

## Cross-Strait Relations: First the Easy Steps, Then the Difficult Ones

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Following what was essentially an agreed script to deal first with the “easy” (economic) steps and only later with the more difficult (political and security) ones, when the two “authorized” organs—Taiwan’s Straits Exchange Foundation (SEF) and the PRC’s Association for Relations Across the Taiwan Strait (ARATS)—met in Beijing in June after a hiatus of 10 years, they quickly agreed to begin weekend cross-Strait passenger charter flights in early July and Mainland tourist travel to Taiwan two weeks later. Though during the first several weeks under the new arrangements the number of PRC tourists was disappointingly small, optimistic projections indicated growth after the Beijing Olympics concluded.

Despite some glitches, the atmospherics surrounding Taiwan’s participation in those Olympics tended to bolster a sense of cross-Strait momentum, with the PRC showing flexibility on use of a name for the Taiwan team while Taipei accepted compromises on other matters. Various senior Taiwan visitors at the games were accorded VIP treatment and, in meetings with Hu Jintao, both sides reaffirmed mutual commitments to sustaining upward momentum into the future. At the same time, the opposition DPP engaged in a relentless series of attacks on Ma Ying-jeou’s cross-Strait policies, charging that he was not only placing Taiwan’s economic fortunes in Beijing’s hands but that he was preemptively ceding Taiwan’s sovereignty by his handling of the Olympics issues and his proposal to seek “meaningful participation” in UN specialized agencies rather than applying for UN membership. In light of what appears to be a metastasizing scandal over Chen Shui-bian’s mishandling of various funds, there was some question whether this barrage would wane, at least for awhile, as the party sought to recover its equilibrium. However, the decision to participate in 30 August anti-Ma demonstrations suggests that the DPP will try not to allow the Chen scandal to put it off stride.

Ma and other senior officials in his administration laid out at some length the comprehensive policy rationales for their moves with the Mainland. Thus far they appear to be retaining a plurality of popular support, albeit at a somewhat reduced rate. At the same time, the administration has suffered a significant drop in overall approval due to Taiwan’s poor economic performance.<sup>1</sup> Economic recovery and cross-

Strait relations will be inextricably intertwined as we go forward, because the recovery will depend in important measure on greater involvement with the Mainland, while Ma's ability to sustain the opening to the Mainland—and to forge a broad consensus for more difficult, political decisions on cross-Strait relations in the months ahead—will depend on his success in turning the economy around.

Matters concerning “international space” seem to have gone reasonably well in the early stages of the new administration, but more difficult issues lie ahead. Ma's call for a “diplomatic truce” is seen in Taiwan to have borne some fruit—at least for now. And his low-key transits of the United States in late August, along with his successful stops in Latin America, appear to have gone off without generating harsh PRC complaints. But even as Taipei continued to express optimism about a tacit understanding on a “diplomatic truce,” there were tentative signs that trouble was brewing even beyond the predictable PRC rejection of Taiwan's UN proposal.

Ma has continued to lay stress on restoring a relationship of trust with the United States, and those ties in the first few months of the Ma era have obviously improved over the Chen Shui-bian period. This was seen, among other ways, in the behavior of both sides in connection with the recent transit arrangements.<sup>2</sup> But U.S.-Taiwan relations are still not fully shaped, and it may take some time before a significant level of comfort is reintroduced into the relationship. Consistency on both sides will play an important part in achieving that, but so far that has been somewhat elusive.

This has been seen, among other places, in connection with a looming issue that will affect relationships along all three legs of the U.S.-PRC-Taiwan triangle: the future of U.S. arms sales to Taiwan. A delay in notification to Congress of seven major items already approved within the administration led to a flurry of worried reports from Taipei about a “freeze” on such sales—denied by Washington—and extravagant analyses about the deleterious strategic implications for the cross-Strait military balance. In fact, most of the items seemed ready for further processing after a pause following President Bush's return from the Beijing Olympics, although the very sensitive issue of F-16 C/Ds was being handled differently.

## Easy...Economic...Steps First

### *SEF-ARATS Meeting*

As foreshadowed in the last issue of *CLM*, in mid-June SEF Chairman Chiang Ping-kun led a delegation to Beijing where, after a hiatus of a decade, he resumed dialogue with his

Mainland counterpart, ARATS President Chen Yunlin.<sup>3</sup> As much of the groundwork had been done ahead of time, and given the commitment of both sides to making this meeting a success, it was no surprise that they quickly concluded some agreements.

Probably the highlight, however, was not the accords on weekend passenger charter flights or Mainland tourists groups to Taiwan (discussed below), but Chiang's meeting with Hu Jintao. In that session, Hu reiterated the 16-character statement he coined during his April meeting with honorary KMT chairman Lien Chan,<sup>4</sup> and then went on to expand upon how it should be carried out:

We should implement this spirit in the two organizations' talks. In future talks it is hoped the two organizations will carry out equal consultations, communicate in goodwill, accumulate consensuses, and be pragmatic and enterprising. Equal consultations means both sides need to treat each other equally during talks, and not to impose one's own will onto the other. Communication in goodwill means giving full consideration to the other side's actual situation during negotiations and trying more to understand the other side's thinking with good intentions, and removing unnecessary doubts. Accumulation of consensuses means the need to constantly expand consensuses and narrow differences. Only through this way can we be able to achieve even more and greater results. Being pragmatic and enterprising means seeking resolution methods that are acceptable to both sides in a truth-seeking manner, genuinely solving problems, and ensuring that we can reach great distance by going steadily.<sup>5</sup>

Hu lauded the "hard-to-come-by," "historic" opportunity facing the two sides of the Strait that they must firmly seize while treasuring and maintaining the "political basis" of the exchanges, pragmatically resolving problems, striving to open up a new phase in the peaceful development of cross-Strait relations, and jointly struggling for the realization of the great rejuvenation of the "Chinese nation" (中华民族). He called for "institutionalized consultations" between SEF and ARATS, echoing a position Ma Ying-jeou had also endorsed a few days earlier.<sup>6</sup>

In response, picking up the catchphrase that has now come to form a bond between the two sides, Chiang also spoke of how the people on the two sides belong to the "Chinese nation," and he called for a fresh start and the creation of a virtuous cycle of cooperation, promotion of economic integration, and the realization of complementarity and a win-win situation.

In his opening remarks in his meeting with ARATS President Chen Yunlin the previous day, Chiang chose not to use Hu Jintao's formulation, but to cite the 16-character phrase that Vice President Vincent Siew had used in his meeting with Hu at Boao in April, including the need to "squarely face reality."<sup>7</sup> Reminding Chen that Beijing had long ago put forward proposals on the "three links" and direct flights<sup>8</sup> and, noting that they had not been implemented "due to various factors," Chiang urged progress, saying that, now that Taiwan has opted for opening up, "it is hoped your side

will persist in your original proposals [and] expand the scope of implementation as quickly as possible.”<sup>9</sup>

At the conclusion of the visit, Chiang invited Chen Yunlin to visit Taiwan in the fall.<sup>10</sup> Although this seems a natural aspect of reciprocity, it has already touched off a sensitive discussion within Taiwan regarding the capacity in which Ma Ying-jeou would meet with Chen.<sup>11</sup>

### *Agreements*

In line with the common position of the two sides that easy—generally meaning economic—steps should come first, agreement was quickly reached on early commencement of (four-day) weekend passenger charter flights and regularization of Mainland group tourism to Taiwan.<sup>12</sup> Despite the short deadlines involved, both sides made the necessary efforts to meet Ma Ying-jeou’s preferred 4 July deadline for starting the weekend passenger charters as well as beginning large-scale tourism two weeks later.

While the weekend flights have generally been well utilized,<sup>13</sup> it turns out that they have mainly been filled with Taiwan residents, not Mainlanders.<sup>14</sup> Still, with Mainland tourist agents having projected that they could more than fill the daily quota of 3,000 Taiwan-bound visitors,<sup>15</sup> and with it fairly obvious that Beijing had imposed some temporary restrictions on travel during the period of the Olympics,<sup>16</sup> Ma administration officials remain optimistic about the prospects for the future.<sup>17</sup> To help with that, Beijing reportedly has ordered some localities to lift restrictions on visits to the island, and tourist agencies are likely to appeal to potential visitors by providing shorter, less expensive trips than initially offered.<sup>18</sup>

Opposition critics, on the other hand, have mocked what they term Ma’s extravagant tourism projections and raised questions about the expense involved in keeping open a number of Taiwan airports to receive the nonexistent Mainland travelers.<sup>19</sup> Moreover, they have complained that the (unrealized) projected influx of PRC visitors presumed to benefit the tourism industry was instead driving high-spending Japanese tourists away.<sup>20</sup> Even if the numbers grow over time, as seems likely, prudence would seem to dictate that, before trying to expand the numbers upwards of 5–10,000 a day as had been hoped, Ma wait to fill the 3,000 slots first,<sup>21</sup> and in the meantime seek to woo back the Japanese and others.

As discussed in *CLM 25*, Taipei hopes to eliminate the circuitous routing via Hong Kong and Macau airspace, and then to agree on air cargo and maritime charters, daily passenger airplane charters, and finally regularly scheduled air and maritime links.<sup>22</sup>

As was also discussed previously, it is likely that a number of other specific economic links will be discussed over the coming months,<sup>23</sup> with negotiation of a comprehensive economic cooperation agreement (CECA) held in abeyance until after some experience has been accumulated with respect to the individual accords. Nonetheless, Ma agreed with Chiang Ping-kun that a CECA would be important to help

“normalize” cross-Strait trade and to avoid having Taiwan marginalized,<sup>24</sup> and he indicated in a recent interview that work was already being done on an umbrella agreement.<sup>25</sup>

These steps toward liberalization of cross-Strait links, especially the lifting of the investment cap, about which we have written a lot in the past, were criticized by the opposition as promoting a “one China market” that would lead to the outflow of capital and jobs, a deterioration of Taiwan’s economic vitality, and the creation of social polarization, environmental degradation and, by ineluctably leading to unification against the will of Taiwan’s population, a return to authoritarianism.<sup>26</sup>

In rejecting these arguments, Ma said that, on the contrary, deregulation would encourage overseas-based companies to reinvest in the island, and the increased flexibility the new rules permitted would make it easier for local businesses to freely manage their capital in making global investment decisions to Taiwan’s benefit.<sup>27</sup> He observed that many Taiwan firms had already relocated to the Mainland despite the previous restrictions, so “our new opening measures will not fuel a new exodus of local companies to China, but will instead encourage them to return to launch new ventures.”<sup>28</sup> Moreover, the Mainland Affairs Council projected decreasing dependence on the Mainland, estimating that, due to rising labor costs on the Mainland and deteriorating tax benefits and other incentives for doing business there, Taiwan investment in the PRC would drop below 50 percent of total foreign investments from the island, down from earlier levels estimated to be as high as 70 percent in 2005 and over 60 percent in 2007.<sup>29</sup>

In terms of those steps that required agreement with Beijing, as he looked ahead to 2009 SEF head Chiang Ping-kun predicted that, with trade issues becoming a focus of negotiations,<sup>30</sup> the economic talks would become more difficult, indeed the “most difficult” part of cross-Strait negotiations. In addition to raising issues concerning protection of Taiwan business interests in the Mainland, he returned to the theme of how important it was for Taiwan to participate in the “ASEAN Plus Three” forum, which would require PRC approval. Echoing points Vice President Vincent Siew had laid out a few weeks earlier,<sup>31</sup> he reasoned that, with as much as 65 percent of Taiwan’s total exports going to the PRC, Japan, and Korea, if Taiwan were left out of the burgeoning regional arrangements, this would have a huge negative impact on the island’s economy.<sup>32</sup> Still, it is predictable that Beijing will be extremely hesitant to go along due to the potential implications for bolstering Taiwan’s claims of sovereignty.

Finally in terms of what emerged from the “resumed” SEF-ARATS meetings in June, as first reported by various Taiwan and PRC media, both sides agreed that the two organizations had to play a crucial, hands-on role in helping move things ahead. Moreover, reports first indicated that there was agreement to exchange representative offices.<sup>33</sup> But whatever had been said at the table that led a briefer on the Taiwan side to leave that impression with the press on 12 June, by the time of his own press briefing the next day, Chiang was forcefully denying any such agreement and he was calling an exchange of representative offices a “task for the distant future.”<sup>34</sup> Nonetheless, the DPP accused him of exceeding his authority by even talking about such offices, and voiced

broad suspicions that he had, in fact, agreed to them.<sup>35</sup> Both Chiang and MAC Chairperson Lai refuted those assertions.<sup>36</sup>

Moreover, over the succeeding weeks, Chiang became increasingly outspoken about the obstacles to setting up the offices. He has noted, for example, that there are difficult budgetary and manpower considerations as well as even more-complicated issues of legislative authority.<sup>37</sup>

Still, during his late-August trip to Japan, Chiang was cited as having talked about “visa offices,” arguing that the exchange of such offices and expansion of flight services would boost cross-Strait civic exchanges, enhancing mutual understanding, which, in turn, might eventually inspire the Mainland to think about overhauling its political system and refer to Taiwan’s political and economic development formula as a model for democratization.<sup>38</sup> Chiang later denied, however, that he meant such offices would be discussed at the next round of SEF-ARATS talks, as the press initially reported.

