Political Platform of the Democratic Progressive Party," <<http://203.73.100.104/platform/a.htm>>.

⁶⁰ See, for example, the 1999 Resolution on the Future of Taiwan passed at the Second Plenary

As Taiwan gradually democratized and its society became more pluralistic, opinions became more diverse in Taiwan's political arena. Therefore, Taiwan's decision-making process has become ever more complicated, making it difficult to achieve consensus. Beijing should understand that the island's frequent elections also require Taiwanese politicians to follow public opinion closely.

Cross-Strait relations have been even more uncertain since Taiwanese presidential elections in March 2000. The parliamentary election of December 2001 confirmed that the DPP's presidential victory was no accident, as the DPP became the biggest party for the first time, defeating the old ruling party, the KMT.⁶¹ The significance of the 2000 presidential elections does not only lie in its achievement of a peaceful transfer of power as part of the island's democratization process,⁶² but can also be considered the start of another round of intensified debate within the island over the "One-China" principle that Beijing has insisted upon.

In the DPP era, Chen Shui-bian experienced a difficult start to his term, beset by economic recession, political maneuvering over the fourth nuclear reactor issue, key cabinet resignations, and political rumors. Furthermore, the pro-independence elements of the DPP did not want too much compromising with Beijing. In terms of general attitude, however, the coalition of the DPP and Lee Teng-hui's Taiwan Solidarity Union (TSU), known as the "Green camp," appears to be much more suspicious of cross-Strait economic integration than the "Blue camp" (the KMT and the PFP -- People First Party), which holds a more positive attitude. The "Blue camp" has long argued that Taiwan's recession necessitates reliance on the mainland as a market for Taiwanese goods and services. Given this extensive interdependence, there also is a need for Taiwan's government to allow direct postal, air, and shipping links.

In recent years, instead of political and military pressure to promote integration with Taiwan, Beijing has increasingly relied upon economic means. Whatever the outcome, Beijing's overall strategy remains clear. A particularly important factor in Taiwan's politics is the business sector, as profit-driven businesspeople generally have viewed the mainland as a

Meeting of the Eighth DPP Congress.

⁶¹ "Regional Briefing," *Far Eastern Economic Review* (December 13, 2001): 12.

⁶² For example, see Shelley Rigger, "Taiwan Rides the Democratic Dragon," *The Washington Quarterly* 23,2 (Spring 2000): 107-118; Gwynne Dyer, "Chinese Democracy," *Washington Times*, March 21 2000; "Taiwan Steps Forward," *Washington Post*, March 19 2000, p. B6.

desirable market and location for investment. Indeed, Taiwan's extensive trade and economic relations with the mainland have been responsible for generating Taiwan's huge trade surplus. Thus, Taiwan's business community has pressured its politicians to allow for enhanced ties across the Taiwan Strait. One well-known example is the chairman of Formosa Plastic Group (Taiwan's biggest conglomerate), Wang Yung-ching, who has repeatedly attempted to make multibillion dollar investments on the mainland.

Over the years, the mainland has attracted significant levels of Taiwanese investment and the total value of bilateral trade has increased dramatically. As early as 1993, the mainland became Taiwan's third largest export market after the United States and Hong Kong.⁶³ In 2000, Taiwan's trade with the mainland rose by 25 percent, leaving Taiwan with a surplus of US \$27 billion.⁶⁴ Indeed, bilateral trade reached a new high in 2002, totaling about US \$37 billion, with Taiwan's surplus reaching US \$22.7 billion. Trade with the mainland in 2002 accounted for 15.2% of Taiwan's total trade, only after the United States (18.5%) and Japan (16.1%).⁶⁵ The prolonged, huge trade surplus in Taiwan's favor not only facilitated Taiwan's survival during the 1997-98 Asia financial crises, but has also provided enormous incentives for Taiwan to engage with mainland China. These trends fit well into Beijing's EIU strategy.

In terms of investment figures, there have been huge discrepancies between the sources of official estimation and real investment values. For example, take the estimates of Taiwan's total investment on the mainland from 1992-2000: the official statistics from Taiwan's ministry of economic affairs is US \$20.1 billion and mainland China's estimation is US \$59.9 billion. *Business Week's* estimation for the decade of 1990-2000 is around US \$48-70 billion.⁶⁶ According to the chairman of the Central Bank of Taiwan, however, the accumulated Taiwanese investment in China for the past decade reached US \$104.5 billion.⁶⁷ This account is closer to the estimate of roughly US \$80-100

⁶³ Wen Wei Po (Hong Kong), December 27, 1994, p. 1.

⁶⁴ John Pomfret, "Taiwan Has an Outbreak of Shanghai Fever," *The Washington Post*, April 28, 2001, p.A14.

⁶⁵ Information available at <<http://www.mof.gov.tw/statistic/trade/2301.htm>>.

⁶⁶ Dexter Roberts and Bruce Einhorn with Alysha Webb, "Taiwan & China: How Can Taipei Control Its Destiny as the Two Economies Integrate?" *Business Week* (June 11, 2001): 58.

⁶⁷ Quoted from Szu-yin Ho and Tse-Kang Leng, "Accounting for Taiwan's Economic Policy toward China," a paper presented at the conference, "The United States, China, and Taiwan in a Changing World," University of Denver, May 2-3 2003, pp. 7-9.

billion made in April 2001 by the *Far Eastern Economic Review*.⁶⁸ Given the fact that there have been constant policy changes and irregularities with regard to Taiwan's investment policy toward China, these discrepancies are understandable. One should also recognize that such discrepancies arise on both sides of the Taiwan Strait. In fact, according to some 2004 reports, mainland-based projects total about 40 percent of Taiwan's total direct overseas investment,⁶⁹ involving approximately 50,000 Taiwanese companies, employing more than 10 million Chinese workers.⁷⁰ It is Beijing's hope that it can use economic means to promote bilateral exchange and integration to demonstrate its conciliatory position.

The pressure to lift the "go slow, be patient" (*Jieji Yongren*) policy also came from a renewed sense of "mainland fever." Reports hold that as China's economy continues to develop rapidly, many Taiwanese have begun to see that the mainland offers prospects of a better life and a brighter future. One symptom of this "mainland fever" is the large amount of Taiwanese investment in Shanghai. A growing number of people from Taiwan even choose to settle in the Shanghai area. For the first time, Shanghai, as a mainland city, has been ranked as the number four favorite destination for emigrating Taiwanese. Another favorite destination is Dongguan, located in the mainland's Guangdong province.⁷¹

In light of these developments, the DPP government has acted in accordance with the recommendations of a 120-member advisory panel to lift the caps on levels of Taiwanese investment on the mainland, as well as technology transfer restrictions.⁷² In August 2002, the Taiwanese government issued new rules to officially allow local enterprises to invest directly in mainland China. The new "active opening, effective management" (*jiji kaifang, youxiao guanli*) policy has replaced the old "go slow, be patient" policy under Lee Teng-hui.⁷³ The PRC is likely to use these new opportunities to deepen Taiwan's economic dependence on the mainland. Although there are still observers who believe that the lack of progress toward "one-China" means

⁶⁸ Maureen Pao, "President Under Siege," *Far Eastern Economic Review* (March 29, 2001): 22-23.

⁶⁹ Clay Chandler, "Taiwan Looks to Boost mainland Trade," *The Washington Post*, August 28, 2001, p. E01.

⁷⁰ Jason Dean, "Collateral Damage," *Far Eastern Economic Review* (July 29, 2004): 32.

