

Cross-Strait Relations: “Ascend the Heights and Take a Long-term Perspective”

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To put it in Dickensian terms, the recent period has seen both the best of times and the worst of times for Taiwan. Significant progress has been made on many aspects of cross-Strait relations, primarily in the economic realm but in some respects extending beyond that. The extent to which enhanced economic links will provide relief for the increasingly troubled Taiwan economy is not at all clear, but both governments have committed themselves to help Taiwan firms invested in the Mainland and to promote further cross-Strait trade and other economic relations, including in the tourism and financial arenas.

How far the non-economic gestures and signaling will go in terms of satisfying Taiwan’s quest for “international space” also remains a question mark, with the looming WHA observer issue still unresolved. However, at year end, PRC President Hu Jintao gave a significant speech that, while strongly reiterating the importance of a “one China” foundation, seemed to reflect flexibility in responding to the strong desire in Taiwan for “international space” and also presented other ideas for progress. Among the latter were a reiteration of his support for a peace accord and a long-term political framework for peaceful development of cross-Strait relations. Hu proposed that the two sides begin discussions about political relations “under the special circumstances” before reunification, as well as—“at the appropriate time”—a military-to-military dialogue aimed at creating a confidence-building mechanism.

The visit of the Mainland’s chief cross-Strait negotiator to Taiwan in early November produced a number of meaningful agreements. But it also occasioned considerable domestic political turmoil in Taiwan, sharpening the divide between the government and the opposition Democratic Progressive Party (DPP). That said, the Taiwan public, while distressed over the violence of street demonstrations during the visit and police efforts to quell them, generally supported the substantive advances made during the meetings.

Meanwhile, former president Chen Shui-bian was first detained (in handcuffs) and then indicted (and released)—only to be detained again. Chen played up his martyrdom and charged the proceedings were all a part of a political “purge” by the “KMT administration.” The DPP generally supported his attack on the alleged unfairness of the government’s

procedures in this and other prosecutorial cases involving leading figures in the Chen administration. Nonetheless, a struggle was under way within the party over how closely it should tie itself to Chen's fate.

The Bush administration's decision in early October to approve a reduced package of arms sales to Taiwan was generally well received on the island, but it led to a sharp rhetorical response from Beijing and a suspension of military-to-military exchanges with Washington. The suspension seemed likely to be short-lived, however—and probably will end with the inauguration of President Barack Obama on 20 January 2009. Moreover, the outburst from Beijing seemed to be more of a warning about future U.S. arms sales to Taiwan, especially of advanced systems such as F-16C/Ds, than an indication that Beijing intended to seriously disrupt U.S.-PRC relations over the October package.

Both Beijing and Taipei made efforts to consolidate relations with the Bush administration in its waning days as well as with the incoming Obama administration. In general, signs indicated that both were achieving success in their endeavors, helped by the positive climate and substantive progress in cross-Strait relations. But even as this period closed, the PRC felt constrained to caution the United States that it is determined to protect its "core interests" and that Taiwan—along with Tibet—remains China's core interest.

Chen Yunlin Comes to Call

In early November, reciprocating the visit to the Mainland by the head of Taiwan's Straits Exchange Foundation (SEF), Chiang Ping-kun, in June, President Chen Yunlin of the counterpart Association for Relations Across the Taiwan Strait (ARATS) paid the highest-level visit ever made to Taiwan by a PRC representative. Much of the advance publicity surrounding Chen's visit was focused on insistence that he apologize for tainted PRC milk products sent to Taiwan¹ (which the Taiwan Affairs Office spokesman did,² ARATS did in a formal letter to SEF,³ and Chen personally did⁴) and concern over his security in the wake of a shoving incident involving his deputy in the southern Taiwan city of Tainan a few weeks earlier, as discussed below.

Measures to deal with tainted food products were included as one of the four agreements signed during Chen's visit, and the issue subsequently largely faded from the headlines. The security issue, on the other hand, continued to reverberate throughout the visit and beyond, as the opposition staged massive street demonstrations that turned violent at various times, generating charges and countercharges about who was responsible, the DPP for having called the demonstrations or the government for overreacting to them.

The agreements

The four agreements signed during the visit included the aforementioned one on food safety plus others on cross-Strait air transport, cross-Strait sea transport, and cross-Strait postal service.