How this rather expansive observation will be received in the PRC is yet to be seen. But, in any case, the hesitancy to embrace an early exchange of representative offices has been cited by some PRC officials as “proof” that any problems regarding pace in expanding cross-Strait relations are due to Ma’s reticence, not the Mainland’s.<sup>39</sup>

## Taiwan’s Domestic Politics

Before turning to “international space” and arms sales, two areas of great sensitivity that will need to be dealt with in the coming months, it might be worth focusing for a moment on the current domestic political picture in Taiwan. This is an issue that will continue to evolve and to be followed here, as it will have a decisive conditioning effect on what is possible in cross-Strait relations. But even now it is important to get a flavor for Taiwan’s reality, not only because of its direct impact on Ma’s potential flexibility over time but also because of how essential it is that Beijing factor that reality into its own approach even in the short and medium term.<sup>40</sup>

### *DPP*

Following the crushing defeats in the legislative and presidential elections in January and March, respectively, the DPP has been wrestling with its identity and its future focus.<sup>41</sup> As has been noted in earlier essays, party leaders had indicated that they would not concentrate as much as before on identity or sovereignty issues but would turn their attention to questions of economic and social welfare.<sup>42</sup> Sovereignty has, nonetheless, turned out to be a major concern. Positioning itself as the protector of Taiwan sovereignty against what it describes as the capitulationist approach of the Ma administration, the DPP has issued frequent condemnations of all manner of government actions, charging that the new team has created irreparable vulnerabilities for Taiwan, ceding too much in terms of economic concessions to the Mainland, and giving away Taiwan’s sovereignty

through arrangements that are not merely flexible, but weak-kneed and pusillanimous.

On the eve of the SEF-ARATS talks, DPP Chairwoman Tsai Ing-wen warned that cross-strait exchanges would be “limited” if Beijing failed to “settle” the dispute centering on Taiwan’s sovereignty.<sup>43</sup> At the same time, the party not only attacked Ma’s willingness to use the title “Chinese Taipei” at the WHO and elsewhere but assailed any effort to “legalize” or base cross-strait relations on the “1992 Consensus,” saying it would undermine Taiwan’s sovereign status by utilizing a formulation “made up by China” to promote the PRC’s “one China principle.”<sup>44</sup>

As the talks got under way, Tsai emphasized that “certain principles should be upheld and should never be compromised in cross-strait negotiations.”<sup>45</sup> Immediately after the talks, she branded them “a puppet show,” accusing the administration of trading away the substance of Taiwan’s political reality and sovereignty in exchange for limited economic benefits, most of which had, in any case, already been pre-negotiated by the Chen Shui-bian administration.<sup>46</sup> In specific terms, the DPP rebuked the administration for failing to include cargo charter flights on the agenda,<sup>47</sup> and, as noted earlier, for reportedly agreeing to establish representative offices. Moreover, while in Beijing, Chiang had raised the issue of “straight” flight paths for the charters, bypassing Hong Kong or Macau, which the DPP said would compromise national security.<sup>48</sup> Buttressing this accusation of disregard for national security, the DPP also denounced Ma for mismanaging a fishing boat incident with Japan in the disputed area of the Diaoyutai/Senkaku islands<sup>49</sup> and for asking the United States to halt or put off arms sales in order not to provoke the Mainland, a charge vehemently denied by Ma<sup>50</sup> and discussed further below.

And as the Ma administration unrolled its long-planned liberalization of cross-strait economic relations, the DPP attacked it for having “failed to appreciate the complications of the interaction between politics and economics in the cross-strait situation and [having] neglected formation of social consensus and the possible side-effects of cross-strait liberalizations.”<sup>51</sup>

Although this barrage of criticism has continued—and likely will continue despite the DPP’s current woes—it did not stop some DPP leaders from taking advantage of opportunities to advance their constituents’ interests on the Mainland. The Yunlin county magistrate traveled to Beijing in mid-July to promote sales of agricultural and other commodities.<sup>52</sup> And the deputy mayor of Kaohsiung (who has since resigned for apparently unrelated reasons) led a group to the opening of the Olympics,<sup>53</sup> even though the party had called for a boycott.<sup>54</sup> Even Tsai Ing-wen said she would not rule out the possibility of communicating with Beijing in an “auxiliary and general” way.<sup>55</sup>

### *KMT*

Despite all of the noise coming from the DPP, Ma’s greatest current political challenge is to manage his own party. As we have discussed before, Ma has been perceived as

ignoring his KMT colleagues in the LY, including on critical nominations they must approve. Of importance in this respect, they resent his reaching out to the opposition for cabinet posts while bypassing KMT candidates.<sup>56</sup> Moreover, as noted before, there are a number of party leaders who aspire to play leading roles, especially in cross-Strait policy.

On the former score, the painful experience of having nominations turned aside has sensitized Ma to the need for closer consultations with KMT legislators, and he has taken some early steps to deal with that problem.<sup>57</sup> Whether he follows through in a consistent way, and whether the legislators will be responsive, remains to be seen.

In terms of the challenge from other senior party leaders, LY Speaker Wang Jin-pyng's visits to Washington and Japan were obvious moves to promote his own role, with Wang touting his standing as the "most senior official" able to travel to either country. That said, he consulted with the Ma administration before leaving, and while traveling he stuck very close to official policy lines.<sup>58</sup> Moreover, as much as he is respected as an experienced political leader, and as successful as his trips were, it is highly unlikely that Wang will be seen by Washington or Tokyo as a substitute for Ma or the senior members of his administration.

In terms of relations with the Mainland, Wang's pitch for legislation requiring the inclusion of LY representation in cross-Strait negotiating teams<sup>59</sup> would not only appear inappropriate to most students of government, but also unlikely to garner much support, especially if Ma is able to repair his ties with the KMT LY contingent.

Wu Poh-hsiung, the KMT chairman, has thus far shown himself a strong supporter and partner of Ma in pressing the cross-Strait agenda, and he has brusquely dismissed notions of problems in his relations with Ma.<sup>60</sup> But there have been some signs that Beijing might seek to manipulate Wu in order to keep pressure on Ma.<sup>61</sup> Still, and despite Wu's grand welcome both in May and again during the Olympics, Beijing should have no doubt that the success or failure of its efforts with Taipei rests most importantly on working with Ma. While it may occasionally be tempted to use the party connection to promote initiatives that are not faring well with the administration, one trusts the Mainland understands how unwise it would be to go too far in trying to work around Ma. Nor does it seem at this point as though Wu would cooperate beyond a certain low level with such an effort.

Honorary KMT chairman Lien Chan still merits respect and deference as a party elder, but his role as an active player has been significantly diminished now that Ma is in office and Wu has taken over as KMT chair.

Finally, Chiang Ping-kun is a party elder in his own right and he certainly has an activist approach to his role as the chief cross-Strait negotiator. But we have already seen that, if he appears to be getting out ahead of the administration or the political consensus in Taiwan, he runs into trouble. Ironically, given all of the sturm und drang when Lai Shin-yuan was appointed to the MAC, she does not appear to be openly competing with



Chiang, and if anything, is playing a cooperative role within the administration, to the point that the TSU is extremely unhappy with her.<sup>62</sup>

## “International Space”

Readers will recall that Ma’s inaugural address called for “reconciliation and truce” with Beijing in the international community,<sup>63</sup> carefully avoiding reference to “diplomatic truce” (外交休兵) with its possible provocative overtones. In fact, however, this latter term has come to be employed more and more directly, and Ma featured it in his address to the foreign ministry in early August (discussed below). The concept is that each side should refrain from stealing the other side’s diplomatic partners, even as both sides should feel free to enhance substantive relationships with those countries. Moreover, each side should support the other in the international community, not engage in diplomatic warfare designed to undermine the other. Ma has pressed for this in hopes of creating a greater sense of mutual trust across the Strait.<sup>64</sup> While the attraction of this approach for the Mainland could include promoting mutual trust between governments as an element, its appeal to Beijing would presumably be based more on its potential role in helping to win hearts and minds of the people in Taiwan.

Although the duration of any “diplomatic truce” may be questionable, and in any event it would seem to be a matter of reciprocal unilateral behavior rather than the product of any cross-Strait agreement, Taiwan officials claimed that there was a “tacit understanding” to observe such a truce.<sup>65</sup> Moreover, some people see circumstantial evidence that Beijing has, in fact, been cooperating. In particular, they point to the decision by the new Paraguayan administration not to switch relations from Taipei to Beijing as the incoming president had widely advertised he intended to do. Foreign Minister Francisco Ou has even gone so far as to openly point to this as an example of PRC tacit cooperation with the “diplomatic truce.”<sup>66</sup>

On the other hand, as the foreign ministry was stressing that diplomatic ties with bilateral allies were the “most important indicator of diplomatic truce” (as compared with international organizations, discussed below),<sup>67</sup> in an interview in late August, Ma seemed to hint that a test case was pending, saying it would “soon be clear” if the Mainland had rejected the truce and warning that, if it had, he would immediately resume “diplomatic war.”<sup>68</sup>

## *Olympics*

The Beijing Olympics became something of a testing ground of the goodwill of each side and especially, as seen from Taipei, of the PRC’s willingness to respect Taiwan’s dignity and desire for “international space.” Although Taiwan and the Mainland had agreed in Hong Kong in 1989 that during any “official” sports events in the Mainland, Beijing would employ the term “Zhonghua Taipei” (中華台北, or 中华台北 in simplified characters) as the translation of the already agreed English term “Chinese Taipei,”<sup>69</sup> over the almost two decades since then, the PRC had continued to use “Zhongguo Taipei”

(中國台北, or 中国台北 in simplified characters) in its own media. Generally translated as “Taipei, China,” this latter usage suggested—and was meant to suggest—that Taiwan was subordinate to the Mainland and that its Olympic Committee was subordinate to the Chinese Olympic Committee in Beijing.<sup>70</sup>

As recently as in an interview with Taiwan’s Central News Agency (CNA) on 9 July 2008, the Taiwan Affairs Office (TAO) spokesman reiterated that the 1989 agreement was not binding on Mainland groups, organizations, and individuals unconnected to the Olympics, and that they were free to use “Zhongguo Taipei.”<sup>71</sup> Moreover, he said, it was “not possible” for the government to stop the media from using “Zhongguo Taipei” since it had been such a commonly used term for so long.<sup>72</sup>

That interview produced a firestorm in Taiwan, with everyone from the president’s office and the Mainland Affairs Council to the Sports Affairs Council, the Chinese Taipei Olympic committee, the DPP, and even the KMT threatening a boycott if this position were not reversed. In the end, reportedly after intervention by a KMT official (undoubtedly in coordination with the government) who told Beijing that Wu Poh-hsiung would not accept Hu Jintao’s invitation to attend the opening ceremony unless the PRC reversed itself, the Mainland did exactly that.<sup>73</sup> In a convoluted session with the press, the TAO spokesman noted that the two usages were the result of “history,” and asserted that Beijing had properly observed the 1989 agreement, only using “Zhongguo Taipei” when such usage fell outside of the “stipulated range.” Charges that the PRC had breached the agreement, the spokesman said, were “confounding the ins and outs of the range set by the Hong Kong agreement, not in keeping with objective reality, and not conducive to building mutual trust between the two sides.”<sup>74</sup>

Although the spokesman made note of the “trend of improving and developing” relations, which he said all should “treasure,” and he called for joint efforts to “express good will, to solve relevant issues properly, to resolve misunderstandings and misgiving, and to build friendly and harmonious atmosphere,” he seemed to strike a hard line in closing by reciting verbatim the restrictive language of the Hong Kong accord without making any public statement about changing Beijing’s previous practice.<sup>75</sup>

Nonetheless, Mainland media immediately started using “Zhonghua Taipei,” and, with only one reported “technical error” by official PRC television,<sup>76</sup> they have done so consistently from that time on.

Ma Ying-jeou welcomed this development as a “show of good will.”<sup>77</sup> He said it was a “significant change in Beijing’s stance on Taiwan” and claimed credit for it as the fruit of his new approach, saying it was something that “would not have happened if we had not made efforts to improve cross-Strait relations over the past two months.”<sup>78</sup>

Predictably, however, that was not the end of the story as far as the Olympics were concerned. Beijing had proposed in April that the teams march in the opening ceremony in an order determined by the number of strokes in which their names were rendered using (simplified) Chinese characters. This meant that, instead of marching as

usual under “T” for TPE (the abbreviation agreed between the Chinese Taipei Olympic Committee and the International Olympic Committee in 1981),<sup>79</sup> the Taiwan team would march under “zhong” (中). As a result, it was separated from Hong Kong (中國香港 or 中国香港 in simplified characters) by only the Central African Republic.<sup>80</sup> The PRC, known at the Olympics simply as China—“Zhongguo”—中国), would this year come at the end as the host country, so that was not a problem. But this arrangement raised the prospect that if characters were used in future games in Asia, the Taiwan team could be closely collocated with the PRC team as well as that of Hong Kong.

Arguing that this arrangement complied with the Olympics rule that the language of the host city can take precedence over past practices,<sup>81</sup> the administration accepted it. The DPP, on the other hand, called for a boycott of the opening ceremony.<sup>82</sup> In an outburst of unreality unusual even for the DPP, one party official went so far as to advocate that Taipei should fight to have the Olympic team participate under either the name “Republic of China” or “Taiwan” and should negotiate to allow the team to display the ROC national flag and play the ROC national anthem.<sup>83</sup> As it had done in order to monitor the SEF-ARATS talks, the DPP announced it would organize a “task force” to closely follow developments at the Olympics and to continuously evaluate the proceedings in order to “protect Taiwan’s dignity and interests.”<sup>84</sup>

Still, except for the DPP and a few other avowedly opposition groups, public opinion seemed supportive of Ma’s handling of these matters and, except for some disappointing losses in the games themselves, the Olympics were highly popular on the island.