⁷¹ David Murphy and Maureen Pao, "A Place to Call Home," *Far Eastern Economic Review* (July 5, 2001): 56.

⁷² This advisory panel included businesspeople, scholars, lawmakers, officials, and labor representatives. See Clay Chandler, "China Rejects Taiwan Call on Trade," *The Washington Post*, August 30 2001, p. E01, and Chandler, "Taiwan Looks to Boost mainland Trade," p. E01.

⁷³ Reuter, Bloomberg, "Taiwan Ends Ban on Direct Investment in China," *International Herald*

that Beijing will drop its economic “charm offensive” toward Taiwan in favor of military options,⁷⁴ most reports indicate that Beijing is still diligently working on economic interdependence as a way toward unification. For example, in December 2003 President Hu Jintao attended a high profile reception for more than 90 top Taiwanese businessmen with investment in the mainland where he gave a friendly speech calling for strengthened economic cooperation.⁷⁵ Beijing’s charm offensive was further enhanced by the widely publicized visits to the mainland by Taiwan’s two top opposition leaders, the KMT’s Lien Chan and PFP’s James Soong in April-May 2005.

The factors outlined above have played a significant role in the PRC’s dilemma over Taiwan. Beijing has paid close attention to whether the new government’s mainland policy represents a TIW trend, specifically whether the new leaders are actually departing from the “one-China” principle and moving towards Taiwan independence. Based on this assessment, Beijing will then determine its Taiwan policy. The process of Beijing’s assessment toward the regime change in Taiwan from late 1999 to early 2006 can be divided into six stages:⁷⁶

- *The first stage (late 1999-March 2000) – alarm over possible TIW development*
- *The second stage (March 2000-January 2002) – “wait and see”*
- *The third stage (January-August 2002) – attempt at conciliation hoping for EIU*
- *The fourth stage (August 2002-March 2004) – swinging but still hoping for EIU*
- *The fifth stage (March 2004-March 2005) – swinging but preparing for TIW*
- *The sixth stage (April 2005 -) – renewed conciliatory efforts*

The highly publicized visit by Taiwan’s opposition parties’ leaders Lien Chan and James Soong in April-May 2005 indicated the beginning of a new stage in cross-Strait relations. It clearly demonstrated Beijing’s renewed conciliatory efforts with Taiwan to work toward EIU. But given the

Tribune, August 1 2002, p. 13.

⁷⁴ Philip P. Pan, “Political Shift on Taiwan Hurts China’s Unification Push,” *The Washington Post*, June 19 2001, A. 14.

⁷⁵ *Renmin Ribao* (People’s Daily), December 26, 2003, p. 1.

⁷⁶ For a detailed analysis of the evolution of China’s Policy toward Taiwan, see Quansheng Zhao, “Beijing’s Dilemma with Taiwan: War or Peace?” *The Pacific Review* 18, 2 (June 2005): 217-242.

complicated nature of cross-Strait relations, one cannot be over-optimistic and must anticipate continued to and fro maneuvering in Beijing's Taiwan policy. Yan Xuetong, Director of the Institute of International Relations at Tsinghua University, for example, issued a tough warning in late May that China should continue to enhance its military deterrence in its Taiwan policy.⁷⁷ One thing is clear, however, this increased communication between the CCP and the KMT has reduced danger of an all-out war across the Taiwan Strait. This is a real relief, not only to Beijing and Taipei, but also to the international community, Washington and Tokyo in particular.

One can see that the different stages discussed above demonstrate that Beijing's Taiwan policy has been swinging between alarm and conciliation. The best example of a conciliatory gesture during the fifth stage was China's promotion and agreement with Taipei on the issue of direct two-way flights between China and Taiwan during the Chinese Lunar New Year period, January 29 to February 20, 2005.⁷⁸ Conversely, to show its determination against Taiwan's independence, Beijing began to draft an anti-secession law in the spring of 2005. Each of the 163 members attending the meeting of the thirteenth session of the Standing Committee of the Tenth National People's Conference (NPC) unanimously passed the draft anti-secession law in December 2004. The law was officially approved by the full session of the NPC in March 2005. According to a Chinese scholar, this anti-secession law will "offer legal grounds for resorting to the use of force from the mainland in case the leaders of the Taiwan authority dare to create the incident of Taiwan Independence."⁷⁹

In sum, from the presidential campaigns in 1999 to early 2006 Beijing underwent six stages in its policy towards the DPP regime: from alarm over a possible TIW (Taiwan-led Independence War) scenario to a "wait and see" policy, then to a more conciliatory attitude based on the perceived trends toward EIU (Economic Integration Based Unification). Since the end of 2002, Beijing's Taiwan policy has swung back and forth between the two modes, but moved toward preparation for TIW after Taiwan's 2004 presidential election. This war preparation mode continued until the spring

⁷⁷ See Yan Xuetong, "Erzhi taidu reng shi shouyao renwu" [It is still our most important task to fight against Taiwan independence], International Forum, *Global Times*, May 30, 2005.

⁷⁸ "Direct China-Taiwan Flights Start," BBC News, <<http://newsvote.bbc.co.uk/mpapps/pagetools/print/news.bbc.co.uk/1/hi/world/asia-pacific/>> (February 23, 2005)

⁷⁹ "Military expert: The anti-secession law is warning legislation" *People's Daily Online*, <<http://english.people.com.cn/>> (February 23, 2005)

of 2005 when Taiwan's opposition party's visited Beijing, renewing Beijing's conciliatory gestures toward Taiwan. In the most recent fifth and sixth stages, Beijing's dilemma between TIW and EIU has become even more obvious – one clearly sees the policy pendulum swinging between the two options.

In order to better understand this pendulum, one needs to analyze both hard- and soft-line views within the Beijing leadership.⁸⁰ It is not this author's intention to place Beijing's individual leaders or its Taiwan policy apparatus into different groups. Rather, summaries of various opinions based on personal observation will be made. The central concern in Beijing is how to assess the nature of the new DPP regime in Taiwan.

A hard-liner tends to believe that the DPP government represents a clear trend toward TIW. There are general and genuine worries in Beijing that Taiwan's tendency toward independence may develop further with the DPP regime. This deep suspicion was strengthened by Taipei's series of official actions emphasizing the new identity of Taiwan, such as the proposal to rename Taiwan's offices abroad "Taiwan Representative Offices" instead of "Taipei Economic and Cultural Representative Offices,"⁸¹ printing "issued in Taiwan" on its citizens' passports, and putting a new design for the emblem of the government spokesman's office, and replacing the old emblem which included the map of China. Some Beijing hardliners view these actions as incremental steps along the line of TIW that can only be stopped by non-peaceful means. The recommendation therefore is *xiepo* —meaning to rely on military strength to force a change—in order to force Taiwan to stop its drift toward *Taidu*. From this perspective, a military takeover of Taiwan is seen as a more likely approach and outcome, even with the risk of a US

⁸⁰ This impression is based primarily on my participation in a number of international conferences held in the PRC in 2002-2005 including: International Symposium "Sino-US Relations in Retrospect and in Prospect", February 21-23, 2002, Shanghai; International Conference "US-China Relations," March 10-12, 2002, Beijing; International Conference "The Making of America's China Policy," March 10-11, 2003, Beijing; International Conference "Security and Community-building Issues in East Asia," March 8-9, 2004, Beijing; and International Conference "US Foreign Policy under the Second Bush Administration," March 9-10, 2005, Beijing. During these occasions, the author also had the opportunity to discuss the Taiwan issue with high-ranking government officials. Many arguments below are drawn from these visits. In this article, names of these officials and scholars will be kept confidential. My knowledge of the official lines on both sides of the Taiwan Strait has also been strengthened by my experience as an observer of the presidential elections in Taiwan. In this capacity, I visited Taiwan in March 2000, invited by the Mainland Affairs Council, and in March 2004, invited by the Foreign Affairs Ministry as a member of the Delegation of American Scholars and Experts.