The food safety agreement⁵ focused on creation of an instant alert mechanism, but important issues such as indemnification were left to be handled later. Consistent with its unrelenting criticism of every aspect of the visit, the DPP attacked the agreement as “empty and signed only for the sake of appearances.”⁶

The cross-Strait air transport agreement⁷ provided for daily passenger charter flights (replacing weekend-only flights), raising the maximum number per week from 36 to 108 roundtrip flights. (SEF later said it hoped to increase the number of passenger flights to 168 during the Lunar New Year holiday in late January.⁸)

As a consequence, the number of airlines flying the designated routes also increased, as did the number of cities served on both sides. Of importance, the agreement spelled out “special air routes” that were far straighter than before, avoiding the necessity of transiting Hong Kong or Macau airspace and saving considerable travel time and fuel costs. Furthermore, making up a “deficiency” of the earlier agreement on weekend charters, the new accord provided for up to 60 roundtrip cargo charters per month (with an additional 30 monthly cargo flights possible during peak times in October and November).

The two sides also agreed to work to establish “regular”—i.e., scheduled [航班]—passenger and cargo flights within six months, and both hoped that the new arrangements would significantly boost tourism from the Mainland to Taiwan, which continued at levels far below initial expectations. Numerous efforts were under way to increase the number of PRC visitors,⁹ with one avenue of approach being employee incentive tours for those working at Taiwan firms in the Mainland.¹⁰

Not unexpectedly, questions were raised (again) about the impact of direct routes on Taiwan’s defense. The DPP published a poll that showed almost half of the people opposed the direct routes,¹¹ but other polls showed a considerably different appraisal of the agreement.¹² In its “explanation” of the agreement, the Mainland Affairs Council said that the government’s “highest principle” in planning and negotiating the flight path had been to assure national security and dignity: “Any new cross-strait flight path must meet the precondition of not affecting national defense security, and the content of any agreement must comply with the principle of ‘parity and dignity.’”¹³ Both the premier¹⁴ and the defense minister¹⁵ reiterated that careful arrangements had been made to avoid creating any vulnerabilities.

The sea transport agreement¹⁶ specified that 11 sea ports would be opened to cross-Strait shipping in Taiwan, 63 in the Mainland. To facilitate this exchange, it was agreed that shipping companies would be exempt from business and income taxes

relating to the trade. Among benefits projected from the formal links, which were launched on 15 December, shipping firms thought they would generate some \$2.98 billion in business,¹⁷ the main ports envisaged a shot in the arm for their operations,¹⁸ maritime pilots looked to a substantial boost in their incomes,¹⁹ firms anticipated substantial savings (Formosa Plastics Group alone expected to save \$76 million a year in transshipment costs),²⁰ and President Ma Ying-jeou predicted that Taiwan's agricultural and fish exports to the Mainland would increase by 20 percent, raising the income of farmers and fishermen by 10 to 15 percent.²¹

Under the postal service agreement,²² charter flights would be allowed to carry mail, greatly speeding up delivery of express mail.²³ And two-way postal remittances were to begin as of mid-February 2009.²⁴

One of the critical aspects of all of these accords was that government bodies from the two sides would now be in direct touch with one another, facilitating implementation of the agreements and resolving any problems without having to go through the complex procedure of SEF-ARATS intermediation.²⁵ As a result, air traffic control departments were to meet within a week of Chen's trip, the Taiwan postal service immediately invited a Mainland counterpart to come over, and marine transport departments agreed to meet regularly twice a year.²⁶

Both Taipei and Beijing went to great lengths to tout the importance of the new agreements. While the Mainland's Taiwan Affairs Office was a bit more restrained than official PRC media, which hailed the accords as "historic,"²⁷ nonetheless the TAO described Chen's visit as an "important measure to strengthen consultation...and to promote peaceful development of cross-strait relations under the new situation" and said it would have "an extensive impact" in making "an important stride forward."²⁸ Moreover, in his statement welcoming Chen Yunlin home from the visit, TAO Director Wang Yi said the visit had "opened a new era in cross-strait relations," propelling ARATS-SEF into an "orbit of regular consultations."²⁹

Taipei was also generous in its appraisal. Mainland Affairs Council head Lai Shin-yuan, who in her meeting with Chen Yunlin praised the agreements as a reflection of "parity, mutual trust, dignity and reciprocity,"³⁰ also stressed the institutionalization of negotiations with "major significance for promoting the normal development of cross-strait relations." All of this, she said, contributed to:

further implementing the institutionalized negotiation mechanism between the two sides; greatly upgrading the level of cross-strait interactions; underscoring the key points in the current phase of cross-strait negotiations; embodying a new model for cross-strait negotiations and interactions based on parity; stabilizing cross-strait relations, and promoting regional peace.³¹