Meanwhile, three cabinet officials attended the opening ceremonies: the chair of the Sports Affairs Council, the minister of education, and a minister without portfolio.<sup>85</sup> All were issued National Olympic Committee identification cards, placing them on a par with dignitaries from all Olympic countries. In addition, political luminaries Lien Chan and James Soong Chu-yu were there and, along with Wu Poh-hsiung, were given first-class treatment, including high-level official escorts and individual meetings with Hu Jintao.

### *“Flexible diplomacy”*

Encapsulating various themes he had articulated both in the election campaign and since taking office in late May, Ma made a significant speech at the foreign ministry when he visited there in early August.<sup>86</sup>

Embroidering on a campaign theme about seeking a “modus vivendi” with the PRC over “international space,” Ma described his approach as essentially an agreement to disagree. He said it would “protect the interests of the Republic of China, cement relations with diplomatic allies and restore mutual trust with non-allied countries or countries that have a great impact on the nation.”<sup>87</sup>

In choosing as the title of his talk a phrase from his campaign—活路外交—that

officially has been translated as “flexible diplomacy” but that literally translates as “workable diplomacy” or “viable diplomacy,” Ma said that he wanted to adopt it henceforth as the fundamental strategy of Taiwan’s diplomacy.<sup>88</sup> The basic concept, he explained, was to try to find a “way out” for ROC diplomacy, a concrete method to see—whether in cross-Strait relations or in the international community—if it is possible to create a model that would allow engagement and dialogue with the Mainland, and to have reconciliation and a truce.

Taken together with notions of “pragmatic diplomacy” and a “diplomatic truce,” Ma said this would serve to fulfill the goal of treating the people of Taiwan with dignity while meeting their need for “international space.” What he sought, he explained, was to extend the mutual trust that was being created in cross-Strait relations to each side’s bilateral and multilateral diplomatic relations. At the same time, noting the possibility of setbacks in this effort, Ma issued what appeared meant both as a reassurance to his Taiwan audience and a caution to his Mainland audience. He reminded them that in his inaugural address he had stressed the interdependence of “international space” and cross-Strait ties: if Taiwan continued to be isolated in the international community, cross-Strait relations could not meaningfully improve.<sup>89</sup>

Beyond that, Ma argued that one reason Taiwan had lost ground diplomatically over the past eight years was that the Chen Shui-bian government had focused on stealing away Beijing’s diplomatic partners, often neglecting to cultivate relations with the partners it already had. Thus, he sought a ceasefire in that battle, focusing instead on nurturing better relations both with existing diplomatic partners and with others, but in the latter case resisting the temptation to poach on the other side’s established relationships.

Finally, he spoke of Taiwan’s quest for meaningful participation in the international community, singling out for particular mention the specialized agencies of the UN such as the WHO.<sup>90</sup>

#### *A new approach to the UN*

Ma then took these concepts a step further and, applying them to a real-world situation, on 15 August, had the foreign ministry announce a significantly revised initiative regarding Taiwan’s aspirations in the United Nations. Having already foreshadowed the approach in his foreign ministry speech, Ma’s proposal asked the General Assembly to address a resolution on “The Need to Examine the Fundamental Rights of the 23 million People of the Republic of China (Taiwan) to Participate Meaningfully in the Activities of the U.N. Specialized Agencies” (需要審查中華民國（台灣）2,300萬人民有意義參與聯合國專門機構活動的基本權利).<sup>91</sup> Not only did the proposal avoid calling for use of the name “Taiwan” (or any other name) in participating with such agencies, it abstained from raising the issue of “joining” or “rejoining” the UN itself.<sup>92</sup>

Ma said that this resolution, introduced by 17 of Taipei’s 23 diplomatic allies, was moderate, rational, and feasible. He explained that it reflected the will of the people of

Taiwan and served to promote their dignity while at the same time it took into consideration the reality of the international political situation and would not affect “other diplomatic interests or the interests of cross-Taiwan Strait relations.”<sup>93</sup>

In briefing the press on the significance of the new approach, Vice Foreign Minister Andrew Hsia emphasized that Taipei was not making a political appeal, but one based on humanitarian concerns. As to the name that might be used for the representatives to any of the UN’s 16 specialized agencies, Hsia said that was a matter to be decided in the context of working with each agency. The only name that was ruled out was “Taiwan, China,” a label that has been promoted by Beijing in many venues in the past and that is freighted with political baggage.

The DPP, as expected, harshly criticized the proposal. A senior DPP LY caucus leader said it had “broken the hearts of the Taiwanese people.” He charged that the whole notion of a “diplomatic truce” was hypocritical and signaled surrender and a downgrading of Taiwan’s status.”<sup>94</sup>

Moreover, and of greater significance, the PRC rejected the proposal, labeling it as a scheme to create “two Chinas” or “one China, one Taiwan,” violating China’s sovereignty and territorial integrity. In a statement by the foreign ministry spokesman, Beijing warned that such a move could negatively affect the good signs seen of late in cross-strait relations.<sup>95</sup> The PRC’s ambassador to the UN, Wang Guangya, also submitted a letter to the UN Secretary General opposing the proposal.

Although the foreign ministry in Taipei said it was not surprised by the PRC reaction and even saw some “good will” in Wang Guangya’s letter,<sup>96</sup> there is, in fact, some risk for Ma in taking this approach. If in the specialized agencies themselves (as opposed to in response to a proposed resolution at the UNGA), Beijing fails to rise to the occasion, and instead continues to block Taipei even where sovereignty is not involved, the slings and arrows aimed at Ma by the DPP and the pro-Green media will take their toll; he will be seen as having sacrificed forthright defense of Taiwan’s sovereign status in return for nothing. If, however, the PRC is able to set aside its past assumptions and behavior, and to seize the opportunity represented by what Ma is offering, this could lay an important foundation for even more difficult steps ahead in creating a framework for long-term peace and development as called for by both leaderships. (We come back to this point at the end of the essay.)

As we have discussed on various occasions in the past, the WHA/WHO question is the first specific and very prominent issue that will come up, when the WHA meets in May 2009. Taiwan’s goal, of course, is to participate substantively in the activities of the WHO, not, as Ma has made clear, as a member, but in some other status. But Taipei also sees observer status at the annual WHA meeting as an important symbolic measure of success in Taiwan’s quest for “international space” and indeed, in the words of one unidentified official, as “the most important goal at this stage.”<sup>97</sup> Thus, as noted in *CLM* 25, merely expanding the scope of “permitted” activities under the aegis of the PRC-WHO Secretariat 2005 Memorandum of Understanding is not going to meet the

expectations created by Hu Jintao's statement to Wu Poh-Hsiung in May about finding a satisfactory solution through cross-Strait consultation.<sup>98</sup>

In this regard, although a senior Taiwan official expressed optimism about the prospects at the WHA next spring,<sup>99</sup> Wang Guangya's letter to the Secretary General about Taiwan's participation in UN specialized agencies was disconcerting. While claiming that the 2005 MOU afforded Taiwan "unfettered access" to WHO health and medical information, he observed that, every year since 1993, the Executive Board of the WHO and successive sessions of the WHA have rejected motions on Taiwan's "membership" or "participation" in the WHA as an observer. "Facts have amply proved that the Taiwan region is not eligible to "participate" in the activities of specialized agencies."<sup>100</sup>

## Arms Sales

Another issue that will potentially play a significant role in shaping the future of cross-Strait relations is that of U.S. arms sales to Taiwan. Reports of a "freeze" on final processing of seven previously approved major weapons systems, possibly lasting at least through the remainder of the Bush administration, began to surface in early June.<sup>101</sup> The alleged freeze—the existence of which was repeatedly denied by the Bush administration<sup>102</sup>—was attributed to a combination of Washington's hope not to spoil the atmosphere in the nascent cross-Strait rapprochement, on the one hand, and President George W. Bush's desire not to spoil his trip to China to participate in the Beijing Olympics opening ceremonies, on the other. Another supposed consideration was whether the existing requests fit in with a considered national security strategy that Ma subscribed to, or whether the Taipei administration's request that the United States go forward with the weapons sales was more a matter of inertia and a desire not to appear weak.

Despite this last consideration, rumors also flew back and forth across the Pacific that Ma or one of his senior aides had signaled Washington that Taipei preferred that the United States slow down any action on arms sales so as not to disrupt the improving situation with Beijing. Ma denied any such signal had been sent. In any case, whatever signals were intentionally or unintentionally sent, or accurately or inaccurately received—in either direction—over the course of the next several weeks, Ma personally as well as his team went to great pains to state not only that they had not asked for a slowdown but they very much wanted the deals to move forward as expeditiously as possible. As Ma has put it, "We may discuss the signing of a peace accord with Beijing in the future, but any bilateral negotiation must be based on a foundation of strength. We cannot start from weakness, we must commence with strength."<sup>103</sup>

F-16 C/Ds are in a special category. The Bush administration would not even consider a request for them while Chen Shui-bian was in office, but it is also a fact that many American specialists either do not believe the F-16 C/D is needed at all—citing other approaches to make up for Taiwan's aging air force, involving a combination of

upgrades to existing aircraft and other, less politically sensitive systems such as surface-to-air missiles<sup>104</sup>—or they believe a decision can be put off until it is clearer how far Beijing might be willing to go, for example, in standing down the existing PLA missile threat to Taiwan. Other specialists, of course, reject such alternatives as ineffective and believe that Taiwan's air force is coming up on a point where it needs to lock in replacement aircraft for its aging F-5 fleet so that no gaps develop.<sup>105</sup>

This writer does not pretend to know enough about the military requirements or the substitutability of missiles for aircraft to have a view. But from a policy/diplomatic perspective, it would seem fairly obvious that a hard-nosed military assessment should be undertaken now, before the change in American administrations. If it produces a clear-cut judgment that the aircraft will be needed at some point, under any realistic cross-Strait political scenario,<sup>106</sup> U.S. national interests would seem to dictate that, presuming Taipei directly reaffirms the request in accordance with its own national security strategy, the responsible course of action would be for the Bush administration to take the heat for such a decision and not leave it to the next administration. If, on the other hand, the study concluded that the need is not really all that urgent or clear, and especially if other systems emerge as potentially realistic and effective alternatives, then it would, naturally, be a harder call.

Obviously one of the considerations in an F-16 or any other sale is the impact on U.S.-PRC relations. Despite Beijing's repeated calls for cessation of arms sales<sup>107</sup>—now often couched not only in terms of living up to the 17 August 1982 joint communiqué but also as an appeal to those who feel such sales would spoil the atmosphere either of improving U.S.-PRC ties or ties between Taipei and Beijing<sup>108</sup>—PRC leaders presumably understand that, in general, they will go forward.<sup>109</sup> Not only is there a logic for weapons in terms of Taiwan's defense needs in the face of the Mainland's maintenance of a deterrent against potential future independence activities, but, as we have pointed out before, Ma needs to demonstrate his bona fides on Taiwan's security in order to help overcome domestic concerns about further advances in cross-Strait relations.

Any acquisition by Taiwan of advanced weapons from the United States has a large political component. The sales are seen in Taiwan as a concrete reflection of the American commitment to help the island maintain adequate self-defense capabilities and of the potential U.S. willingness to assist Taiwan in defending against a Mainland attack should such a need arise. The political symbolism also applies—though in the opposite direction—in terms of U.S.-PRC relations. American bona fides against Taiwan independence were amply demonstrated over the past year with respect to the UN referenda. But some people on the Mainland now take arms sales as the new litmus test of U.S. intentions with respect to supporting or opposing efforts to forge closer cross-Strait relations.

On the other side of the coin, a number of Americans see the PRC seeking to undermine both actual U.S. support for Taiwan and Taipei's perception of U.S. support, thus laying a foundation for a more rapid process of reunification than might otherwise be expected. They believe that the PRC's approach is to wave the Bush administration off of

any decision to approve F-16s (and perhaps other advanced weapons systems, if possible) and then hope to persuade the next U.S. administration that such sales are not worth the negative fallout in relations with Beijing, particularly in its early days in office.

Many people feel the timing issue at this point revolves more around the congressional calendar than anything else, and the need to give the Congress a legally mandated 30-day period to review any proposed sale. Among other things, there is concern in Taiwan that, if the appropriated funds are not committed before the end of the year, the monies will have to be returned to the treasury, and there is some doubt whether the Taiwan political process could produce such large sums again.<sup>110</sup> But common sense dictates that there are ways to handle a notification from the administration even into September, and still complete the process before Congress adjourns. So looked at from a Washington perspective, the issue is really a policy question, not a technical issue of the congressional calendar, and from that perspective it is hard to see why the package of the seven already approved items (not including F-16s) would not go forward.

## The PRC Perspective

Clearly Beijing sees an enormous opportunity in the current situation, but it also harbors concerns that it could be suckered into a position that undermines its ultimate goal of reunification rather than promoting it. However, as we have argued before, a strategic perspective on cross-Strait relations would almost require one to conclude that this is not a moment to hesitate out of fear that something could go wrong.

Ma Ying-jeou is demonstrating about as clearly as one can that, while he is obviously going to look out for the full range of interests of Taiwan, he is going to do so in a way that tries to maximize practical results. That means that, if Beijing will cooperate in according Taiwan international status at a level less than full sovereignty, and if it will accept Taipei's compromises as good faith efforts to work around the immovable object of statehood, Ma will accept the realities of PRC power and influence as well as its ability to block Taiwan from important areas of international activity.