⁸¹ "China Briefing," *Far Eastern Economic Review* (March 7, 2002): 21.

intervention in a military confrontation.

Along this line of consideration, PLA military regions such as Nanjing and Guangzhou have always been prepared for military action against Taiwan. Since the early 1990s, the PRC has deployed hundreds of missiles and advanced aircrafts aimed at Taiwan. The PLA has conducted increasingly sophisticated military exercises in preparation for cross-Strait fighting and enhancement of its military prowess on both land and sea. Needless to say, the largest missile exercise, as mentioned earlier, took place in the spring of 1996, creating a new round of military crises in the Taiwan Strait. Taipei has been warned repeatedly that Beijing is losing patience with Taiwan, and the People's Liberation Army has been preparing for military actions.⁸² There can be no doubt that Chen Shui-bian's "one country, each side" talk in 2002 has further enhanced hard-liners' position and increased military risk in cross-Strait relations. Chen's actions during the 2004 presidential campaign, such as calling for a referendum demanding that China withdraw its missiles, proposing the creation of a new constitutional document by 2006, and enacting the new document by 2008,⁸³ have all sent alarming signals to the hard-liners in Beijing.

In contrast, soft-liners generally believe that sufficient pressure has been placed on Taiwan, including the military means indicated in the White Paper of February 2000, to ensure that Taipei is unlikely to make an official declaration of *Taidu*. Therefore, the PRC should emphasize EIU and avoid making military threats toward Taiwan. In this way, China's modernization drive will continue and economic developments, particularly along the East Coast, will not be damaged. Soft-liners tend to believe that the mainstream DPP leadership, even Chen Shui-bian himself, may have to modify their radical positions and move toward the center. They also assume that the United States will be unwilling to get involved in an actual war with the PRC over Taiwan, making it difficult for Taiwan's leaders to actually claim independence. Soft-liners occasionally pose such questions as, "Are Americans willing to sacrifice their sons and daughters for Taiwan?" This group also tends to overestimate China's military power, particularly based on its nuclear and missile weapons. To be sure, soft-liners also tend to believe that China's national sovereignty is the major principle at stake, and consequently, China would use military force if that sovereignty were

⁸² Reuters, "China Seen as Eager for Taiwan," *International Herald Tribune*, July 24 2002, p. 4.

⁸³ "Chen Chases Constitutional Change," *Far Eastern Economic Review* (January 15, 2004): 10.

violated. However, they also sound a note of caution and emphasize the importance of first engaging Taiwan peacefully.

While maintaining military pressure, Beijing's leadership still sustains high hopes for a peaceful resolution. Along this line of thinking, a number of difficult issues were solved in cross-Strait negotiations prior to the 2004 presidential election. Take the issue of the "three direct links" (the term used to refer to direct transportation, trade, and postal services between the mainland and Taiwan) for example. With regard to sea and air transportation across the Taiwan Strait, Beijing preferred to use the term "domestic lines," while Taipei preferred "international lines." Former Chinese deputy Premier, Qian Qichen, proposed a new name, "cross-Strait lines," to break the stalemate. This flexibility prompted the Taiwan authority to allow direct charter flights across the Taiwan Strait in January 2003. As mentioned earlier, the one-time direct flights over the Chinese Lunar New Year period in 2005 were successfully arranged. In total, eleven direct flights carrying Taiwanese businessmen residing on the mainland traveled back to Taiwan to spend the Chinese Lunar New Year.⁸⁴ If the trend continues, one can expect more arrangements of this kind to the extent that flights across the Taiwan Strait might be institutionalized.

In general, the EIU scenario seems more attractive to the Beijing leadership and has proved to be an effective way to deal with the issue of Taiwan. A more moderate and pragmatic approach prevailed and became the mainstream opinion among the Beijing leadership during the Jiang Zemin era. At the same time, as indicated earlier, even soft-line leaders cannot afford a Taiwanese independence scenario. If there are clear signs that Taiwan would move toward independence as signaled by the 2004 presidential campaign in Taiwan, then hard-liners' influence may proliferate in Beijing.⁸⁵ This dilemma has naturally produced a pendulum swing between soft- and hard-line policies depending on how Beijing perceives future directions of Taiwan: TIW or EIU? The relative strengths of different political forces have depended on the changing dynamics of political developments in Taiwan and the international environment.

⁸⁴ See Chien-min Chao, "National Security vs. Economic Interests", a paper presented at the conference, "The United States, China, and Taiwan in a Changing World", University of Denver, May, 2003, p. 2.

⁸⁵ *Shijie Ribao* [World Journal], December 30 2003, p. A3.

The Beijing-Washington Co-Management over the Taiwan Issue

The issue of Taiwan itself is the product of a combination of factors, including domestic rivalry (the Civil War of 1946-49 between CCP and KMT), the intervention of external powers, and changing international relations in the Asia-Pacific region. The dynamics of the international environment frequently and significantly affect Beijing's policy considerations toward Taiwan.

Beijing has long considered the Taiwan issue as its own internal affair from both the history-embedded perspective and the national interest-driven approach. China, therefore, is very attentive to any signs of involvement by major powers on the issue of Taiwan. One can nevertheless observe some subtle changes in Beijing's approach that suggest Beijing has begun to move toward a co-management approach with Washington at the beginning of this century. There are three factors behind this move. First, the long separation between the mainland and Taiwan, and more importantly, the regime change in 2000 from the KMT to the DPP enormously enhanced independence tendencies on the island. Beijing's influence (not to mention control) over Taiwan's future direction has significantly declined. Second and at the same time, China has had to acknowledge that involvement by the United States in the Taiwan issue is part of the "history legacy" of the issue. It becomes clear that while Taiwan's separation from the mainland could not continue without the commitment and defense of the United States, China is nevertheless not yet in a position to compete militarily with the US. This leads to the third point, which is that Taiwan's near-total dependence on the US for its defense has become clearer within the island and has considerably increased the influence of Washington on Taipei. Last but not least, with the DPP regime continuing to push the envelope for independence and with rising nationalism on the mainland, a fatal clash between the two seems to be looming large. Given the commitment of Washington through its "Taiwan Relations Act" this escalation may lead to military confrontation between China and the United States. The increasing likelihood of this scenario, as was especially evident during the 2004 presidential election in Taiwan, has become a nightmare for both Beijing and Washington that both wish to avoid for obvious reasons. With all these developments, both China and the United States have gradually come to an implicit agreement to co-manage the development of the Taiwan Strait so that the most undesirable outcome, namely war, can be effectively prevented.