Against DPP criticism of his alleged "sellout" (more below), Ma asserted that the signing of six major accords with Beijing in less than six months—following eight years

of minimal advances in cross-Strait relations during the Chen administration—was a “credible achievement.”³² Public opinion polls seemed to indicate that large majorities of the people shared that evaluation.³³

The LY role

Perhaps the most controversial aspect of these agreements within Taiwan at the time was the role the Legislative Yuan (LY) was to play in affirming them. The administration’s position, and the one eventually adopted by the KMT’s LY caucus, was that, under the Statute Governing Relations between the People in the Mainland Area and the Taiwan Area, agreements would go into effect 30 days after submission to the LY—with or without the legislature’s approval.³⁴ The DPP and some others argued, on the other hand, that these were international agreements that must be ratified by the LY.³⁵ To support its position, the DPP published polling results that over 84 percent of the people wanted LY ratification.³⁶ Speaker Wang Jin-pyng, having failed to gain passage of legislation formalizing the legislature’s involvement in negotiating the accords,³⁷ still sought a formal LY role in confirming them.³⁸

The DPP attacked the agreements and their handling as harming Taiwan’s democracy, sovereignty, national security, and economy and society³⁹ and maintained that it would not recognize their validity merely because 30 days had passed.⁴⁰ The party vowed to launch a “scorched earth” protest to block the agreements if they lacked LY endorsement,⁴¹ but it wasn’t clear what the operational significance of this position would be, if any. In any case, the KMT caucus said that even after the 30-day deadline had passed and the agreements had come into effect, they would still be considered by the LY.⁴²

Preserving Dignity

Another key aspect of controversy over the Chen Yunlin visit centered on the capacity in which Ma Ying-jeou would meet with Chen and whether Ma would accept terms for that meeting that compromised Taiwan’s standing. Before the fact, Ma insisted he would uphold ROC dignity and sovereignty,⁴³ observing that the people of Taiwan had, through their votes, made a “clear statement” that they trusted him not to sell out Taiwan. All of his policies on defense, foreign relations, and cross-Strait relations, he said, had served to consolidate ROC sovereignty, not undermine it.⁴⁴ After Chen Yunlin’s visit, in the face of strong criticism that he had failed to live up to these promises, Ma insisted otherwise:

I would like to respond to certain people’s misgivings, including those of DPP Chairwoman Tsai Ing-wen. First of all, these people asked me whether we the 23 million people in Taiwan are the people who determine Taiwan’s future. Of course we are...I did not concede one inch, nor did I soften one bit, with respect to safeguarding Taiwan’s sovereignty and Taiwan’s autonomy. In my capacity as the Republic of China head of state and president, I have not made any mistake in this respect.⁴⁵

Regarding an issue that consumed much space in the media—whether Chen would address Ma as “President Ma” or “Mr. Ma” when they met—in the end, Chen did neither, but used only the polite form for “you.”⁴⁶ However, one television channel covering the seven-minute meeting reported that, following standard protocol, when Ma entered the room the master of ceremonies announced “His Excellency, President Ma Ying-jeou,”⁴⁷ thus seeming to support Ma’s contention that he openly met with Chen in his capacity as “president.” As Ma put it in a later interview:

Everybody knows that I received them in my capacity as the “Republic of China” “President,” the place he visited was Taipei, the place where the meeting took place was the Taipei Guesthouse under the “Office of the President.”⁴⁸

Because of the severity of demonstrations (discussed below), the timing of the meeting was changed and it was also cut back from a planned one-hour substantive exchange to a seven-minute formal protocol event. Thus, while there was a two-way exchange of gifts there was only a one-way exchange of views—Ma spoke, but Chen did not. In his remarks, Ma got in some of the main points he had previously stated he wanted to make to Chen, including reference to the “undeniable” differences and challenges between the two sides, especially with respect to Taiwan’s security and “international space.” He called for future handling of these issues on the basis of “facing up to reality, mutual non-denial, working for the benefit of the people, and cross-strait peace” [正視現實、互不否認、為民興利、兩岸和平]. And he also called for even higher-level visits between the two sides in the future.⁴⁹ Overall, Ma’s personal performance received a mixed reception from the Taiwan public.⁵⁰

For its part, the TAO described the encounter as a “courtesy meeting” [礼节性的会面]⁵¹ while the official Xinhua News Agency merely said Ma “had a meeting” [会见了] with Chen and his delegation.⁵² Both declined to use a title but referred to Ma as the “leader of the Taiwan authorities” [台湾当局领导人].