Although the ongoing debate in the Mainland raises the possibility that Beijing will come to the wrong conclusions, at this point there are also some encouraging signs that key people are taking a hard look at the situation. Hu Jintao has set the overall strategic framework on the Mainland with his depiction of "an historic opportunity," his outreach to Taiwan political leaders, his 16-character phrase, and his active role in forging a consensus on Taiwan policy at the leadership level. But closer to the levels from which recommendations come to Hu, the levels at which policy will be implemented, it is important that one of the more knowledgeable Taiwan experts on the Mainland, and one of the more influential senior officials, are pressing in the same direction: the need to recognize the new situation for what it is and to come up with new approaches that make the most out of the unprecedented opportunities that have arisen.

Zhang Nianchi, a person not unfamiliar with controversy (as we have documented



in previous essays) who has dedicated many years to thinking about constructive approaches to Taiwan, has produced a provocative and stimulating essay that argues that cross-Strait relations have entered an entirely new phase requiring new thinking and a “remarkable new solution.” In outlining one among a set of propositions, he asks a series of questions:

First and foremost, can we recognize that this is a new period of new opportunities? Are we aware of the need to seize and take control of these opportunities? Can we change outmoded ideas and come up with new ones? Can we devise new strategies and new theories? Can we take advantage of the KMT’s dominance as the largest political party over the next four to eight years, the KMT-CPC “consensus,” and Ma Ying-jeou’s “non-independence” stance and determination to serve as a “peacemaker” to propel cross-Strait relations into a new stage and establish an institutional framework of cooperation between the two sides of the Taiwan Strait—for example, the opening of stable communication channels, the establishment of unimpeded mechanisms for negotiations, and the conclusion of a “treaty on ending the state of hostility,” a “peace treaty,” and a “comprehensive economic agreement” in order to bring genuine benefits to compatriots on both sides of the Taiwan Strait and the Chinese nation and foster cross-Strait prospects that are even better than we can possibly imagine?<sup>111</sup>

At the same time, the recently appointed director of the State Council’s Cabinet-level Taiwan Affairs Office, Wang Yi, put a similar set of challenges to governmental and other experts on cross-Strait relations. Pieced together from different talks, one comes up with the following:

Promoting cross-Strait relations toward peaceful development is a major issue in the history of cross-Strait relations. To open up a new situation for the peaceful development of cross-Strait relations, we are required to conduct a historical summing up, prospective thoughts, and explorative practice . . .

Both sides of the Strait are required to display their political intellect and actively face the future. How to actively seize and use opportunities well, how to calmly and pragmatically treat and defuse disagreements, and how to maintain and push forward cross-Strait relations are issues commonly facing both sides of the Strait . . .

There is a need to actively explore new lines of thoughts and ways of strengthening cross-Strait exchanges and cooperation . . .<sup>112</sup>

The research work on relations with Taiwan, which has played a significant role in the whole work regarding Taiwan, should continue to be geared up. Those engaged in this research should further enhance their sense of mission and responsibility, make a serious effort to implement the

important policy and guiding principle for the work regarding Taiwan established by the central authorities, truly increase their theoretical knowledge and strengthen their strategic thinking in this respect, seek truth, be pragmatic, and advance with the times. They should not only study issues of overall and strategic importance, but beef up research on questions that are related to the future and dynamic in nature. Moreover, they should be acquainted with the real situation of society and the people's will in Taiwan, grasp the trend of development of the Strait situation, study the rule of development of relations between the two sides, and propose solutions to the questions involved so as to contribute to creating a new situation of peaceful development of cross-Strait relations.<sup>113</sup>

One can presume that Hu Jintao supports the call for new thinking. But we don't know how far he can or will take that approach, or how much resistance will be offered from other parts of the bureaucracy or political leadership. In this regard, the views of the PLA are especially difficult to discern. Although senior officers have taken note of the recent improvements, they apparently still feel compelled to express determined opposition to "separatist activities" of "Taiwan independence forces,"<sup>114</sup> and to assert that the PRC is still "not in a position" to stop its military buildup against Taiwan and, indeed, will not be in a position to even study new approaches to the military situation until after a peace accord is signed.<sup>115</sup>

That's unfortunate, but not a huge surprise. In the meantime, however, if the political leaderships on both sides can continue to score a string of successes, perhaps a greater sense of mutual trust will grow, enabling each to move on from the "easy," economic steps to the more difficult political and security ones.

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## Notes

<sup>1</sup> Polls in mid/late July showed Ma's support rate at between 35 and 40 percent, down from the high 70s shortly after election. On the other hand, when one paper (*Apple Daily*) asked respondents in that same period how they would vote for president if they could vote all over again, over half opted for Ma with only about one third backing Frank Hsieh Chang-ting. A TVBS poll in late August showed an even stronger support rate for Ma over Hsieh. ("Survey on the satisfaction ratings of how the Ma Ying-jeou government has performed during the last 100 days," TVBS, 26 August 2008, translated by Kuomintang News Network, <http://www.kmtnews.net/client/eng/NewsArtical.php?REFDOCID=00aw7xfmxtb2y0wj&TYPIDJump=00air8vknmxqomxb>.)

Moreover, by late August, although an opposition Democratic Progressive Party (DPP) poll showed low support rates on overall performance and especially economic performance similar to the ones obtained in July (Y.F. Low, "President's approval rating drops to 36.9%: DPP Poll," Central News Agency [CNA], 25 August 2008), a number of other polls showed some gains for Ma.

A poll during the third week in August conducted by the Executive Yuan showed a satisfaction rating for Ma of 47 percent as against 36.3 percent dissatisfaction. A number of the economic categories produced less positive results, including an overwhelming 60.9 percent level of dissatisfaction with efforts to stabilize commodity prices as against 30.7 percent satisfaction. But by an even larger margin in the other direction, respondents were confident about the government's performance over the coming year (61.5 percent confident vs. 25.2 percent not confident). ("Survey on the satisfaction ratings of the government's

performance during the last three months,” Executive Yuan Research, Development and Evaluation Commission, 19 August 2008, <http://www.rdec.gov.tw/public/Data/881918552071.pdf>, translated by the Kuomintang News Network, <http://www.kmtnews.net/client/eng/ReadFile.php?IDKey=nuufzpo1>).

Similar results were obtained in polls taken by *China Times* and *United Daily News* (translated by Kuomintang News Network, <http://www.kmtnews.net/client/eng/NewsArtical.php?REFDOCID=00aw4116n0gc4dsi&TYPIDJump=00air8vknmxqomxb> and <http://www.kmtnews.net/client/eng/NewsArtical.php?REFDOCID=00aw6cmpojwzfxp&TYPIDJump=00air8vknmxqomxb>).

Interestingly, a Shih Hsin University poll in this same timeframe that revealed overall respondent dissatisfaction with their current lives (46 percent vs. 25 percent) and very high negative numbers on the current domestic economic situation (over 70 percent dissatisfied vs. 13 percent satisfied), nonetheless showed a 45.5 percent vs. 36.5 percent satisfaction rate for Ma’s performance so far, and more than 60 percent vs. 33 percent confidence in the Ma administration’s ability to promote domestic economic development across its four-year term. (“Survey on the popularity ratings of President Ma Ying-jeou and the satisfaction ratings of the Cabinet regarding how they have performed during the last three months,” Shih Hsin University, 21 August 2008, translated by Kuomintang News Network, <http://www.kmtnews.net/client/eng/NewsArtical.php?REFDOCID=00aw162nyhezs3px&TYPIDJump=00air8vknmxqomxb>.)

All of these data are consistent with results obtained by the monthly Taiwan Public Mood Index for August. In that survey, trust in Ma jumped four points from July to 54.2 percent, only a little over 3 points below the high of 57.5 percent in the immediate wake of the presidential election. The economic optimism index rose over six points to 42.4, even though the evaluation of the current economic situation index remained at a very low 21.5. (“Taiwan Public Mood Index, August 2008,” Global Views Survey Research Center, 25 August 2008, [http://www.gvm.com.tw/gvsrc/GVSRG\\_TPMI\\_200808\\_Eng.pdf](http://www.gvm.com.tw/gvsrc/GVSRG_TPMI_200808_Eng.pdf).)

Regarding support for Ma’s cross-Straits policy, the *China Times* and Executive Yuan Research, Development and Evaluation Commission polls cited above both showed slightly under 50 percent satisfaction and somewhat over one-third dissatisfaction. The TVBS poll cited above showed quite similar results, but also revealed considerable slippage from mid-June. According to TVBS, the “satisfied” rate dropped from 60 percent in mid-June to only 48 percent in late August, while dissatisfaction rose from 26 percent in the earlier survey to 35 percent in late August. That same poll showed that, while most people (53 percent vs. 38 percent) were not worried that Ma’s cross-Straits policy would harm Taiwan’s interests, a slight plurality (44 percent vs. 42 percent) nonetheless believed that Ma’s policy inclined too far in the Mainland’s direction.

<sup>2</sup> Although Ma has stressed the low-key nature of his events while passing through Los Angeles and San Francisco, he has also highlighted the fact that he spoke in person or on the phone with 31 Members of the House of Representatives or Senate during those two stops, thus underscoring that he intends to consolidate relations even as he avoids provocation. (“President Ma Meets US House Foreign Affairs Subcommittee on the Western Hemisphere Chairman Mr. Eliot Engel,” Office of the President, Republic of China (Taiwan), 20 August 2008 ([http://www.president.gov.tw/en/prog/news\\_release/print.php?id=1105499779](http://www.president.gov.tw/en/prog/news_release/print.php?id=1105499779)))

<sup>3</sup> Alan D. Romberg, “After the Taiwan Election: Restoring Dialogue while Reserving Options,” *China Leadership Monitor* 25, Summer 2008, 10ff. The last meeting between SEF and ARATS heads was in 1998, when Koo Chen-fu met with Wang Daohan in Shanghai. Contacts between the two organizations were formally severed after Lee Teng-hui voiced his “two states theory” in a July 1999 interview with Radio Deutsche Welle. Thus some statements about the resumption of ties refer to a hiatus of ten years, others to nine years.

<sup>4</sup> Establish mutual trust, shelve disputes, seek common ground while reserving differences, and jointly create a win-win situation (建立互信、搁置争议、求同存异、共创双赢) (Romberg, “After the Taiwan Election,” *CLM* 25, 12ff).

On how to rank order these points, Taiwan Affairs Office Director Wang Yi said: “Of the efforts required of the two sides, building mutual trust is most important, and opposing ‘Taiwan independence’ and upholding the ‘1992 Consensus’ constitutes the fundamental foundation for building mutual trust.” (Chen Binhua and Liu Chang, “[Resumption of ARATS–SEF talks] Wang Yi meets Chiang Ping-kun and key members of the SEF,” Xinhua, 12 June 2008, translated by Open Source Center [OSC], CPP20080612172014.)

<sup>5</sup> Zhang Yong, “General Secretary Hu Jintao meets Taiwan SEF Chairman Chiang Ping-kun,” Xinhua, 13 June 2008 (translated by OSC, CPP20080613163003; the original Chinese-language version of the article is available at [http://news.xinhuanet.com/newscenter/2008-06/13/content\\_8363682.htm](http://news.xinhuanet.com/newscenter/2008-06/13/content_8363682.htm)).

<sup>6</sup> Ruth Wang, “President hopes to see institutionalized cross-strait talks,” CNA, 9 June 2008.

Hu Jintao has generally been consistent in his meetings with Taiwan representatives in using “Chinese nation” (中華民族). It is therefore interesting that he used the more controversial (from Taiwan’s perspective) “Chinese” (中國人) when meeting with James Soong at the time of the Olympics. One can presume he intentionally chose his language in light of his guest’s known views. (“Hu Jintao meets with Lien Chan, Wu Poh-hsiung and James Soong,” Xinhua Asia-Pacific Service in Chinese, 8 August 2008, disseminated in Chinese and translated by OSC, CPP20080808172016.)

<sup>7</sup> Squarely face reality, open up to the future, shelve disputes, and pursue a win-win situation (正視現實, 開創未來, 擱置爭議, 追求雙贏). (Text in Chinese available at <http://www.sef.org.tw/html/news/97/content/9706121.htm>.) As noted in *CLM* 25 (Romberg, “After the Taiwan Election,” endnote 61), the first two of these phrases came out of the Hu-Lien communiqué of April 2005. Only the Taiwan side now appears to be using those phrases, while the Mainland has moved on to adopt Hu’s more recent language. Taipei’s choice in this regard may be a gentle way of trying to get across the importance of respecting the separate existence of Taiwan society.

<sup>8</sup>“直航” In this context, it means not only nonstop flights, which were agreed for the charters, but relatively straight routes bypassing Hong Kong and Macau airspace. Chiang had spoken of seeking such “straight routes” on the eve of his Beijing talks. (Philip Liu, “Direct Cross-Strait Flights May Take a Straight Route,” *Taiwan Economic News*, 12 June 2008, available at [http://cens.com/cens/html/en/news/news\\_inner\\_23646.html](http://cens.com/cens/html/en/news/news_inner_23646.html)).

As a former Taipei Airlines Association official told the PRC press, in the context of discussing such straight routes, air traffic control coordination between the two sides would also be required. (Fu Shuangqi and Zuo Yuanfeng, “Mainland, Taiwan agree on weekend charter flights, direct flights to be discussed soon,” Xinhua [English], 13 June 2008, disseminated by OSC, CPP20080613968226.)