A war scenario over the Taiwan Strait between the two powers was

highlighted and attracted world attention during the March 2004 presidential elections in Taiwan. Further drawing attention to the Strait in the summer of 2004 were three military exercises around the Taiwan Strait. China's People's Liberation Army conducted military drills on Dongshan Island on the western edge of the Taiwan Strait, involving about 18,000 troops. The purpose of these exercises was to demonstrate China's air and sea superiority over Taiwan.⁸⁶ On the other side of the Taiwan Strait, was an annual Hanguang drill. Taiwan's air force tested emergency take-offs and landings of their Mirage 2000 fighter jets on highways. The United States did not sit idly by but launched "Summer Pulse 04," the biggest exercise in its naval history. Although the main purpose of the deployment of seven aircraft carrier strike groups from mid-July to August of 2004⁸⁷ was to enhance global coordination among US Naval Forces, the Taiwan Strait was clearly a target of the exercise. During the same period, the Washington based National Defense University performed a war game titled "Dragon's Thunder." This war game targeted a potential PLA attack on Taiwan and was attended by American civilian and military leaders as well as 14 congressmen.⁸⁸ The unprecedented US Naval exercise is believed to serve as a part of the strategy of extended deterrence to forestall a Chinese invasion of Taiwan.⁸⁹

The first obvious signs of willingness to co-manage the Taiwan Strait came in December 2003 when Chinese Premier Wen Jiabao met with United States President George W. Bush in Washington. Bush made a clear statement of the US' position on the Taiwan issue: "We oppose any unilateral decision, by either China or Taiwan, to change the status quo of Taiwan's relationship with the mainland."⁹⁰ This referred to Taiwan President Chen Shui-bian's call for an unprecedented referendum—asking voters to demand China to remove its missiles—on the day of the 2004 presidential election.⁹¹ President Bush, for the first time, rebuked Chen's

⁸⁶ "Military Exercises in the Taiwan Strait," *Far Eastern Economic Review* (July 29, 2004): 26. Also see Yu Bin, "All Still Quiet Across the Taiwan Strait, but for How Long?" *PacNet* 33 (July 22, 2004).

⁸⁷ "Seven Carrier Strike Groups Underway for Exercise 'Summer Pulse 04,'" Special Release from the Department of Defense, June 3, 2004 <<http://www.cffc.navy.mil/gw-summerpulse0603.htm>>. Also see *World Journal* (July 22, 2004): A1 and A3.

⁸⁸ *World Journal* (July 16, 2004): A1.

⁸⁹ See Steve Chan, "Extended deterrence in the Taiwan Strait," *World Affairs* 166, 2 (Fall 2003): 109-125.

⁹⁰ Susan Lawrence and Jason Dean, "A New Threat," *Far Eastern Economic Review* (December 18, 2003): 16-18.

⁹¹ After Bush's criticism, Chen Shui-bian revised the questions for his proposed referendum. The new version asks whether Taiwan should buy more advanced weapons if China refuses to

referendum action as a move that would change the status quo. At the same time, he warned Beijing that the US will intervene if the mainland attacks Taiwan. Several days later Chinese president Hu Jintao, in a telephone conversation with Bush, made it clear that “China would not tolerate the island’s independence.”⁹²

The other clear official signal from Washington came in October 2004, when then US Secretary of State Colin Powell stated, “Those who speak out for independence in Taiwan will find no support from the United States.” Mr. Powell made the US position even clearer by further saying that “Taiwan is not independent, it does not enjoy sovereignty as a nation and the two sides should improve dialogue” and “move forward to that day when we will see a peaceful unification.”⁹³ This view reflects a fresh look at the scenarios across the Taiwan Strait by advocating a detached policy toward Taiwan.

In the same period, the Japanese government also sent messages to Taipei expressing strong concern about developments on the island and urging Taiwan not to move toward independence.⁹⁴ In the US, these events have been referred to as “dangerous games across the Taiwan Strait” and have further demonstrated that the Taiwan Strait is one of the two most dangerous flashpoints in the Asia-Pacific region.⁹⁵ Washington’s clear statement and its willingness to co-manage the Taiwan Strait with Beijing has exerted enormous impact on Taipei and effectively curbed the island’s independence campaign.

It took long for the US to come to this implicit co-management with China. Indeed, Beijing has long regarded the United States as a major obstacle to its goal of reunification with Taiwan. This issue can be traced back historically to the Chinese Civil War period when the US supported the Chiang Kai-shek regime and, at the cessation of the Korean War in the early 1950s, signed a Mutual Defense Treaty with Taiwan which effectively prevented the PRC from taking over the island. In the late 1960s and early 1970s, both Beijing

withdrawal its missiles, and whether the island should try to open talks with Beijing. Beijing rebuked both proposals as provocative. See Philip P. Pan, “China Rebukes Taiwan’s Leader on New Plans for Referendum,” *The Washington Post*, January 20, 2003, p. A13.

⁹² Philip P. Pan, “China Thanks Bush for Taiwan Stance,” *The Washington Post*, December 22, 2003, p. A22.

⁹³ See Colin L. Powell, “Interview with Mike Chinoy of CNN International TV” and “Interview with Anthony Yuen of Phoenix TV,” October 25, 2004.

<http://www.state.gov/secretary/rm/37366pf.htm>

⁹⁴ Shijie Ribao [*World Journal*], January 1, 2004, p. A4.

⁹⁵ Andrew Peterson, “Dangerous Games across the Taiwan Strait,” *The Washington Quarterly* 27, 2 (Spring 2004): 23-41.

and Washington were willing to normalize their relations due primarily to their mutual concern about the threat from the Soviet Union. Richard Nixon's historic visit to China in 1972 spotlighted the two countries' rapprochement, although seven years would pass before the PRC and the United States completed their normalization process in 1979.⁹⁶

While Washington now has recognized Beijing officially and ceased its official relations with Taipei, there are two issues which Beijing still views as unwarranted "intervention in internal affairs." First, the United States continues to sell arms to Taiwan despite the August 17, 1982 Shanghai Communiqué, which stipulates that the United States should reduce its arms sales to Taiwan both quantitatively and qualitatively. An example in point of this trend is the Bush Administration's decision in spring 2004 to sell Taiwan a large amount of advanced arms. The other issue relates to the Taiwan Relations Act – passed by the US Congress in 1979 – which, in addition to restricting the United States to non-official economic and cultural relations with Taiwan, requires American commitment to peaceful settlement of the Taiwan Strait conflict. Both actions, from Beijing's perspective, represent continued intervention in China's internal affairs.⁹⁷

Beijing's perception of the US' continued interference may have been enhanced by the February 2000 vote in the US House of Representatives that passed the Taiwan Security Enhancement Act by the vote of 341-70,⁹⁸ and by President George W. Bush's comment in 2001 that the US would do whatever it takes to help defend Taiwan. China was further alarmed by the announcement of the United States' multi-billion dollar sale of Kidd-class destroyers to Taiwan scheduled in 2003. The US also gave Taiwan the option to receive up to eight diesel powered submarines.⁹⁹ Furthermore, Beijing was upset by the US' decision to allow Taiwan's defense minister, Tang Yiau-ming [Tang Yao-ming], to visit the United States and conduct an "informal" meeting with US Deputy Defense Secretary Paul Wolfowitz in March 2002.¹⁰⁰ This was the highest level of defense dialogue between the

⁹⁶ For an excellent historical account of US policy toward Taiwan, see Richard C. Bush, *At Cross Purposes: US-Taiwan Relations since 1942* (Armonk, New York: M. E. Sharpe, 2004).

⁹⁷ See Alan Romberg, *Rein In at the Brink of the Precipice: American Policy Toward Taiwan and US-PRC Relations*, Washington, DC: Henry L. Stimson Center, 2003.

⁹⁸ Robert G. Kaiser and Steven Mufson, "Blue Team' Draws a Hard Line on Beijing: Action on Hill Reflects Informal Group's Clout," *Washington Post*, February 22 2000, p. A1; Thomas Legislative Information webpage, <<http://thomas.loc.gov/cgi-bin/bdquery/z?d106:h.r.01838>>.