A side issue, which we have commented upon before, was the position of MAC head Lai Shin-yuan.⁵³ Her position in the Ma administration appeared to be working out well, despite early controversy over her appointment. But Chen’s visit did nothing to improve her relations with the DPP or with her own party, the Taiwan Solidarity Union (TSU). On the former score, in light of the DPP’s fierce opposition to the visit, Lai accused the party of “playing ethnic politics” [強化族群政治],⁵⁴ while the DPP, in turn, asserted that she had turned into a “political hatchet man” [政治打手].⁵⁵

As for the TSU, Lai had already resigned from the party a few weeks before Chen’s visit, following a discussion with Lee Teng-hui in which she said she obtained his “understanding.”⁵⁶ The following day the TSU formally expelled her.⁵⁷

The demonstrations

A couple of weeks prior to Chen Yunlin’s visit, his deputy, Zhang Mingqing, had visited

Tainan in southern Taiwan to attend a seminar in his capacity as a “scholar” (as opposed to his ARATS role). There he had encountered a significant amount of hostility, and while visiting a Confucian temple had been jostled to the ground by a DPP City Councilor.⁵⁸ Videos of the incident showed that, after Zhang was subsequently (if rather belatedly) hustled to his car by the security escort assigned to him, another protestor jumped up and down on the roof of the car in a manner that not only people in the Mainland but many in Taiwan found highly offensive. The DPP member who was responsible for the shoving incident said he would apologize to the party if they wished, but he would not apologize to Zhang: “We don’t consider Zhang a guest but an enemy, and no one will treat an enemy nicely.”⁵⁹ Chen Shui-bian adopted a similar stance: “Why should Zhang...come to Tainan?” It served Zhang right, Chen was quoted as saying. “He asked for it.”⁶⁰

DPP Chair Tsai Ing-wen expressed “regret” at the incident and called for restrained behavior, but observers noted that she did not offer an outright apology.⁶¹ Moreover, she was quoted as saying Zhang had deliberately provoked the DPP by going to Tainan, generally viewed as a DPP stronghold.⁶² She also took the occasion to express the hope that Chen Yunlin would seriously rethink his own plan to visit the island:⁶³ “You should consider [the people’s] feelings when visiting.”⁶⁴

Tsai blamed the Taipei government for providing insufficient security for Zhang.⁶⁵ Obviously sensing a problem in terms of the party’s image, however, the DPP issued a statement blaming Zhang for creating conflict through inflammatory statements (e.g., “There will be no war if there is no Taiwan independence”). The statement once again blamed the Ma administration for providing inadequate security. It also included an avowal of opposition to physical confrontation, and it said that this applied to Chen Yunlin’s forthcoming visit as well, adding rather defensively that it hoped the KMT would not “smear” the DPP over the Tainan incident.⁶⁶

As might have been anticipated, the PRC vehemently protested against the “barbarous act of violence” [野蛮的暴力行为]⁶⁷ against Zhang Mingqing, and Chen Yunlin said the incident could “dent” cross-Strait relations.⁶⁸ Nonetheless, although some Mainland tourism officials and others did cancel their planned trips to Taiwan in the aftermath of these events,⁶⁹ it quickly became evident that Chen would proceed to Taipei on schedule. Indeed, within days the TAO was once again waxing almost poetic about the importance of the impending visit:

Currently cross-Strait relations are ushering in a rare historical opportunity; and the hard-earned situation should be cherished even more. We will continue to take effective measures to strengthen cross-Strait exchanges and cooperation and push cross-Strait relations to forge ahead continuously.⁷⁰

Given this background, it should have come as no surprise that Taipei drew up security plans for Chen Yunlin’s visit that emphasized his safety as well as the maintenance of public order. Some 10,000 civilian police, military police, and security

services personnel were mobilized for these purposes,⁷¹ 2,000 alone to escort Chen from the airport to the Grand Hotel, where he was staying.⁷²