Although some DPP legislators expressed concern about national security aspects of straight routes—and one of the charges raised against Chiang Ping-kun by the DPP was that he had jeopardized national security by even raising the subject in Beijing—Minister of National Defense Chen Chao-min said that there were possible routes that would not pose such problems. (Lilian Wu, “More direct cross-Strait route will not compromise security: minister,” CNA, 18 June 2008.) Nonetheless, MAC Chair Lai Shin-yuan, in discussing a task force that has been established to study the issue, said that the PLA has some problems with the idea of straight routes because they would require changes in flight training zones. (Li Chih-te, “Lai Shin-yuan says two sides have different opinions on direct flight routes,” *Lien-ho Pao*, 20 June 2008, translated in summary by OSC, CPP20080620100002.) The likely upshot is that the routes finally adopted will not be precisely straight, but, in avoiding sensitive areas on both sides, will still be far more direct than the current circuitous routing via Hong Kong or Macau airspace.

<sup>9</sup> “Full Text of Straits Exchange Foundation Chairman Chiang at ‘Chiang-Chen Talks,’” Straits Exchange Foundation (in Chinese), translated by OSC, CPP20080613075001.

<sup>10</sup> Deborah Kuo, “China’s top negotiator with Taiwan invited to return visit,” CNA, 12 June 2008.

<sup>11</sup> Hu Jintao, of course, can meet Taiwan visitors in his capacity of General Secretary of the Communist Party, but Ma holds no position other than president. DPP critics have raised the issue of whether Ma would be accepting an inferior place if he only met Chen as “Mr. Ma” (an appellation that Ma himself has said would be fine, and that was used by both Vincent Siew and Wu Poh-hsiung in referring to Ma in their meetings with Hu). That said, even Wu Poh-hsiung has said that Ma’s position as president must not be “belittled” if he meets Chen. (Mo Yan-chih, “KMT questions Ma status if ARATS chief visits,” *Taipei Times*, 15 June 2008.)

<sup>12</sup> “Mainland’s Taiwan affairs chief meets Taiwan delegation,” Xinhua, 12 June 2008, disseminated by OSC, CPP20080612968315. Readers will recall that much of the spadework for these two agreements had been done by the Chen Shui-bian administration, even though final agreement had proven elusive for political reasons.

Chiang’s meeting with Chen Yunlin, formerly director of the State Council Taiwan Affairs Office and now Chiang’s direct counterpart as president of ARATS, was not the only institutional meeting that took place. Lower-level meetings occurred even in Beijing, and it was agreed that further “complementary” talks would begin without delay. The agenda for those meetings included cross-Strait cargo charter flights, increasing the number of weekend flights, opening of more destinations and flight routes, and resuming normal procedures for mutual notifications in case of emergencies. It was also agreed that they would make efforts to “normalize” cross-Strait business, trade, and cultural exchanges. Moreover, proposals were tabled

by the Taiwan delegation to start talking about cross-Strait shipping links, joint exploration for undersea liquefied natural gas in the Taiwan Strait, cooperation in combating crime, cooperative research into climate change and meteorology, and other topics. (Deborah Kuo, "China's top negotiator with Taiwan invited to return visit," CNA, 12 June 2008.)

As revealed later, exchanges and cooperation on climate change and weather, and on prevention of earthquake disasters were also on Chiang's agenda for the future. Along with that, establishment of a monitoring and cooperation mechanism for Taiwan and Mainland banking institutions, negotiations on standards and testing, and industrial exchanges would be addressed, as well as an investment guarantee agreement, a double-taxation agreement, and a mechanism to resolve cross-Strait fishery disputes. (Lilian Wu, "Taiwan must act to achieve cross-strait peace: SEF head," CNA, 21 July 2008.)

<sup>13</sup> Emmanuelle Tzeng, "Passenger load on cross-strait charters increasing gradually: CAA," CNA, 5 August 2008. According to this report, over the first month of operation, the load factor had climbed from 83 percent to 89 percent, averaging 87 percent for the entire period. The Taoyuan International Airport (Taipei)-Shanghai International Airport (Pudong) route was the most popular, operating with an average passenger occupancy rate of 93 percent, with the closer-in Songshan (Taipei)-Shanghai route at 87 percent.

<sup>14</sup> Li Wen-I and Hsu Min-jung, "Weekend charter flights: 90% of passengers from Taiwan, 10% from China," *Tzu-yu Shih-pao*, 12 August 2008 (translated in summary by OSC, CPP20080812100001).

<sup>15</sup> Mainland travel agents who visited Taiwan in late June claimed they could bring anywhere from two to three million tourists to Taiwan a year, double or triple the number agreed. (Huang Jen-ch'ien, "Delegation from China's travel industry says they can bring two million tourists to Taiwan each year," *Ching-chi Jih-pao* report carried in *Lien-ho Pao*, 26 June 2008, translated in summary by OSC, CPP20080626100002.)

<sup>16</sup> Hsu Min-jung, "Minister of transportation and communications says Taiwan will negotiate with China for more charter flights, opening up more airports to charter flights after Olympic games," *Tzu-yu Shih-pao*, 12 August 2008 (translated in summary by OSC, CPP20080812100001). The government was also being urged by the Taiwan Travel Agent Association to negotiate with Beijing to allow more PRC travel agents to organize group tours to the island. (Huang Jen-ch'ien, "Tourists from China become rare visitors; tourism bureau takes action," *Ching-chi Jih-pao*, reported in *Lien-ho Pao*, 5 August 2008, translated in summary by OSC, CPP20080805100002.)

Meanwhile, however, Taipei was considering shutting down the charter route between Taiwan's second largest city, Kaohsiung, and Guangzhou as the airline flying that route was operating at a loss. Kaohsiung mayor Chen Chu urged a hold on that decision, arguing, among other things, that Kaohsiung flights should be allowed to go to Shanghai or Beijing, as travelers from Guangzhou generally preferred to travel via Hong Kong or Macau rather than using the charters. (Flor Wang, "Kaohsiung-Guangzhou weekend charter flights might be halted," CNA, 26 August 2008)

Indeed, Taiwan travel agencies were actively promoting trips by Mainland tourists to Taiwan via Hong Kong or Macau as they were proving to be less expensive. ("Cross strait tickets cost less via HK, Macau," *China Post*, 26 August 2008.)

<sup>17</sup> Two days after the doors officially opened to Mainland tour groups, and in the face of arrivals far below expectations, the Mainland Affairs Council pointed to the short time between the agreement in mid-June and the commencement of the tours in mid-July, saying it anticipated that the number would stabilize at 3,000 a day within three months. MAC also ascribed lower than anticipated arrivals to the high prices for the lengthy, 10-day stays and the complex application procedures. (Luis Huang, "Cross-strait tourism expected to stabilize in three months," CNA, 20 July 2008.)

<sup>18</sup> Taiwan authorities had made clear that, from their perspective, Mainland tourists need not take only weekend charter flights, but may take regularly scheduled flights on other routes. (Daniel Lee, "No flight limits on Chinese tourists visiting Taiwan: official," CNA, 10 July 2008.) But apparently some Mainland authorities had taken a more restrictive approach, and in part it was this that they agreed to relax over time. (Philip Liu, "Chinese Authorities to Modify Practices Regarding Visits of Chinese Tourists to Taiwan," *Taiwan Economic News*, 13 August 2008, [http://cens.com/cens/html/en/news/news\\_inner\\_24283.html](http://cens.com/cens/html/en/news/news_inner_24283.html).)

It will be interesting to see whether the possible legalization of the gambling industry in Taiwan will have an impact. Before the new arrangements even got under way, prospective Mainland tourists were warned by the official PRC Cross-Strait Tourism Association that they would not be allowed to gamble or engage in what were called "pornographic activities" (not further defined). ("Chinese tourists warned against gambling and porn in Taiwan," *The Straits Times* [Singapore], 23 June 2008.) But by mid-August, with Penghu worried about losing out on PRC tourism dollars—no charter flights had taken off or landed

there since weekend flights had begun a month earlier, even though Penghu had one of the eight “designated” airports (Flor Wang, “Penghu concerned about losing out on Chinese tourist dollars,” CNA, 13 August 2008), Taiwan’s Council for Economic Planning and Development announced that it would release an assessment by December of the feasibility of developing a gambling industry on Taiwan, with any favorable decision likely giving priority to Penghu and other offshore islands. (Y.L. Kao, “Taiwan studying feasibility of opening gambling business,” CNA, 12 August 2008.)

<sup>19</sup> “Time to discard tourism mirage,” Editorial, *Taiwan News*, 6 August 2008.

<sup>20</sup> Y.F. Low, “Number of Chinese tourist arrivals far from satisfactory: DPP,” CNA, 5 August 2008.

<sup>21</sup> Ma’s team had spoken frequently in the past about lifting the limit to 10,000 per day (Romberg, “After the Taiwan Election,” *CLM* 25, endnote 37), but shortly before the new procedures went into place, officials were speaking more modestly about raising the limit from 3,000 to 5,000 a day in 2009 and then to 7,000 in 2010. (“Taiwan to host 5,000 Mainland tourists a day in 2009: SEF chairman,” Xinhua, 16 July 2008, disseminated by OSC, CPP20080716968095.) Even on the first days of the new arrangement, arrivals of Mainland tourists were reported at 30–60 percent below the agreed ceiling of 3,000 (Ruth Wang, “Weekend direct cross-strait charter flights continue,” CNA, 18 July 2008). According to some estimates, the arrivals from late July through early August averaged less than 300 a day. (Y.F. Low, “Number of Chinese tourist arrivals far from satisfactory: DPP,” CNA, 5 August 2008.) By late August, one senior Taiwan official estimated Mainland tourist arrivals at around 200 a day. (Private conversation)

<sup>22</sup> Romberg, “After the Taiwan Election,” *CLM* 25, 10ff.

<sup>23</sup> Pending a currency settlement agreement between Taiwan and the Mainland, the LY approved limited RMB conversion as early as 12 June, the very day Chiang Ping-kun was in Beijing. (Flor Wang, “Taiwan passes bill allowing limited conversion of Chinese yuan in Taiwan,” CNA, 12 June 2008, disseminated by OSC, CPP20080612968252.) In late June, the Cabinet approved a series of measures to enhance cross-strait securities exchanges, promote the internationalization of the local stock market in Taiwan and encourage greater medium- and long-term foreign capital inflow, including from the Mainland. (Shih Hsiu-chuan, “Cross-strait securities bill approved,” *Taipei Times*, 27 June 2008.) The inward Mainland investment was to be permitted not only in real estate and stock markets, but also in the manufacturing sector and services, including banks, restaurants, and shops. (Flor Wang, “New measures to allow Chinese investment due in late August: CEPD,” CNA, 28 July 2008.) There were indications, however, that Taipei will want to sign a securities supervision and cooperation memorandum of understanding before the government can open the Taiwan stock market to institutional investors from the Mainland. It was hoped that this could be taken care of at the next SEF-ARATS meeting, presumably to be resumed in the month or so after conclusion of the Beijing Olympics. (Lin An-ni, “SEF, ARATS to resume talks in fall; Taipei wishes to sign MOU,” *Ching-chi Jih-pao*, reported in *Lien-ho Pao*, 1 August 2008, translated in summary by OSC, CPP20080802100001.)

Confusion reigned for a while over liberalization of restrictions on the technology limits of Taiwan wafer fabs to be allowed on the Mainland. In late June, the vice minister of economic affairs announced that there was no plan to ease restrictions, dismissing press reports that Taiwan intended to allow chipmakers to move 12-inch production facilities to the Mainland. (Y.F. Low, “No plan to relax China chip investment restrictions: MOEA,” CNA, 27 June 2008.) But two weeks later President Ma indicated that he intended to allow just such investments to go forward as a “reasonable and necessary” measure to help Taiwan catch up with U.S. investment that was already under way. (Y.F. Low, “President indicates plan to relax China chip investment restrictions,” CNA, 10 July 2008.) As if to underscore Ma’s point, in early August, a leading Japanese DRAM manufacturer announced it would co-invest in a 300mm [12”] DRAM wafer fab with a “potential investor” believed to be a Mainland firm. (Ken Liu, “Elpida to Open 300mm Fab in Suzhou With Chinese Partner,” CENS, 8 August 2008, [http://news.cens.com/cens/html/en/news/news\\_inner\\_24249.html](http://news.cens.com/cens/html/en/news/news_inner_24249.html)).

This issue has become the center of a tug-of-war involving MAC chairperson Lai Shin-yuan. The Taiwan Solidarity Union (TSU), her political party, has been putting pressure on her to oppose the 12-inch wafer proposal. Although the party denied it was pressing her to step down from the MAC (Lilian Wu, “TSU denies pressuring mainland affairs chief to step down,” CNA, 29 July 2008), various DPP and TSU members have called for her resignation, one pro-Green newspaper (*Taiwan News*, 30 July 2008) has editorially done likewise, and there was at least one press report that the TSU—having already suspended her party status—would expel her from the party if she did not openly oppose the new rule before the party’s anti-government rally on 20 August (P’eng Hsien-chun, “TSU plans to fire Lai Shin-yuan before 20

August if she does not voice opposition to government's plan to allow enterprises to build 12-inch wafer fabrication facilities in China," *Tzu-yu Shih-pao*, 6 August 2008, translated in summary by OSC, CPP20080806100002). In the event, the TSU appears to have held off taking any definitive action.