⁹⁹ "China Briefing," *Far Eastern Economic Review* (February 28, 2002): 26.

¹⁰⁰ "China Briefing," *Far Eastern Economic Review* (March 21, 2002): 28.

US and Taiwan since their official diplomatic ties were broken in 1979.

Furthermore, President George W. Bush did not withdraw his earlier comments that the US will intervene in any future military crisis around the Taiwan Strait. Beijing's decision makers and PLA leaders, therefore, have no illusion about the US' intention and have already included the US factor in their calculations of a possible future military action. China's deep concern is that America's arming of Taiwan may in fact prolong Taiwan's separate status, thereby promoting its eventual independence. Beijing is even more worried that given the leading status of the United States in world politics, other nations may follow suit. Therefore, the Taiwan issue will continue to be a major controversy between China and the United States for some time to come.

However, the international environment has changed in wake of the events of September 11, 2001. Notably, President Bush has modified his confrontational approach to China by including it in his counter-terrorist coalition. Also, Bush needs China's cooperation, particularly in regard to regional security issues, such as stemming proliferation of missile weaponries and promoting stability on the Korean peninsula. China's active contribution to the North Korean nuclear crisis, its hosting of a three-party talk in April 2003 and a six-party negotiation in August 2003 in particular, has caused it to be viewed as a key and constructive player in Northeast Asian security issues.¹⁰¹ China hopes that this kind of cooperative effort with the United States will lead to reciprocal efforts of good faith—in particular, that Washington will reward Beijing by complying more with the PRC's effort to solve the Taiwan issue based on the "one-China" principle.

At the same time, the necessity for an anti-terrorist coalition will also provide a fresh framework to inspect the overall dynamics of major power relationships. The spirit of this new framework is reflected in the joint anti-terrorism statement signed by the Asian-Pacific leaders at the Shanghai APEC meeting in October 2001. Along this line, the issues of crisis management over the Taiwan conflict, nuclear proliferation, and missile defense systems appear even more crucial to regional security and stability. Therefore, major powers, the US and Japan in particular, may have to place the issue of Taiwan into a regional, as well as global, context.

Furthermore, the economic interdependence between China and the United

¹⁰¹ Murray Hiebert and Susan V. Lawrence, "China Talks on Korea," *Far Eastern Economic Review* (May 1, 2003): 18-19.

States is another factor that needs to be emphasized. Both the increasing volume of trade between the two countries and China's purchasing of large amount of American treasury bonds have provided a foundation for the two powers to cooperate, thereby greatly stabilizing bilateral relations. Naturally, this economic interdependence may also be a source of friction, as demonstrated in recent concerns over the US trade deficit issue. But overall, this interdependence will provide a platform for the two countries to achieve a win-win resolution when it comes to bilateral relations.

When it comes to policy analysis, the bottom line is the calculation of cost and the issue of the price that each party is willing to pay. Beijing is well aware of the potential damage to the mainland, including its top priority – economic development – in case of a cross-Strait war. But careful calculations indicate that the loss will be even greater if Taiwan achieves permanent independence. China learned this lesson from the former Soviet Union. In the understanding of the Chinese leadership, the collapse of the former Soviet Union, in addition to other causes, began with the independence status achieved by three small Baltic States. Beijing has been concerned that Taiwan's independence will not only undermine the regime's legitimacy in the eyes of the Chinese people, but may also serve as a catalyst for China's other independence-driven regions, particularly those with a large share of ethnic minority groups, such as Tibet, Xinjiang, and inner-Mongolia. Therefore, many people in Beijing believe that Taiwan's independence will be a greater loss than the damage caused by a potential war. This has prompted clear calls from hardliners, particularly military groups, that China should fight against Taiwanese independence until the end. They make it clear that they are willing to pay the price and make sacrifices, including sabotage of the Beijing Olympic Games in 2008, Shanghai World Trade Fair in 2010, twenty years of disrupted economic development, huge damage to major coastal cities, including Beijing, Shanghai, and Guangzhou, as well as a US led military intervention and Western economic sanctions.¹⁰² Despite soft-liners argument for a continuation of the EIU strategy, it seems like the hard-liners have the upper hand, as China gradually makes ready for a military showdown in the preparation for TIW.

If Beijing chooses a military option under the TIW circumstances as analyzed above, there are a number of options for its military strategies. If

¹⁰² Deputy Minister of China's Taiwan Affairs Office Wang Zaixi made a similar statement on July 28, 2004. See *World Journal*, July 29, 2004, p. A8.

Beijing has such capacity, it may prefer to swiftly occupy the island and control the situation in a short enough time to prevent the US military from reacting. This kind of decisive military victory is very much dependant upon Beijing's overall military capacity, which many observers doubt will reach such a level. In this case, a quick military victory will leave the remaining issues basically political and economic in nature. Therefore, China's confrontation with the United States will take place in diplomatic and political areas instead of in the battlefield. Beijing's other option is to execute small-scope military operations, on and off for weeks, months, or even years- something like the on-going confrontation between Israel and its Arab neighbors. This kind of military action would have a disastrous impact on the economies of both sides, but the damage will be much more critical to Taiwan, considering its relatively smaller size and geographic location as an island.

As for Taiwan, there is a tough-minded core leadership group, particularly within the DPP regime. These independence fundamentalists are willing to pay any price to achieve independence, even a war with the mainland. Despite this group, there is, overall, a substantial majority of people who prefer to maintain the status quo and not move toward independence. This majority realizes that no matter what status Taiwan may achieve in the future, it will still have to deal with Beijing. This is not only determined by historical, political, economic, and cultural ties across the Taiwan Strait, but also by geographic proximity. At present, this group of people holds a majority position.

Militarily, Taipei has also geared up in terms of making the necessary preparation for a possible attack from the mainland. Taiwan has developed its own advanced military forces, including capable air and naval forces. Nevertheless, Taiwan depends almost entirely upon support from the United States. Over the past half century, Taiwan's security has been largely provided by the US and the US's Seventh Fleet has come to rescue Taiwan on a number of occasions. Logistically, Taiwan will need large supplies from the US and the United States has thus virtually become the only external and reliable protector of Taiwan's security. There have also been discussions within the island about adopting an offensive, rather than defensive policy toward the mainland, namely to launch preemptive attacks on major cities along China's eastern coast. This kind of thinking has been largely dismissed and is considered a suicidal action, given China's retaliation capacity including massive missile and nuclear weapons. Although Beijing

has pledged that it will not use nuclear weapons against Taiwan, they still serve as a deterrent to keep Taiwan from launching preemptive attacks.

Washington also faces a dilemma. On the one hand, decision makers have recognized the enormous importance of Sino-US relations. This relationship is crucial not only in terms of China's rising economic and military power, but also its increasing influence in international affairs, which is vital to US interests, such as China's constructive role in the six-party talks over the North Korean nuclear issue. China is a permanent member of the UN Security Council and is a key player in the stability and prosperity of the Asia-Pacific region. All of this requires Washington to maintain a working, if not cordial relationship with Beijing. For example, during the campaign leading to the US presidential elections in November 2004, one could hear such calls as "don't break the engagement [with China]."¹⁰³ On the other hand, some elites in Washington may see the Taiwan issue as a way of containing China's further development. Taiwan's democratization adds to its ideological value. Furthermore, the issue of Taiwan may serve as a test of the US's commitment to the region, given the Taiwan Relations Act and US-Japan Security Treaty. Therefore, the United States has tried very hard to perform a balancing act across the Taiwan Strait. Washington warned Taipei against moving toward formal independence, thus unilaterally changing the status quo. At the same time, the United States also demonstrated its willingness to intervene, as shown by large amounts of arms sales to Taiwan and aircraft carrier maneuvers in 1996 and 2004, as mentioned at the beginning of this article. The primary purpose of such military actions from the American perspective is to deter the use of force by China against Taiwan.¹⁰⁴

Washington will continue to deliberate on its policies toward PRC and Taiwan, based on its own national interest. When a crucial juncture is reached, namely the possibility of fighting a war with China due to Taiwan's determination to seek its independence, a fundamental question that Washington will face is whether they are willing to pay the cost of a war with China to defend Taiwan. As James Hoge, the editor of *Foreign Affairs*, in his 2004 article put it, the issue of Taiwan "could explode into large-scale warfare that would make the current Middle East confrontations seem like

¹⁰³ Elizabeth Economy, "Don't Break the Engagement," *Foreign Affairs* 83, 3 (May-June, 2004): 96-109.