Violent demonstrations that trapped Chen in a downtown hotel for seven hours after dinner one night, as well as clashes around the Grand, led to the injury of some 30 civilians and almost 150 policemen.⁷³ Sharp recriminations followed, as the DPP sought to deny responsibility for the violence, placing the onus on the administration for a “policy of suppression” harking back to the martial law era.⁷⁴ Even though the party had called on demonstrators to mount “Siege Action to Protect Taiwan”⁷⁵—chanting slogans and using horns, bells, whistles and other objects to generate noise,⁷⁶ Tsai asserted that, because she had declared an end to the rally before fighting broke out, any violence was not their fault. She said that those who engaged in the “sporadic clashes” with police after the rally was over were not on the DPP route and “were not familiar faces in the DPP rallies.”⁷⁷ In any case, attacking Ma for having distorted Taiwan’s sovereignty and brought down the economy, and asserting that “he does not deserve to be the president of Taiwan,” Tsai insisted that those who have lived under the brutal totalitarian [i.e., post-1947 KMT] regime and participated in the democratic movement “all know that the government which forced its people to take to the streets is the real ‘violent government.’”⁷⁸

The presidential office in turn accused Tsai of trying to “dodge the issue.”⁷⁹ Ma said that the DPP had to take responsibility for the escalation of tensions that gave rise to the requirement for a larger security presence in the first place as well as for the violent clashes.⁸⁰ As he put it, “You can’t just mobilize a crowd to attend a rally and then say the protesters were not your people when violent incidents occur.”⁸¹

Ma denied that the government had tried to suppress free speech, arguing that the government’s objective had not been to stop legitimate protest, but rather to control the violence.⁸² Although they said that police acted within the law, authorities did, however, acknowledge that there had been some problems. As the director-general of the National Police Agency put it: “I have to say that some officers do need to improve their skills and attitude.”⁸³

Despite all the turmoil, or really in a sense because of it, Tsai also claimed to see some positive results from the protests. She said they demonstrated to the PRC that it could not handle cross-Strait relations by dealing only with Ma and the “KMT government.” “It requires public opinion and support,”⁸⁴ she said, and the demonstrations showed the concern of people of all ages and classes, across social boundaries, sending a message to the government that “it must take the will of the people as the foundation for handling the question of sovereignty.” At the same time, Tsai warned that if the Ma administration failed to grasp the reality that the emotions of the people were the result of their “anxiety and fury” about the “steady erosion of Taiwan’s hard won democracy and freedom and the sudden hollowing out of Taiwan’s national sovereignty,” then “future conflicts will be impossible to avoid.”⁸⁵

Nonetheless, Tsai also clearly understood the damage that had been inflicted on

the DPP. Putting the blame on the “weak government” for forcing her to “take to the streets” even though she was not particularly “into” social movements, Tsai stressed in later remarks that maintaining social order and control were key to staging successful demonstrations. Thus, she said, the DPP would launch a program to train traffic guards to maintain social order, enabling the party to better control its members through party chapter organization.⁸⁶

One irony here is that, having earlier blamed the government for providing insufficient security for Zhang Mingqing, Tsai now said the clashes were due to “excessive protection” for Chen. She squared that circle by charging that it was “police violence and frequent violations of human rights by law enforcement” that sparked “massive anger” among the people, accusing the Ma government of having transformed efforts to “protect Chen Yunlin’s safety” into an excuse to “ensure that Chen Yunlin did not see or hear protests.” That, she said, was the real source of the conflicts.⁸⁷ (Early in the visit, Chen reported that he indeed “heard” and “saw” the demonstrations.⁸⁸)

Charges of blame continued to be exchanged over succeeding weeks, but in fact, for all of the DPP denial of responsibility, while the Taiwan public did not hold the police blameless, it took a far dimmer view of the demonstrations and the DPP’s role than of the government’s response, as was shown in a number of polls.⁸⁹ Moreover, Tsai’s personal approval rating, exceptionally high up to that point, dropped sharply in the wake of these events.⁹⁰

One of the consequences of all of this was that attention was now focused on amending the Assembly and Parade Law. President Ma said he favored movement to an “advance registration” as opposed to the current “advance permission” provision—as long as the demonstrations were peaceful.⁹¹ He reiterated his main concern: “[T]he point is not the application method, the point is violence.”⁹²

In turn, Tsai responded that the problem was not violence by protestors, but rather violence by the “autocratic government.” Only in the presence of a weak government that lacks confidence in the face of public resentment and protest, she said, would one encounter suppression of the people’s human rights and of the freedom of assembly and association.⁹³ That said, she also felt constrained to apologize on behalf of the DPP for the failure to amend the law over the eight years that the DPP was in power: “After we, the DPP, became the ruling party, we had to attend to many issues in running the government. Therefore, we did not have enough time to push for the amendment of the Assembly and Parade Law.”⁹⁴

The LY did take up the question of revising the law, but it was the subject of considerable bickering,⁹⁵ and the issue remained unresolved as this article headed to press.