Less than a week after Ma's statement, the government announced it would enact regulations that would not only raise the cap on Mainland-bound investment from 40 percent of a firm's net worth to 60 percent—abolishing all limits for multinational firms headquartered in Taiwan—but also allow PRC capital to be invested in Taiwan. (Luis Huang, "Taiwan to allow inbound Chinese investment beginning next month," CNA, 16 July 2008.) Noting that he also had instructed the Ministry of Finance to form a tax regulation committee to review and reform Taiwan's taxation system in order to strengthen the island's competitiveness, Ma defended these steps in the following way: "What I am doing is not flattering China; it is to encourage Taiwanese businessmen operating in China to invest in Taiwan for the sake of Taiwan's own development." ("Ma defends China investment policy," *Taiwan News*, 17 July 2008.)

In addition to the 66 categories of regulations to be relaxed by the end of 2008 in these and related areas, the Cabinet outlined 121 further categories of regulations to be relaxed starting in 2009, including allowing local banks to set up branches in the Mainland and removing barriers to corporate spinoffs by financial holding companies. (Yeh Fang-hsun, "66 categories of regulations to be relaxed by year-end: cabinet," CNA, 17 July 2008.)

<sup>24</sup> Chiang observed that "When the time is ripe, two groups will be established to study and promote the proposed CECA and [a] cross-strait peace agreement." (Lilian Wu, "Taiwan must act to achieve cross-strait peace: SEF head," CNA, 21 July 2008.)

<sup>25</sup> "Talking to Taiwan's new president," Interview, *Time*, 11 August 2008.

<sup>26</sup> "Get ready for 'one China' market," Editorial, *Taiwan News*, 1 August 2008. There are already indications of a strong bifurcation of Taiwan society into rich and poor, with the middle class shrinking. With more of the middle class moving downward than up, this will create greater political pressures for effective programs to reverse the situation. (Philip Liu, "Taiwan Evolving Towards M-type Society," *Taiwan Economic News*, 18 August 2008, [http://cens.com/cens/html/en/news/news\\_inner\\_24339.html](http://cens.com/cens/html/en/news/news_inner_24339.html).)

<sup>27</sup> Yeh Fang-hsun, "President reaffirms relaxation policy," CNA, 23 July 2008.

<sup>28</sup> Sofia Wu, "President defends cross-strait trade deregulations," CNA, 25 July 2008.

<sup>29</sup> "China-bound investment to drop, MAC official says," *Taipei Times*, 4 August 2008. The negative factors in the Mainland investment market were detailed extensively in the *Taiwan Commercial Monthly* by Lu Kuo-chen, "Set off largest migration wave: Taiwanese businesses no longer possess advantages in China, which has caused unprecedented shutdowns and migration waves, this readjustment wave due to policy changes will last at least three years," *Shang-yeh Chou-k'an*, 2 June 2008, translated by OSC, CPP20080721312012.

To try to deal with some of these problems, the Ministry of Economic Affairs agreed to send experts to the Mainland to help upgrade Taiwan investors' businesses and boost competitiveness. (Yeh Fang-hsun, "Taiwanese investors in China to receive support from government," CNA, 19 June 2008.)

<sup>30</sup> Lilian Wu, "Cross-strait talks next year to focus on trade issues: SEF head," CNA, 22 August 2008.

<sup>31</sup> Ruth Wang, "Vice president voices hope for Taiwan's inclusion in ASEAN," CNA, 30 July 2008.

<sup>32</sup> Flor Wang, "Cross-Strait economic negotiations hard task: SEF chief," CNA, 15 August 2008.

<sup>33</sup> M.K. Chang and Flor Wang, "Taiwan, China agree to set up reciprocal visa offices," CNA, 12 June 2008; "Mainland, Taiwan organizations to exchange representative offices," Xinhua, 12 June 2008 (disseminated by OSC, CPP20080612968172). Also, Philip Liu, "Taiwan and China Agree to Set Up Business Offices Mutually," CENS, *Taiwan Economic News*, 13 June 2008 ([http://cens.com/cens/html/en/news/news\\_inner\\_23662.html](http://cens.com/cens/html/en/news/news_inner_23662.html)).

<sup>34</sup> Chiang Chin-yeh, Chang Ming-kun and Deborah Kuo, "SEF-ARATS swapping offices a distant task: Taiwan's top negotiator," CNA, 13 June 2008.

<sup>35</sup> Shih Hsiu-chuan, "DPP accuses SEF chair of overstepping authority," *Taipei Times*, 19 June 2008.

Perhaps worth noting is that, because the DPP worried that the KMT would make too many concessions and allow Beijing to dominate the resumed talks—Tsai Ing-wen said "It's too dangerous"—the party had set up a team headed by former MAC chair Cheng Ming-tung to monitor the talks and the entirety of Ma's cross-strait policy. (Ho Hau-I and Yen Chen-kai, "DPP sets up team to monitor cross-strait talks," *P'ing-kuo Jih-pao*, 12 June 2008, A-1, translated in summary by OSC, CPP20080612569001.)

<sup>36</sup> Deborah Kuo, "MAC chair says talk on exchange of liaison offices does not overstep authority," CNA, 13 June 2008. (Disseminated by OSC, CPP20080613968146.)

<sup>37</sup> “Chiang Ping-kun has reservations about cross-strait offices exchange,” Interview, Phoenix TV, 25 July 2008 (disseminated in summary by OSC, CPP20080728715022).

<sup>38</sup> Yang Ming-chu and Sofia Wu, “Cross-strait talks to touch on exchange of rep offices: SEF head,” CNA, 26 August 2008.

<sup>39</sup> Private conversations.

<sup>40</sup> We touch briefly on the escalating scandal set off by Chen Shui-bian’s mishandling of funds, but it is both too new and too complex to address in any depth at this point.

<sup>41</sup> Concerns that former president Chen Shui-bian would dominate the DPP from behind the scenes after stepping down had proven to be unwarranted even before the latest developments. Although he was not initially shunned by the party, even in the early days, the new chairperson, Tsai Ing-wen, seemed to be setting her own pace. Moreover, with Chen’s revelation in mid-August that his wife had diverted some \$20 million in campaign funds abroad, and with suspicions in the air that far more was involved, the party has sought to put distance between itself and its former leader.

The DPP at first adopted a relatively “neutral” position applauding Chen’s “courage” in facing the matter candidly and leaving things to the judicial system (DPP statement quoted in translation by KMT News Network at <http://www.kmtnews.net/client/eng/NewsArtical.php?REFDOCID=00avupv7fy8rxs&TYPIDJump=00air79hymmrtly0>). But anger within the party quickly grew and statements by its leaders grew harsher. Not only was Chen condemned in brutal terms by his former vice president, Annette Lu, as “unworthy of Taiwan,” (“Annette Lu: former first family unworthy of Taiwan,” *Lien-ho Hsin-wen Wang*, 16 August 2008, translated in summary by OSC, CPP20080816102001), but his resignation from the party and his statement that “my conscience tells me not to tell more lies” were dismissed as meaningless. Moreover, it is likely that his effort to raise questions about the Ma-Siew campaign funds in the same statement in which he admitted his own culpability is also likely to be disregarded. (Chen’s statement is available in translation on the KMT News Network at <http://www.kmtnews.net/client/eng/NewsArtical.php?REFDOCID=00avud3jfm2s28th&TYPIDJump=00air17gdql55u7h>). It will be interesting to see if the DPP LY caucus persists with the treason charges it has filed against Ma for revoking the classification of documents in Chen’s state affairs fund embezzlement case. (Y.F. Low, “DPP files treason charges against president,” CNA, 8 August 2008.) While the DPP opposed the revocation, former DPP chairman Hsu Hsin-liang—just after rejoining the party in a ceremony presided over by chairwoman Tsai the day before Chen admitted wiring funds abroad—supported Ma’s move and said Chen should fight his case “like a man.” (“Hsu Hsin-liang returns to DPP party,” *Taiwan News*, 14 August 2008.)

As this article was moving toward completion, Chen was still claiming innocence with regard to the original charge of misuse of state funds. But whether he is cleared or not, the action on the campaign funds will spell the end of any ambitions he might have harbored to guide the party in the future. How badly the DPP may be hurt in the end by his actions and by the related actions of others will only be discernible over time. For now, Tsai and other DPP leaders are still trying to tread a fine line, condemning any miscreant behavior and promising not to cover up any mistakes by Chen, on the one hand, and still allowing the judicial system to make appropriate determinations, on the other. (Sofia Wu, “Ex-president’s scandal said to have little impact on DPP,” CNA, 16 August 2008.)

At the same time, in an early statement as the scandal was unfolding, Tsai acknowledged that the “incident” had hurt the DPP and its supporters, and that the party needed to engage seriously in introspection. She looked for the party to essentially pull itself up by its bootstraps: “The next period of DPP history will be a DPP without Chen, without a hero, but one where everybody in the party works together, walks together and shoulders responsibility together. Only by doing that can we rebuild the party.” (Rich Chang, “Chairwoman calls on DPP to unite,” *Taipei Times*, 17 August 2008).

The continuing pain—and potential cost to the party—was plainly evident in the fact that Tsai felt constrained to publish a signed article in *Taipei Times* 10 days later, which began, “There is a kind of sadness so painful it cannot be soothed, and a kind of disappointment so grave it cannot be overcome.” It ended “I am aware of my responsibilities, and I will spare no effort in helping the party rise from its wretched plight.” In the text, she tried to make clear that she would not turn away from the DPP’s duty to uphold Taiwan’s “dignity and beauty” at the same time it faced the challenges created by “past mistakes.” Perhaps under pressure from the old guard, while acknowledging Chen’s errors, she cited his considerable contributions to building up the party and called on all DPP supporters “to unite closely and fearlessly at this time of crisis, and to face this collective history and memory together.” (Tsai Ing-wen, “An open letter to DPP supporters,” *Taipei Times*, 27 August 2008.)



<sup>42</sup> Even after the SEF-ARATS talks in mid-June, which had been severely criticized by Tsai and the party as a whole, the chairwoman said that, while sovereignty was important, it would not be the main focus of the party under her tenure. (Richard Hazeldine, “Tsai outlines her plans to rebuild DPP,” *Taipei Times*, 28 June 2008).

Moreover, while not shy about launching her own criticisms, she cautioned that one should not follow the “bad example” of the KMT when it was in opposition, “blindly opposing” everything the administration does. (“Chairman Tsai urges rational criticism of KMT administration; DPP legislators disagree,” TVBS, 29 June 2008, translated summary report by OSC, CPP20080630102001). The people have high expectations for the DPP, she noted, and if the party is to regain power, it must rely on itself rather than bashing the KMT. It must recover its image of clean politics, be a responsible opposition party, and give new meaning to such core party values as dedication to Taiwan, democracy, and progressiveness. (Liu Chin-hsing, article in *Taiwan News Weekly*, No. 350, 10–18 July 2008, translated in summary by OSC, CPP20080724099001.) Tsai also vowed to actively help the government solve the nation’s economic problems by putting forth concrete proposals. (Steve Bercic, “DPP chair vows to work with government to bring stability,” CNA, 10 July 2008). This approach was praised by the conservative press, even as it expressed skepticism that the DPP would adhere to such an uplifting message. (“Will the DPP Listen to the ‘Atypical’ Tsai Ing-wen?” Editorial, *Lien-ho Pao*, 7 July 2008, translated and disseminated by the KMT News Network, <http://www.kmtnews.net/client/eng/SearchArtical.php?REFDOCID=00aun9yny89xlp4&REFDOCTYPID=&DOCGRPID=&StartDateYear=&StartDateMonth=&EndDateYear=&EndDateMonth=&Source=&KeyWord=Will%20the%20DPP%20Listen%20to%20the>.)

In this same period, however, although Tsai argued that it is more important for the DPP to shoulder its responsibility to serve the people of Taiwan than merely to react for the purpose of defeating the KMT, she not only appeared to reverse herself on the importance of sovereignty—calling it “the biggest concern for the Taiwanese people”—but identified upholding Taiwan’s sovereignty and self-determination as the “mission” of the DPP. While asserting that the DPP had used “rational criticism and friendly reminders” to recommend policies to the government, she said that “the party has no choice but to stand with the people if the ruling government does not listen to their voices and insists on keeping unrealistic campaign promises while putting the entire country in danger.” (“Chairwoman Tsai: a united DPP will start anew,” *Democracy & Progress*, DPP International Department Monthly Newsletter, July 2008, reporting on remarks at the 13<sup>th</sup> National Party Congress on 21 July.)

<sup>43</sup> Elizabeth Hsu, “Sovereignty problem to decide cross-strait exchanges: DPP head,” CNA, 10 June 2008.

<sup>44</sup> “Chinese Taipei is a product of Chinese pressure; it should not be the official title representing Taiwan,” DPP website (<http://www.dpp.org.tw/>), 9 June 2008. As the DPP itself has often disparagingly pointed out, the term “1992 Consensus” was actually created by Su Chi, then in the Lee Teng-hui administration and now Ma’s national security advisor.

<sup>45</sup> Sofia Wu, “DPP wants no concessions in cross-strait exchanges: chairwoman,” CNA, 12 June 2008.

<sup>46</sup> “The resumption of cross-strait talks: a puppet show,” DPP website (<http://www.dpp.org.tw/>), 13 June 2008.

<sup>47</sup> Dennis Engbarth, “KMT chided by DPP for concessions on Taiwan’s sovereignty,” *Taiwan News*, 12 June 2008.

<sup>48</sup> Jimmy Chuang and Flora Wang, “DPP pans cross-strait meeting,” *Taipei Times*, 14 June 2008. As pointed out earlier (endnote 8), the minister of National Defense later asserted that he had identified routes that presented no such problems. (Lilian Wu, “More direct cross-strait route will not compromise security: minister,” CNA, 18 June 2008.)