¹⁰⁴ See Robert S. Ross, "Navigating the Taiwan Strait," *International Security*, 27, 2 (Fall 2002): 48-85.

police operations.”¹⁰⁵ On the other hand, with the US’s absolute military supremacy and its lone superpower status, it is almost certain that it will defeat China in such a confrontation. But how would the US handle a defeated China under the circumstances if it supports the permanent separation of Taiwan? The consequence would be quite ominous, as Chalmers Johnson has stated in his discussion about the likely result of a US-China military confrontation over Taiwan: “We will halt China’s march away from communism and militarize its leadership, bankrupt ourselves, split Japan over whether to renew aggression against China and lose the war. We also will earn the lasting enmity of the most populous nation on Earth.”¹⁰⁶

In order to avoid such ominous consequences, Washington may have to adjust its policy for the future. As Michael Swaine argues, the chances of a confrontation between China and the US could be reduced further, “if China’s leaders believed that the option of ultimate reunification remained on the table for the foreseeable future.” Washington, therefore, “must reassure the Chinese that their fear – independence for Taiwan – will not be realized without their consent.”¹⁰⁷ In other words, it is necessary for the US to send a clear signal to Taipei that if its leaders pursue an independence course, they should not expect military involvement from the United States. In his briefing at Capitol Hill in July 2004, Ted Carpenter of the Cato Institute severely criticized that “the United States is following a dangerous policy of ‘strategic ambiguity,’ and advocated a decisive turn around of American policy toward Taiwan. Carpenter stated that the “highest priority” for Washington is “to get America out of the line of fire.”¹⁰⁸

Another interesting example along this line came from an *Atlantic Monthly* article published in December 2004. In this article Trevor Corson argues that if Taiwan insists on moving towards *de jure* independence, provoking a war with China, then “the US should let Taiwan defend itself.”¹⁰⁹ One may expect continued and increased debates on America’s China-Taiwan policy in Washington in the near future.

¹⁰⁵ James F. Hoge, “A Global Power Shift in the Making,” *Foreign Affairs* 83, 4 (July-August 2004): 2.

¹⁰⁶ Chalmers Johnson, “Into a Storm,” *Los Angeles Times*, July 17, 2004.

¹⁰⁷ Michael D. Swaine, “Trouble in Taiwan,” *Foreign Affairs* 83, 2 (March-April, 2004): 39-49.

¹⁰⁸ See the report from Beth R. Alexander, “US ‘in the line of fire’ in China-Taiwan war,” *United Press International* (July 19, 2004). For a Chinese view on the US policy of ‘strategic ambiguity,’ see Pan Zhongqi, “US Taiwan Policy of Strategic Ambiguity,” *Journal Of Contemporary China* 12, 35 (May 2003): 387-407.

¹⁰⁹ Trevor Corson, “Strait-jacket,” *The Atlantic Monthly* (December 2004): 54-58.

A war scenario will present a similar challenge to other players in the international community, particularly in the Asia-Pacific. Japan is perhaps the most important international player in this "Taiwan Game," only after the United States. There are at least two key elements worthy of consideration. The first is Japan's historical legacy. The colonization of Taiwan from 1895 to 1945 places Japan in a fairly awkward position as China regards the issue of Taiwan as part of its sufferings during the 100 years of humiliation prior to the establishment of the People's Republic in 1949. On the other hand, this historical experience has created a sense of "special relationship" between Japan and Taiwan, which is reflected in the fact that many Japanese prefer a permanent separation between China and Taiwan.

The second key element concentrates more on the current agenda: the US-Japan Security Treaty and its new guidelines of 1996. As discussed earlier, these new guidelines almost regulate Japan's participation in a military confrontation between China and the US over Taiwan. The nature of Japan's participation is still unclear, as it may be strictly logistic or may include military combat as well. In either scenario, Japan's participation in such a military action will almost certainly invite retaliation from China, which will put Japan's major cities in great danger of war damages. Therefore, maintaining the status quo, namely the separation between the mainland and Taiwan with a relatively peaceful situation, is the most preferred scenario for Japan. Nevertheless, a number of scholars also argue that this presumption may shift; for example, if Sino-US relations spiral downward to a level of hostility similar to the EP-3 incident or if Sino-Japanese relations continue to deteriorate. In such a case, Taiwan's strategic position may move up in the global calculations of the United States and Japan.¹¹⁰

Other players may tend to be more neutral. The European Union will almost certainly not participate in a war over Taiwan. Actually, there have been major differences between the United States and the E.U. over the ban on arms sales to China. During Bush's trip to Europe in February 2005, he expressed his deep concerns over the union's determination to lift the ban. He indicated that this lift would change the military balance across the Taiwan Strait and that the E.U. may encounter retaliation from the US over

¹¹⁰ Paper presented by Robert Sutter, "Recent convergence in China-US views—Rethinking US Policy Options," international conference on *US Taiwan Policy and the Dynamics of the Taipei-Beijing-Washington Triangle*, January 28, 2005, American University, Washington, DC.

¹¹⁰ *Shijie Ribao* [*World Journal*] (February 23, 2005): 1.

such a move. But Bush's E.U. counterparts were reportedly unconvinced.¹¹¹ Nevertheless, in a possible military confrontation in the Taiwan Strait, while maintaining a neutral position, the E.U. will likely condemn the war and adhere to any Washington-led Western economic sanctions against Beijing.

Russia is also expected to remain neutral in case of a cross-Strait conflict. However, it may continue to sell military equipment to China. The neutrality of South Korea has been increasingly apparent for the past few years following the increasing Sino-Korean interdependence and it may well retain a strictly neutral position, despite its military alliance relationship with the United States.¹¹²

Pyongyang will without doubt be on China's side if such a military confrontation takes place. What is uncertain is how the North Koreans will take the opportunity to gain from this event. In other words, it is unclear how China may utilize North Korea to deter Japan. The ten ASEAN countries are unlikely to help the US attack China. Rather, they are more likely to act as mediators between the two powers. By the same token, India, Pakistan, and the central Asian countries, who are China's western and northern neighbors, will probably try to maintain neutral positions. Overall, it will be extremely hard for Washington to build an international coalition against China over the issue of Taiwan. Washington has to take this into consideration in its policy deliberation and preparation for a potential war over Taiwan. All these developments provide favorable conditions that make it even more beneficial for Beijing and Washington to co-manage a potential Taiwan Strait crisis.