Significance of the Chen Yunlin visit

Chen’s visit had unquestionable political significance. Not only was it the highest-level

visit ever to Taiwan by a PRC representative, but his meetings with Ma and with other senior people, including meeting with MAC Chair Lai Shin-yuan in her office, reflected a new pragmatism on Beijing's part. Just as was the case with the agreement to allow government authorities to deal directly with each other to implement the agreements, these actions did not by any means signify an acceptance or acknowledgement of ROC/Taiwan sovereignty and independence. But they supported Ma's claim that relations had now entered a stage of "mutual non-denial." Moreover, they showed a PRC willingness to be flexible in the circumstance of an administration in Taipei firmly opposed to de jure independence and committed to shelving sovereignty issues that might be taken as a direct challenge to Beijing. Wang Yi went out of his way to state that the SEF-ARATS consultations were conducted on an equal, win-win basis: "[T]here is no such thing as one side making concessions to the other...there is no such thing as who is in the inferior [position]." ⁹⁶ In other words, while neither side yielded on principle, both made significant gestures to advance ties on a practical basis, and they were willing to set aside long-standing taboos in order to do so.

Further, Beijing's subsequent acquiescence in Lien Chan's designation as the Taiwan representative at the APEC leaders meeting was meant—and was taken—as a show of flexibility in the context of these developments. Other bilateral steps in this same general period also reflected the new climate. They included the dispatch to Taiwan of an ARATS official to study post-earthquake reconstruction; ⁹⁷ continued extradition of fugitives from the Mainland to Taiwan under a long-standing agreement; ⁹⁸ a joint sea, land, and air search and rescue operation in the area of sea passenger routes between Xiamen and Jinmen; ⁹⁹ and expansion of joint exploration for oil. ¹⁰⁰

That said, the direct economic impact of the visit and the agreements was no doubt of greatest importance to the people in Taiwan. It remains to be seen what the actual effects will be, and some people (beyond merely the DPP) continued to express doubts. ¹⁰¹ Still, the linkages between the economies of the two sides remain very substantial. ¹⁰² And with almost all economic indicators in Taiwan pointing sharply downward, expectations are high that the savings in terms of transportation costs, the stimulus to various areas of Taiwan's economy (not only tourism but, for example, harbor operations and their support structure), and the ability to take advantage of synergies between operations based in Taiwan and those based in the Mainland—not only for rapid and cheaper shipments across the Strait but also the convenience of business executives being able to make quick round-trip visits each way—can help the situation on the island. In support of these agreements—and the prospect of negotiating a much-discussed financial framework agreement in the coming months ¹⁰³—both governments announced a series of other steps to help Taiwan businesses operating on the Mainland. ¹⁰⁴

Still, Ma commented that the rationale for his support of opening up cross-Strait economic relations is mainly the "globalization of Taiwan." That is, the new steps were merely keeping pace with the burgeoning of cross-Strait trade and other economic relations. But he also continued to stress that the opening up was designed not primarily to help Taiwan business operating on the Mainland but to attract Taiwan businesses back

to Taiwan.¹⁰⁵ To a significant extent, he argued, this was because the reduction of cross-Strait tensions had made Taiwan a much more attractive place to invest, with the investment environment in Taiwan moving from 15th place in the world in a January rating by Business Environment Risk Intelligence, a risk assessment firm, to fifth place in September.¹⁰⁶

And, in fact, in anticipation of the coming accords, in October over 40 percent of China-based Taiwan business owners said they would choose to live in Taiwan under the new arrangements. Moreover, almost three-quarters of respondents said the new links would lead them to increase their investments in Taiwan.¹⁰⁷ Still, Taiwan's economy was encountering severe problems of its own at this point, so depending on cross-Strait links alone was clearly insufficient, and Ma's government adopted a major stimulus package—and then doubled it—before the end of the year.¹⁰⁸

As discussed below, resolving issues of “international space” generally remained more difficult than bilateral, cross-Strait matters. However, in one area touching on both economics and “international space” there was some progress. Arrangements were made for Taiwan to sign the Government Procurement Agreement under the World Trade Organization, something Taipei had long promised to do but that Beijing had blocked on grounds that certain terminology in Taiwan's proposal had implications for sovereignty.¹⁰⁹ Compromises on both sides now resolved that problem.