<sup>49</sup> “Ma mismanaged Diaoyutai incident; the resumption of SEF-ARATS talks at the expense of national security,” DPP website, 13 June 2008 (reporting the remarks of DPP Director of Foreign Affairs Lin Chen-wei).

<sup>50</sup> Ma has addressed this on several occasions, but never more colorfully or forcefully than in his 4 August foreign policy address, when he called such reports “completely groundless allegations, from head to tail, every word is groundless” (這完全都是謠言，從頭到尾每一個字都是謠言). The Chinese-language text of his talk is at <http://www.president.gov.tw/>.

<sup>51</sup> Dennis Engbarth, “China is not ‘Viagra’ for Taiwan, warns DPP,” *Taiwan News*, 18 July 2008. It should be noted that some advisers to the current Mainland Affairs Council have also expressed concerns about the new economic policies, and especially how they are implemented and whether they are being adequately explained to the public. (Ko Shu-ling, “Cross-strait plans worry advisers,” *Taipei Times*, 23 July 2008.)

<sup>52</sup> Chou Hui-ying and Deborah Kuo, "DPP magistrate visits Beijing," CNA, 17 July 2008.

<sup>53</sup> Lilian Wu, "Deputy Kaohsiung mayor heads to Beijing for Olympics," CNA, 5 August 2008.

<sup>54</sup> "Statement from the DPP Central Standing Committee on the Beijing Olympics," DPP website, 6 August 2008. The DPP was seeking to protest the use of "Chinese Taipei" as the team name and the order of march using Chinese characters that put the Taiwan team close to the Hong Kong team. Kaohsiung Deputy Mayor Chiu Tai-san, however, argued that he was going in his capacity as a member of the organizing committee for the 2009 World Games, which are to be held in Kaohsiung, in order to learn something about the handling of media affairs. The Olympics issue is discussed further in a later section of this essay.

<sup>55</sup> Ts'ai Hui-chen, "Tsai Ing-wen says not to rule out engaging in auxiliary communication with China," *Chung-kuo Shih-pao*, 5 August 2008.

<sup>56</sup> Frank Ching, "Ma faces first stirring among KMT ranks," *South China Morning Post*, 29 July 2008. Ma was accused of turning his back on the KMT to "appease" the pan-Green camp. ("Old-guard KMT member wants cabinet reshuffle," *Taipei Times*, 9 July 2008.)

One analysis of the leadership competition assessed that, despite the challenge they represent, the "old guard" in fact have little chance of upstaging Ma in a serious way. In part this is because, while he appears to be a "polite but weak gentleman," Ma was trained in the "political palace" for years and had emerged as a "grand master" in handling political stratagems and tactics. (Huang K'e-ch'iang, "Watch how grand masters of the Kuomintang fight each other; Lien Chan, Wang Jin-pyng and Wu Poh-hsiung each has own thoughts," *Ts'ai Hsun*, [Financial Monthly], 1 June 2008 issue, translated by OSC, CPP20080616312003.)

<sup>57</sup> In four early-July meetings with a total of 50 KMT LY members, Ma admitted that there had been a lack of open communication and promised to do his utmost to improve on that. He pledged that, when an important issue arose in the future, he would inform KMT LY members immediately by e-mail or text message to ensure that the information was accurate and up to date. ("Ma Meets KMT Legislators for Direct Dialogue," KMT News Network summary of accounts from various newspapers, 7 July 2008, <http://www.kmtnews.net/client/eng/NewsArtical.php?REFDOCID=00aur98ki9y3bqq5&TYPIDJump=00air17gdql55u7h>.) This was consistent with Ma's earlier pledge to consult with legislators before coming up with major policy initiatives. (Sophia Wu, "President promises to strengthen communications with lawmakers," CNA, 18 June 2008.)

<sup>58</sup> Wang told reporters in Washington that the main purposes of his visit were to assure the United States that Taiwan's U.S. policy remained unchanged despite the efforts to improve cross-Strait relations, and that Washington should continue to provide Taiwan with weapons to beef up its defense capabilities, both very much positions Ma has been promoting. (C.Y. Lin and Flor Wang, "Taiwan envoy to U.S. hails legislative speaker's visit," CNA, 31 July 2008.)

<sup>59</sup> Tsou Ching-wen, "Wang Jin-pyng: without a law, Chen Yunlin will have nothing to discuss when he visits Taiwan later this year," Sunday Interview, *Tzu-yu Shih-pao*, 30 June 2008 (translated by OSC, CPP20080701312004). Wang claimed that failure to pass his draft statute would land the nation in "big trouble." He insisted that his point was to fulfill legal requirements that the LY "supervise" the administration in cross-Strait matters and that, rather than seeking to give himself more visibility or to interfere in administrative affairs, he wanted to minimize the prospect of the LY vetoing future administration actions. (Ch'en Chia-hung and Yao Ying-ju, "Legislative speaker Wang Jin-pyng says nation will be in trouble if cross-strait agreement supervision bill does not pass," *Chung-kuo Shih-pao*, Interview, 26 June 2008, translated in summary by OSC, CPP20080626100001.)

<sup>60</sup> Mo Yan-chih, "Wu brushes off speculation of rift with president," *Taipei Times*, 29 June 2008. Wu described the party's role internally as being a "platform" to coordinate between the legislative and executive branches. (Phoenix TV interview, 8 June 2008, translated in summary by OSC, CPP20080612715023.)

<sup>61</sup> Su Yung-yao, "China using KMT to pressure Ma: official," *Taipei Times*, 28 July 2008. Asked for a comment on the assertion in this article by a PRC official that Beijing would "team up" with the KMT "to push Taiwan closer to unification" and to force Ma to adhere to the Hu-Lien April 2005 joint statement, a PRC colleague offered a personal view that either the official had been misquoted or he was completely out of his mind.

<sup>62</sup> See endnote 23, third paragraph.

<sup>63</sup> Actually, as he expressed it recently, Ma called for "reconciliation and a truce between the two sides of the Taiwan Strait *within the international community*" [兩岸在國際社會和解休兵] ("President Ma Meets Outgoing Representative of Australian Commerce and Industry Office Mr. Stephen Waters,"

[總統接見澳大利亞商工辦事處代表華適文], Office of the President, 1 August 2008, <http://www.president.gov.tw/>. Emphasis added.) This represented an evolution of language Ma used in the inaugural, where he was more explicit that the “reconciliation and truce” should apply “*in both cross-Strait and international arenas*” [兩岸不論在台灣海峽或國際社會，都應該和解休兵]. (Romberg, “After the Taiwan Election,” *CLM* 25, 7; emphasis added.) Perhaps the transmutation of his call reflects the fact that cross-Strait tensions have substantially subsided, so his focus has switched more exclusively, for now at least, to the international arena.

<sup>64</sup> Rachel Chan, “Cross-strait trust should be extended to diplomatic arena: president,” *CNA*, 4 August 2008.

<sup>65</sup> Shih Hsiu-Chuan, “Official shares insight on ‘diplomatic truce’ strategy: analysis,” *Taipei Times*, 25 August 2008.

<sup>66</sup> Ou was asked: “What would Taiwan consider as examples of China’s goodwill?” He responded: “Paraguay is a good example of China’s goodwill. During the election, the Paraguayan president-elect said he would sever relations with Taiwan once he won the seat. But so far we have not heard any more about it. Moreover, he has invited us to attend his presidential inauguration.” (Jenny W. Hsu, “Interview: Ou talks about Taiwan’s ‘diplomatic truce,’” *Taipei Times*, 10 August 2008.)

<sup>67</sup> Rachel Chan, “The U.S. has no presumptions about Taiwan’s international participation: MOFA,” *CNA*, 28 August 2008.

<sup>68</sup> T.C. Jiang, “President vows resumption of diplomatic war if China rejects truce,” *CNA*, 26 August 2008.

<sup>69</sup> Xu Guoqi, *Olympic Dreams: China and Sports, 1895–2008*, (Cambridge: Harvard University Press, 2008), 111 ff.

<sup>70</sup> Xu Guoqi, *Olympic Dreams*.

<sup>71</sup> “Mainland insists ‘Chinese Taipei’ can be interpreted as ‘Taipei, China,’” *P’ing-kuo Jih-pao*, 10 July 2008, translated by OSC, CPP20080710569001.

<sup>72</sup> Lawrence Chung, “Squabble over name of Taiwan’s team,” *South China Morning Post*, 11 July 2008.

<sup>73</sup> Tsou Ching-wen and Wang Yu-chung, “China uses term ‘Chinese Taipei’; result of negotiations by Li Chien-jung, director of Kuomintang’s culture and communications committee,” *Tzu-yu Shih-pao*, 28 July 2008, translated in summary by OSC, CPP20080729100001.

<sup>74</sup> “Taiwan Affairs Office spokesman makes comments on the issue of naming Taiwan’s sports team during the Beijing Olympics,” *Xinhua*, 23 July 2008.

<sup>75</sup> “Relevant IOC (International Olympics Committee) rules shall be applied when sports teams and sports organizations from the region of Taiwan go to the Mainland to participate in competitions, meetings, or activities. Documents or pamphlets compiled, letters sent, badges made, as well as broadcasts produced by the event (i.e., the event holder), when referring in Chinese to sports teams and sports organizations from the region of Taiwan shall all be rendered as ‘Zhonghua Taipei.’”

<sup>76</sup> Ko Shu-ling, “CCTV ‘error’ stuns Presidential Office,” *Taipei Times*, 4 August 2008.

<sup>77</sup> “Move to use ‘Chinese Taipei’ on web welcomed by officials,” *Taiwan News*, 26 July 2008.

<sup>78</sup> Deborah Kuo, “Reference to ‘Chinese Taipei’ an important development: president,” *CNA*, 1 August 2008. (On the presidential website, the English-language version of the meeting in which Ma said this omits this discussion; it is only included in the Chinese-language version. Other than a regrettable failure on the part of the editors to provide a complete translation in English, which deprives most foreign visitors to the website of the opportunity to better understand the nuances of Ma’s policy, it is not clear what the significance of this omission might be.)

<sup>79</sup> Shih Hsiu-chuan and Ko Shu-ling, “Taiwan’s Olympic title fuels controversy,” *Taipei Times*, 25 July 2008. The 1981 agreement was an element in the overall renaming of the Taiwan team to “Chinese Taipei” as part of the IOC’s desire to bring the PRC into the games.

<sup>80</sup> According to at least one account, in fact strict adherence to Beijing’s policy on stroke order would have placed “Chinese Taipei” right before “China Hong Kong.” As an accommodation to Taiwan sensibilities, however, Beijing took liberties in counting the number of strokes and placed the Central African Republic—which also starts with “中” in Chinese—between them. (Barbara Demick, “Beijing Olympics organizers play host to political games too,” *Los Angeles Times*, 7 August 2008, <http://www.latimes.com/news/print/edition/asection/la-fg-sticky7-2008aug07,0,6617055.story>)

<sup>81</sup> “Liu says KMT will protect Taiwan’s dignity,” *Taiwan News*, 8 August 2008. The DPP later charged that the KMT had struck a deal with Beijing, trading the PRC’s willingness to use “Zhonghua Taipei” for Taiwan’s willingness to march in stroke order. The head of the KMT’s Mainland Affairs Division

vehemently denied this charge. (Mo Yan-chih, “KMT denies Beijing name allegations,” *Taipei Times*, 14 August 2008.)

<sup>82</sup>“Liu says KMT will protect Taiwan’s dignity,” *Taiwan News*, 8 August 2008. There were also signs that executive branch officials were not totally happy with the arrangement, but they did not voice opposition once the decision was made. These signs included the fact that the Executive Yuan had earlier called for continuing negotiation on the order of march in order “to defend the country’s interests.” (Shih Hsiu-chuan and Ko Shu-ling, “Taiwan’s Olympic title fuels controversy,” *Taipei Times*, 25 July 2008.) Moreover, after a final decision to use stroke order was announced on 29 July, although the Cabinet-level Sports Affairs Council accepted the result, the secretary general of the private Chinese Taipei Olympic Committee said he was “stunned” at the Beijing announcement. (“Taiwan’s delegation to appear in Beijing Olympic games opening in ‘chung’ group, instead of ‘T’,” *P’ing-kuo Jih-pao*, 30 July 2008, translated in summary by OSC, CPP20080730569001.) Nevertheless, he said that the CTOC would act in line with the government’s position (Luis Huang, “Taiwan accepts plan for order of appearance in Olympics procession,” *CNA*, 30 July 2008).

<sup>83</sup> Y.F. Low, “Taiwan should fight for right to join Olympics as ‘R.O.C.’: DPP,” *CNA*, 26 July 2008. The pro-independence *Liberty Times* ran an editorial in this same time frame excoriating Ma for “fawning on China” and, dredging up rhetoric from an earlier era, accused the Ma government of being “an alien regime [that] is using Taiwan’s democracy to restore its hold on power.” In a clarion call for political action—perhaps also meant as an implicit challenge to Tsai Ing-wen—that used an obviously odious (to the author) phrase from the U.S.-PRC February 1972 Shanghai Communiqué, the editorial closed:

Those determined to uphold Taiwan’s sovereignty must be prepared for this crisis and they need a sense of mission. They must gather and consolidate their energy to get ready to rule Taiwan once again. They cannot just sit down and watch while “the Chinese people on both sides of the Taiwan Strait” turn Taiwan into a piece of meat on a chopping board. (“Editorial *Liberty Times*: ‘Crisis is the right word for situation,’” *Taipei Times*, 28 July 2008.)

<sup>84</sup> “Statement from the DPP Central Standing Committee on the Beijing Olympics,” 6 August 2008, DPP website (<http://www.dpp.org.tw/>).