Co-Management of International Crisis and a New Security Framework

The above analysis of China's policy toward North Korea and Taiwan has presented a comprehensive picture of major domestic and international considerations facing Beijing. It has further argued that in addition to the history-embedded and national-interest driven perspectives, China has moved toward a co-management approach in dealing with international and regional crises, such as North Korea and Taiwan. There are, of course, similarities and differences between these two cases. China's changing approaches to these two hot spots reflect the increasing confidence of

¹¹¹ For an analysis on South Korea's dilemma over China, see Jae Ho Chung. "South Korea between Eagle and Dragon: Perceptual Ambivalence and Strategic Dilemma," *Asian Survey* 41, 5 (Sep., 2001): 777-796.

Chinese foreign policy and China's ascending influence in the international community. Although both issues are critical to China's national interests, Taiwan is apparently more in Beijing's core national interest. The PRC is much more comfortable in bringing a multilateral framework to deal with North Korea, whereas it is more cautious with regard to Taiwan. To be sure, Beijing has exercised great effort to mobilize international support for its Taiwan policy, but in terms of international co-management there are only implicit understandings between Beijing and Washington. Yet there is no multilateral security framework with regard to the peaceful settlement of the Taiwan issue. Also, one should notice that there have been opposing views regarding the co-management approach in the major capitals, including both Beijing and Washington.

Now we may ask what the implications for international relations in the Asia-Pacific are, including the effects on power relations and the future directions of security arrangements in the region. One may even wonder whether the settlement of these two hot spots may lead to a new regional security framework.

Although the six-party talks have experienced ups and downs since their inception in August, 2003, including frustrations over North Korea's periodic threats to withdraw from the multilateral negotiations, there are nevertheless optimistic opinions about their future. In the long run, the six-party talks may not only bring the parties concerned to the table to work together on a peaceful solution for the region, but also present the possibility of institutionalizing a new security framework in the Asia Pacific.

As mentioned above, it is crystal clear that both the North Korea nuclear crisis and the issue of Taiwan are critical to China's national interests, although Taiwan carries more weight. Furthermore, both points are closely related to China's overall foreign policy strategies. Beijing, for example, is keenly aware of the key role in these two hot spots played by the world's only superpower, the United States. The PRC is expected to intensify its efforts to convince Washington to play a more balanced role in the cross-Strait relationship. This effort, along with similar attempts to gain the understanding of other key countries (such as Japan) and international organizations (such as the United Nations), will remain an important focus of Chinese foreign policy in the future.

International dynamics have always played a crucial role in Beijing's policy toward the two hot spots of North Korea and Taiwan. In the case of Taiwan,

for example, the United States remains the only major power that would be able to provide substantial political, economic, and military assistance to Taiwan should another cross-Strait military crisis arise. Therefore, one cannot totally rule out the possibility of a major military confrontation between the United States and China over the issue of Taiwan in the case of a TIW scenario. At the same time, it is only natural that all concerned parties will first try their utmost to solve this controversy through peaceful means.

China's main concern is the United States. It is known that there are hardliners and softliners within the American foreign policy apparatus.¹¹³ In Washington, a "soft landing" in Korea has been advocated, implying a gradual process of unification in which neither side is swallowed up by the other and in which the United States helps North Korea to achieve a China-style economic reform.¹¹⁴ Beijing has deep suspicions about the role played by the United States. It does not believe that the US truly wants to solve the Korean problem.¹¹⁵ But, as a China specialist pointed out, "China cannot change the US forward deployment or its web of alliances in Asia in the foreseeable future. Working with the US has become not a choice but a necessity."¹¹⁶ China, nevertheless, would not want to see an American military presence in a unified Korea along the border between China and Korea. Consequently, it is necessary for the two countries to further develop confidence-building measures and to coordinate their routine consultations over the issue of Korea. These mechanisms are extremely important to both China and the United States. The same applies to the relationship between China and Japan.

The two flashpoints are also important in China's relations with Japan. It is widely cited that the current status of Sino-Japanese relations is 'jinre zhengleng,' meaning 'economically hot, but politically cold.' For example, in 2004, Japan-China bilateral trade reached an all time high of US \$213 billion, thereby bypassing Japan's trade with the US of US \$197 billion.¹¹⁷ The

¹¹³ For a detailed analysis and debate over US foreign policy toward N. Korea, see Victor D. Cha and David C. Kang, "The Debate over North Korea," *Political Science Quarterly* 119, 2 (2004): 229-254.

¹¹⁴ Selig Harrison, "Promoting a Soft Landing in Korea," *Foreign Policy* 106 (Spring 1997).

¹¹⁵ Yu Meihua, "Xin shiqi mei ri er dui chaoxian bandao zhengce tedian jiqi zoushi," [The Korea policies of the United States, Japan, and Russia in the new era and future direction], *Contemporary International Relations* (January 1997): 33.

¹¹⁶ Suisheng Zhao, "China's Periphery Policy and Its Asian Neighbors," *Security Dialogue* 30, 3 (September 1999): 345.

¹¹⁷ Paul Blustein, "China Passes US In Trade With Japan," *Washington Post*, January 27, 2005, p.

discussion in Japan says that one must regard China as an opportunity for development. At the same time, the political relations between the two countries have reached a new low. The two societies perceive each other in increasingly negative terms, and both Beijing and Tokyo are facing foreign policy problems because they are unsure of how to deal with each other.

Antagonistic political relations may promote hostile security policy. The best example in this regard is China's Japan policy. Japan has long been cautious not to offend China by openly including Taiwan in its military alliance with the United States. This is not only because of Japan's colonial history, but also due to the recognition of Taiwan as a key national interest of China and a desire to refrain from antagonizing China. But beginning with a state visit by President Jiang Zemin to Japan in 1998, in which he was perceived as overplaying the history card, mutual perceptions between the two countries have become increasingly negative. The bilateral relationship has continued to deteriorate since Japanese Prime Minister Junichiro Koizumi has made repeated visits to Yasukuni Shrine, which Beijing perceives as a sign that Japan does not acknowledge its criminal misdeeds during World War II. On the one hand, Japan understands that China is unhappy with Japanese actions, but on the other hand, bilateral relations have reached such a low point that Japan may now feel that it is free not to care so much about China's reaction.

In February 2005, a "two plus two" meeting was held in Washington, including US Secretary of State Condoleezza Rice and Secretary of Defense Donald Rumsfeld and Japan's Foreign Minister Nobutaka Machimura and Defense Agency Director Yoshinori Ono. In conjunction with the meeting, a statement was issued on February 19 indicating that the countries had produced a "revised US-Japanese strategic understanding," which for the first time included security in the area around Taiwan as a "common strategic objective."¹¹⁸ Actually, it is reported that an informal anti-Chinese submarine alliance between the United States, Japan, and Taiwan has been formed. This was revealed after the Chinese submarine intrusion into Japanese waters in late 2004.¹¹⁹

It has been speculated that Beijing may use its advantageous position as host of the six-party talks as a bargaining chip in its relations with Tokyo. For

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¹¹⁸ Edward Cody, "China Protests US-Japan Accord," *The Washington Post*, February 21 2005, p. A24. Also see *Shijie Ribao* [*World Journal*] (February 19 2005): 1.

¹¹⁹ *Qiao Bao* [*China Press*], "Anti-Submarine Alliance among US, Japan, and Taiwan Triangle

example, it may act less accommodating toward Tokyo's participation in the talks in order to push for a change in Japan's attitude toward China. This speculation has not yet materialized due to the following three reasons:

First, it is indeed in the common interests of China and Japan to solve this issue – North Korea is not only Japan's problem, but also China's. China needs Japan's cooperation. Second, the six-party talks themselves are an on-and-off matter and have not been institutionalized. Third, the main powers that provide leadership in the six-party talks are China and the United States, whereas Japan has only played a marginal role. Therefore, for the time being, there is not much China can do to use this issue as a bargaining chip with Japan. It nevertheless may serve as a vehicle to prevent Japan from playing an even greater role in this important international forum, particularly if the negotiations become more substantial.