Next Steps

It is planned that the Chiang-Chen meetings will be convened about every six months. There had been some hope of convening the next one in March 2009, but it was reported that scheduled high-level meetings on the Mainland (National People's Congress and the Chinese People's Political Consultative Conference) would require holding off until April. Meanwhile, through various mechanisms, including the KMT-CCP forum, efforts will focus on aiding Taiwan businesses in the Mainland.¹¹⁰

In addition to signing a financial agreement, a major agenda item for the spring will be to launch scheduled air links to replace the charters. Ma has indicated he hopes that, as envisaged in the air transport agreement, this will happen by the middle of the year.¹¹¹

Although there had been talk of SEF and ARATS exchanging offices during P.K. Chiang's June visit to Beijing,¹¹² to reinforce the notion that things were proceeding in a gradual and responsible fashion rather than recklessly, MAC chair Lai Shin-yuan let it be known that “hurdles remain to be surmounted” before the two organizations can implement this idea. Speaking about this to the press, Lai may well have skated close to the edge of Beijing's tolerance when, in explaining that the government would “never exchange Taiwan's national sovereignty for economic benefits,” (a direct rebuttal of a DPP charge), she said that, on the contrary, the government “*will further highlight Taiwan's independent sovereignty from China.*”¹¹³ But, in any case, her main point was

that Taipei wanted to be sure to set the stage properly for the two sides to conduct negotiations on an equal footing.

DPP Opposition

As already indicated, throughout the period the DPP engaged in unremitting attacks on Ma for economic failures, political “repression,” and the sellout of Taiwan’s sovereignty and dignity as well as economic and military security. He was attacked for everything from naïveté to treason, from nonfeasance to malfeasance. Tsai Ing-wen even warned Americans that they had “not seriously thought about the potential costs of warming ties between China and Taiwan.”¹¹⁴

With particular reference to the Chen Yunlin visit, Tsai Ing-wen at one point went so far as to say that the Ma administration should reconsider the invitation to Chen Yunlin “unless the issue of Taiwan’s sovereignty is clarified before Chen’s visit.”¹¹⁵ When it was obvious Chen was coming, she inveighed against the visit, saying it would “greatly harm” Taiwan, severely undermining the rights of the Taiwan people and greatly damaging Taiwan’s status as a sovereign nation.¹¹⁶ Expanding on that, she said that the SEF-ARATS talks would be “a milestone in the sense that it will further push Taiwan in the direction of unification.”¹¹⁷

It was in this spirit that the DPP organized a mass rally for 25 October around the themes of “no to the ‘one China market,’” “no to downgrading Taiwan’s sovereignty,” and “no to incompetent government.”¹¹⁸ The party then organized a three-day “encircling the city” demonstration at the time of Chen’s visit, supplemented by “targeted” demonstrations against Chen’s meetings with Ma, SEF chairman Chiang Ping-kun, and others.¹¹⁹ An important theme was to oppose the government’s alleged willingness “to trade off our sovereignty in order to gain...economic benefits.”¹²⁰

On the day of Chen’s arrival, Tsai published an “open letter” in several Chinese-language papers explaining why the DPP opposed the visit. Perhaps sensing that the party was lighting a fuse it might not be able to control, the letter closed by warning, “regardless of the situation, we cannot allow any violence to take place...Democracy is the DPP’s only weapon, and peace is the DPP’s only method. This is my sole request and order.”¹²¹ As already noted, two days later she preemptively warned that, while the DPP would do all it could to hold a peaceful demonstration, it could not guarantee that the protestors would not become violent if the police tried to restrain them.¹²²

Once the visit was over, the DPP continued to beat the drum of opposition to the agreements, not only challenging their legitimacy in not having been confirmed by the LY but, as noted earlier, also calling into question their impact on Taiwan’s status. Moreover, the DPP increasingly sought to take advantage of Ma’s bad ratings in public opinion polls due to the poor economic situation. It focused its criticisms not only on Ma’s economic policy in general¹²³ but on the allegedly negative implications of the new cross-Strait arrangements for the economy. It accused the Ma government of not having found ways to protect the Taiwan economy from harm that would be inflicted through his

cross-Strait economic and trade policy,¹²⁴ and it announced it would form a special task force to review any possible adverse impact on Taiwan and that the panel would hold a daily news conference to brief the public on its findings.¹²⁵ Further, the DPP challenged Ma to address the pros and cons of the agreements in what it called “clear and honest terms.”¹²⁶

Still, public opinion seemed to come down very strongly in favor of what was being achieved in cross-Strait relations, and showed a positive attitude toward further steps in the future.