<sup>85</sup> Rich Chang and Loa Lok-sin, “Cabinet trio to attend Olympics,” *Taipei Times*, 28 July 2008.

<sup>86</sup> The English-language text of “excerpts” from his remarks entitled “The Concept and Strategy of the ‘Flexible Diplomacy’” is available on the presidential website at [http://www.president.gov.tw/en/prog/news\\_release/print.php?id=1105499762](http://www.president.gov.tw/en/prog/news_release/print.php?id=1105499762). It is quite truncated, however, and anyone interested in the full flavor of Ma’s thinking is referred to the Chinese-language text at <http://www.president.gov.tw/>.

Many people have commented that it is somewhat unfortunate that the government has chosen to translate the term 活路外交 as “flexible diplomacy.” For one thing, as noted in the text, it is not a particularly descriptive translation. But a second reason is that then-president Lee Teng-hui’s use of the term “flexible diplomacy” in the 1990s (which was a more accurate translation of his phrase 彈性外交) meant something quite different. It meant a very flexible approach to having official links with countries even though they had recognized Beijing, including going along with dual recognition of Taiwan and the PRC. Although then-premier Lien Chan explained that “The government has tried to push its pragmatic diplomacy in order to join the international community, and all its diplomatic efforts have not strayed from the principle of ‘one China but ruled by two governments’,” in fact it was seen as a de facto “two Chinas” policy and Beijing successfully insisted that all official relations with Taipei be broken as a condition for any nation to establish diplomatic ties with the PRC. (Suisheng Zhao, “Economic Interdependence and Political Divergence: A Background Analysis of the Taiwan Strait Crisis,” in Suisheng Zhao, ed., *Across the Taiwan Strait*, [New York: Routledge, 1999], 32). Another useful discussion of this issue is in Michael D. Swaine and James C. Mulvenon, *Taiwan’s Foreign and Defense Policies: Features and Determinants*, Monograph Report (RAND Corporation, Center for Asia-Pacific Policy, 2001).

Probably not so much because of any confusion with Lee Teng-hui’s policy but because they weren’t clear about Ma’s concept—and perhaps because they were trying to ensure that they were not going to lose aid from Taiwan in the process—some of Taiwan’s allies asked for clarification of his intentions. According to his spokesman, Ma explained it this way:

“The idea of ‘diplomatic reconciliation and diplomatic truce’ that I have proposed is aimed at improving cross-Taiwan Strait relations. As for our allies who have supported us all this time, we will only consolidate bilateral friendships even more. If our allies

would like to develop substantive relations, such as economic or cultural relations, with China, Taiwan will be pleased to see that as well, just as Taiwan would like to do the same with China's allies." (Rachel Chan, "Taiwan welcomes allies developing relations with China: president," CNA, 15 August 2008.)

At the same time, Ma stressed that promoting a "diplomatic truce" did not represent an attempt to promote "dual recognition." (Rachel Chan, "Diplomatic truce is not dual recognition: president," CNA, 16 August 2008.)

Panamanian Foreign Minister and First Vice President Lewis Navarro's statement to Ma that Panama would maintain its diplomatic relations with Taiwan while also maintaining an economic relationship with the PRC reflected exactly the sort of approach Ma was looking for. (Ramon Huang and Steve Bercic, "President meets his Panamanian counterpart," CNA, 14 August 2008.)

<sup>87</sup> Ko Shu-ling, "CCTV 'error' stuns Presidential Office; 'modus vivendi'," *Taipei Times*, 4 August 2008.

<sup>88</sup> "The President pays a visit to the foreign ministry and expounds on the concept and strategy of 'workable diplomacy'," (in Chinese) (總統訪視外交部並闡述「活路外交」的理念與策略), Office of the President, 4 August 2008 (<http://www.president.gov.tw/>).

<sup>89</sup> This linkage is a theme that Ma has hammered on time and again since his inaugural address. He says he believes that the message has been received in the Mainland and that they know "very well" how closely "international space" and cross-Strait relations are linked. (Peter Stein and Ting-i Tsai, "Interview with Taiwan's Ma," *Wall Street Journal*, 8 August 2008.)

<sup>90</sup> Predictably, the DPP tore into Ma's proposal, saying it was based on empty rhetoric and was "overdependent" on the PRC's goodwill. Arguing that Ma had placed Taiwan's international status at the mercy of Beijing, and claiming that "people should really start worrying about the nation's future," the director of the DPP's international department, Lin Chen-wei, then laid down some markers against which to judge Ma's success or failure: "Whether Taiwan's relationships with its diplomatic allies can remain stable, whether Taiwan can gain entry into the UN, and whether Taiwan can gain membership into the WHO early next year, will all be important tests for Ma's overall diplomatic policy." ("Ma's diplomatic policies are filled with gaps," DPP website; <http://www.dpp.org.tw/>, 4 August 2008.)

<sup>91</sup> "外交部感謝友邦向聯合國大會提案支持我兩千三百萬人民有意義參與聯合國專門機構活動的基本權利," Ministry of Foreign Affairs, 15 August 2008 (<http://www.mofa.gov.tw/webapp/mp?mp=1>).

<sup>92</sup> Neil Lu, "Taiwan seeks meaningful participation in U.N. agencies," CNA, 15 August 2008. The use of "Taiwan" and of such terms as "join" and "rejoin" were all included in the two referenda defeated in March. According to the Ma administration's interpretation of the Referendum Law, the government is barred from using those terms in seeking participation in the UN for three years.

<sup>93</sup> Rachel Chan, "Taiwan's U.N. bid will be 'very careful': president," CNA, 14 August 2008.

<sup>94</sup> Steve Bercic, "New U.N. bid 'breaks Taiwan people's hearts': DPP caucus," CNA, 15 August 2008. A week earlier, Tsai Ing-wen had bitterly attacked the "diplomatic truce" idea, describing it as unilateral disarmament that, combined with "reckless" liberalization of cross-Strait economic and trade policies, was leading Taiwan toward a "dangerous state." (Y.F. Low, "Opposition leader against 'diplomatic truce,'" CNA, 9 August 2008.)

<sup>95</sup> 28 August 2008, "Foreign Ministry Spokesman Qin Gang's regular press conference," (in Chinese), Ministry of Foreign Affairs of the People's Republic of China, <http://www.fmprc.gov.cn/chn/xwfw/fyrth/t469506.htm>

<sup>96</sup> Rachel Chan, "MOFA sees goodwill from China despite opposition to U.N. bid," CNA, 27 August 2008.

<sup>97</sup> Shih Hsiu-Chuan, "Official shares insight on 'diplomatic truce' strategy: analysis," *Taipei Times*, 25 August 2008.

<sup>98</sup> Romberg, "After the Taiwan Election," *CLM* 25, 14.

<sup>99</sup> Shih Hsiu-Chuan, "Official shares insight on 'diplomatic truce' strategy: analysis," *Taipei Times*, 25 August 2008.

<sup>100</sup> 事实充分说明, 台湾地区没有资格 "参与" 联合国专门机构。Letter dated 18 August 2008 from the Permanent Representative of China to the United Nations addressed to the Secretary-General, General Assembly Document A/63/319, 22 August 2008 (<http://documents.un.org/mother.asp>).

<sup>101</sup> Wendell Minnick, "U.S. freezes \$12b in arms sales to Taiwan," *Defense News*, 9 June 2008.

<sup>102</sup> "Press briefing by Senior Director for Asian Affairs at the National Security Council, Dennis Wilder, on President's Trip to Asia," Office of the Press Secretary, 30 July 2008 (<http://www.whitehouse.gov/news/releases/2008/07/20080730-13.html>).

<sup>103</sup> Deborah Kuo, "Readiness necessary despite thawing cross-strait ties: president," CNA, 2 July 2008. Ma repeated his request for quick agreement on the seven pending weapons systems in a meeting with a visiting American delegation in late August. ("President Ma meets American congressional US-China Economic and Security Review Commission delegation," Office of the President, 22 August 2008, [http://222.president.gov.tw/en/prog/news\\_release/pring.php?id=1105499780](http://222.president.gov.tw/en/prog/news_release/pring.php?id=1105499780).)

<sup>104</sup> One senior U.S. official was cited as saying: "[F-16s] may not be the best way to defend the island against an invasion. Who says F-16s are the best way? Who has made this judgement, Lockheed Martin? Because that is certainly an option for defence, but there are a whole lot of other ways that you protect yourself from an attack." (Kathrin Hille and Demetri Sevastopulo, "Taiwan abandons US jet fighter deal," *Financial Times*, 19 July 2008.)

William S. Murray, "Revisiting Taiwan's Defense Strategy," *Naval War College Review*, Vol. 61, No. 3 (Summer, 2008), 13–38, explains why missiles are a better option than planes.

Yet another partial substitute strategy is suggested by an item that appeared in mid-July: Lilian Wu, "Cabinet to decide on IDF upgrade project next month: MND," CNA, 19 July 2008.

In the meantime, a retired Taiwan air force commander reportedly has been arguing against F-16s on the basis that Taiwan does not need so many fighter aircraft given the current situation in the Strait, especially in light of Taiwan's financial situation. ("Former government official proposes not to buy F-16; ministry of national defense says personal opinion," CNA (Chinese) report, 21 July 2008, carried in *Chung-kuo Shih-pao*, translated in summary by OSC, CPP20080721100001.)

Perhaps partially in response to that argument, but also in response to speculation by an American defense specialist that Taiwan would likely give up efforts to procure F-16 C/Ds, the defense minister asserted in late August that Taipei would continue to pursue the aircraft. (Wu Ming-chieh, "Chen Chao-min says Taiwan will buy F-16 fighters," *Chung-kuo Shih-pao*, 25 August 2008, translated in summary by OSC, CPP20080825100001.)

<sup>105</sup> Retired Rear Admiral Michael McDevitt, now with CNA, a research center in Northern Virginia, argued recently that, in light of improvements in the PLA navy and air force, and the increasing tilt of the military balance in the Strait toward the Mainland, it is reasonable for Taiwan to obtain either F-16 C/Ds or F-18s. (Lin Bao-ching, "The situation is not optimistic regarding American sale of F-16s to our military," *Lien-ho Pao*, 6 August 2008.)

<sup>106</sup> In phrasing it this way, I am assuming here, as I have written before, that (re)unification will not be a realistic topic of serious discussion for a very long time, likely measured in decades, but in any case certainly beyond the useful lifetime of any weapons system procured today.

<sup>107</sup> "PRC FM spokesman says China urges US to permanently halt Taiwan arms sales," Kyodo, 12 June 2008.

<sup>108</sup> Retired Admiral Dennis Blair put it this way: "They've [the PRC] gotten very clever in using a combination of quiet threats plus inducements to achieve their goals. What they are doing with arms sales is trying to create a blackout calendar. It's 'never a good time' to approve these arms sales. Here we are forming these agreements with Taiwan, Bush is coming to China for the Olympics, there is an APEC Summit here, there is a conference there, and pretty soon they'll have the whole calendar blocked out. So there is never a good time for the arms sales." (Wendell Minnick, "China wields new diplomatic skills against Taiwan," *Defense News*, 7 July 2008.)

<sup>109</sup> At the same time, one is perplexed that articles continue to appear in the PRC media maintaining that U.S. arms sales to Taiwan are somehow part of a scheme to, as one recent essay put it, "confuse and contain China." (Shu Junzhi, "Will US arms sale to Taiwan stop forever?," *Qingnian Cankao*, 17 June 2008, translated by OSC, CPP20080618710004.) As another put it: "Arms sales to Taiwan are not a simple question of selling weapons. Out of consideration for its strategy and actual interests in the Asia-Pacific region, selling military equipment to Taiwan is the strongest evidence for Washington to maintain its 'objective presence' in cross-strait relations. It is also the most effective means for the United States to achieve its Asia-Pacific strategy." (Shih Chun-yu, "Cross-Strait relations are becoming closer; the United States will not give up the right to speak on cross-strait relations," *Ta Kung Pao*, 30 July 2008). The notion that military confrontation in the Taiwan Strait that could draw the United States into a war with China would somehow be in the U.S. national interest—as opposed to representing a potentially devastating threat to American security and well-being—is one that boggles the mind.

<sup>110</sup> Yeh Fang-hsun, "Defense ministry calls for quick U.S. action on arm sales," CNA, 25 July 2008.

<sup>111</sup> Zhang Nianchi, "Rare opportunities and new challenges for the two sides of the Taiwan Strait,"

*Zhongguo Pinglun*, 1–31 August 2008, No. 128, 25–27 (translated by OSC, CPP20080808710013).

<sup>112</sup> Chen Binhua and Zhang Le, “The 2008 cross-strait relations seminar opens in Hangzhou, with main theme of promoting cross-strait relations toward peaceful development,” Xinhua, 9 July 2008 (translated by OSC, CPP20080709172001).

<sup>113</sup> Zhang Yong, “Research center of cross-strait relations holds its plenum in Beijing,” Xinhua, 17 June 2008 (translated by OSC, CPP20080617172005).

<sup>114</sup> “Defense Minister: China to pursue peaceful development,” Xinhua, 31 July 2008.

<sup>115</sup> “China says military buildup needed against Taiwan,” NHK 12 July 2008 citing the vice chairman of the Central Military Commission, General Xu Caihou, with a visiting Japanese Self-Defense Force delegation. (Accessed at [http://www.nhk.or.jp/daily/english/02\\_31.html](http://www.nhk.or.jp/daily/english/02_31.html) on the day of publication)