Although North Korea and Taiwan are different problems, there are linkages between the two hot spots, although these usually are not mentioned. Beijing has recognized that its own national interests around the issue of Taiwan require close coordination with the United States (and, to a lesser degree, Japan) in order to curb a possible shift in their Taiwan policy. One incentive for China's cooperation on the North Korean nuclear issue is Beijing's desire to gain Washington's support on the Taiwan issue. Therefore, Beijing moved from a passive to an active player to demonstrate its cooperative goodwill to Washington. At the same time, however, Beijing has been cautious in using the North Korean issue as a bargaining chip to push the US over Taiwan, as the two carry different weights in China's foreign policy calculations – Taiwan is much more of a core national interest to China than North Korea is to the US.¹²⁰

It is clear that a key factor confronting all regional conflicts in the Asia-Pacific (the resolution of the tensions on the Korean Peninsula and cross-Strait relations in particular) is how to manage the relationship between the two powers -- the United States and China. The Asian-Pacific security environment will continue to be affected by shifts in power distribution for some time to come, despite the events of September 11, 2001.¹²¹ At the same time, the necessity of an anti-terrorist coalition will also provide a fresh framework to inspect the overall dynamics of major power relationships.

against PLA," December 3, 2004, p. B4.

¹²⁰ Conversation with Chinese Deputy Minister of Foreign Affairs Zhou Wenzhong, March 9, 2005, Beijing.

The spirit of this new framework may be reflected in the joint anti-terrorism statement signed by Asian-Pacific leaders in the Shanghai APEC meeting in October 2001. Along this line, the issues of the management of Korean unification and the peace process appear even more crucial to regional security and stability.

China, as a rising power, is quite different from the United States, which may be considered a status quo power, enjoying many well-developed bilateral security arrangements. With a new approach to its security environment, Beijing is increasingly inclined to develop multilateral security frameworks. From the Chinese perspective, the newly emerged six-party talks on the North Korean nuclear crisis may develop into a mechanism for dealing with Northeast Asian security issues. The ASEAN regional forum may deal with Southeast Asian security issues and the Shanghai Cooperation Organization may deal with Central Asian security issues. On that front, Beijing has also worked with the South Asian countries to improve relations. Indeed, China and India held their first joint naval exercises in November 2003, involving two Indian warships and a Chinese tanker and frigate off Shanghai. A month earlier, similar naval exercises involving China and Pakistan were held.¹²² China has also looked beyond the region, cultivating its relations with Europe. Bilateral trade with the European Union is on the rise, reaching levels that match that of China's trade with its two other major trading partners – Japan and the United States.¹²³

It is important to pay attention to possible mechanisms for the institutional development of multilateralism in the region, such as incentives and other opportunities. For example, when facing the international crisis of September 11, it was natural for Washington to establish a global anti-terrorist network. This natural reaction provided a solid foundation for other players to seize an opportunity for multilateralism and reduce incentives for US unilateralism. Major players may also wish to emphasize overlapping interests as a base for cooperation, rather than to emphasize conflicting interests. As demonstrated by post-EP 3 China-US relations, the two great powers have placed their common strategic interest above concrete disputes. This has prompted unanticipated close cooperation in a multilateral direction, as in the case of the six-party talks. This has also highlighted the

¹²¹See Quansheng Zhao, "The Shift in Power Distribution and the Change of Major Power Relations," *Journal of Strategic Studies* 24, 4 (December 2001): 49-78.

¹²² "China Briefing," *Far Eastern Economic Review* (November 22, 2003): 29.

¹²³ David Murphy, "It's More Than Love," *Far Eastern Economic Review* (February 12, 2004): 26-29.

significance of the issue of leadership. It is still crucial for the sensible development of a regional multilateral framework to include great powers in leadership roles. Although there are still no tangible results, the very fact of bringing major powers together to deal with the North Korean crisis is already a success in terms of a multilateral security framework. The relative success of this framework has further demonstrated the importance of a leadership role by the great powers. The next step is to start an institutional building process, which is essential for any security framework to develop. When one looks at the future directions of this security framework, three possible developments may be expected.

First, newly emerged security frameworks, such as the six-party negotiations over North Korea (despite its setback in February 2005), the Shanghai Cooperation Organization, as well as the US-Japan-South Korea security alliance, may continue to develop. Second, one may anticipate a potential cross-participation in existing security regimes. For example, the US-Japan-South Korea security consultation may wish, from time to time, to invite China to participate in some of its discussion activities. Thirdly, some sensitive issues may be opened up to a certain degree for international consultations and cooperation. This may include dialogue regarding disputed territories, such as the South China Sea islands, which China and the ASEAN countries have already been engaged in.

With the rapid development of regional cooperation and community building, an even more clearly defined multilateral security framework may be developed. In the October 2003 ASEAN+3 meeting, a number of new institutions and consultation mechanisms were proposed, including permanent consultation bodies for the three Northeast Asian countries, China, Japan, and South Korea. In order to achieve this, East Asian countries must work hard to remove mistrust resulting from historical legacy (China and Japan in particular)¹²⁴ and current security concerns (such as the issues of Taiwan and North Korean nuclear crisis). There are still two possibilities for future development. On the one hand, one may expect that China and the United States will continue to provide leadership, albeit to various degrees, in developing a multilateralism-oriented security framework in the region, with other key players such as Japan, Russia, the two Koreas and ASEAN also actively participating. The development may also go beyond the Asia Pacific region to include Central and South Asian countries

¹²⁴ See Quansheng Zhao, "China Must Shake off the Past in Ties with Japan," *The Straits Times*, November 7 2003, p. 20.

such as India and Pakistan. On the other hand, major obstacles as discussed earlier and the uncertain attitude of the United States toward multilateralism may prevent a true multilateral security framework from forming in the Asia Pacific.

In sum, this paper has demonstrated the critical role of the history-embedded perspective and the nation interest-driven approach in shaping Beijing's policy calculations toward the two hot spots in the Asia Pacific – the Korean Peninsula and the Taiwan Strait. More importantly, one should notice China's move toward a favorable position in co-management of international crises with major powers. There are, of course, differences between the two cases, but nevertheless they are worthy our close attention. After a careful examination of the evolution of Beijing's policy toward the two flash points, one can see that in recent years China has developed a cooperative attitude with major powers in developing a multilateral security framework in the region. At present, this framework primarily deals with the North Korean nuclear crisis but it may also have a significant impact on the peaceful settlement of the issues across the Taiwan Strait.

About the Author:

Quansheng Zhao (Ph.D., Berkeley) is a Professor and Division Director of Comparative and Regional Studies at the School of International Service of American University in Washington, D.C. He is also a Research Associate at the Fairbank Center for East Asian Research of Harvard University. Professor Zhao is the author of *Interpreting Chinese Foreign Policy* (Oxford University Press, winner of “Best Academic Publication,” by the Ministry of Culture of the Republic of Korea) and *Japanese Policymaking* (Oxford University Press/Praeger, selected as "Outstanding Academic Book" by *Choice*), editor of *Future Trends in East Asian International Relations* (Frank Cass), and co-editor of *Politics of Divided Nations: China, Korea, Germany, and Vietnam* (University of Maryland Law School). His books have been translated into Chinese, Japanese, and Korean.