The DPP’s approach, while not garnering a great deal of public support, appeared to stem from a complex mix of factors. In part, there was no doubt a core belief that Ma’s policies threatened to eliminate any prospect of future independence; indeed that it tilted the table strongly in the direction of ultimate unification. Though some people saw Beijing plotting a scenario that would have Ma reelected in 2012 and unification achieved by 2016,¹²⁷ even some who might not subscribe to such a short-term scenario likely saw the situation as making unification eventually inevitable.

Moreover, one has to presume that people like Tsai Ing-wen, who had previously played a major role in supervising the cross-Strait economic relationship, believed that the DPP had approached such relations in a more prudent fashion, and that the recent gains, which seemingly had achieved more in six months than the DPP had in the previous eight years, would eventually exact a heavy price in terms of dependence on the Mainland.¹²⁸

Tsai had on several occasions called for a meeting with Ma to debate these issues,¹²⁹ but when he tried to accept, she was pulled back by the party from proceeding. Various reasons and preconditions were cited: both sides needed to prepare thoroughly,¹³⁰ Ma should first respond to the appeals at the three protest rallies;¹³¹ it was impossible to do so until Ma had engaged in “deep deliberation” on Taiwan’s financial and economic crisis—“Without deliberation on such problems on the part of the president, no effective dialogue between the government and the opposition party is possible. We shouldn’t talk for talk’s sake.”¹³² But the real issue seemed to be, as Tsai Ing-wen explained, “Given the current state of emotions of party members [Chen Shui-bian had just been detained], I believe many [in the DPP] are unwilling at this point in time [to have me] meet with a president who is not well-prepared.”¹³³ “Well-prepared” was never explicitly defined.

Tsai’s hesitation to meet with Ma reflected other important factors in play, as well. To maintain control of a party with strong “dark Green” elements, Tsai was not only unable to meet with the president, but she apparently also did not feel free to stick to a more positive agenda she had frequently espoused rather than always carping at the government. Nor was she able to keep to her notions that opposition should be voiced through the political system, and not, in traditional DDP fashion, on the street. And, in fact, while some observers have seen her accommodation to street tactics as connected to

her struggle to maintain her leadership role in the party,¹³⁴ others thought they saw a growing comfort on Tsai's part with taking to the street.¹³⁵

Indeed, by the end of November, a number of Taiwan publications were commenting openly about Tsai's transformation from the "parliament line" to the "mass protest line." In late December, when she proposed legal changes to strengthen legislative supervision of cross-Strait policies, Tsai was characterized as "adamant" that the DPP might resort to mass movement instead of the legislature to achieve that goal, since the party only held 27 LY seats. The DPP, she said, would make society aware of the problems in the defense system of the entire cross-Strait policy and put pressure on the government via social movements.¹³⁶ A week later, after leading supporters at Taipei's Liberty Plaza in signing an oath to "save Taiwan," she reportedly said that the DPP would continue to urge people to take to the streets to promote its cause of Taiwan independence.¹³⁷

One exceptionally complicating factor in all of this was the role of the former president, Chen Shui-bian. Even before he was detained and indicted, Chen had begun to challenge Tsai's leadership role by rallying his supporters around the island and calling for a more confrontational stance toward the government.¹³⁸ This led to considerable tension within the party,¹³⁹ and placed enormous pressure on Tsai. According to one account of a 22 September coordination meeting of the party, for example, Tsai was at first hesitant about calling the late-October rally against Chen Yunlin's visit, arguing that while many groups had indeed shown grave concern over sovereignty issues, the DPP must first do well in expounding its own policies before taking to the street. However, in the face of calls from many Chen Shui-bian supporters that the chair "toughen up" [主席硬起來], a line Chen Shui-bian was using at his rallies, Tsai promised "on the spot" that she would, in the near future, put forward "tough critiques" of Ma.¹⁴⁰

She still said the party would never cover up or shield any misdeeds of which Chen was guilty,¹⁴¹ and when he was finally detained on 11 November on charges of money laundering, embezzlement of government funds, taking bribes, and forging documents,¹⁴² Tsai focused her comments on allegedly improper and politically motivated procedures, and the need to protect Chen's human and judicial rights, carefully avoiding siding with him in terms of his guilt or innocence.¹⁴³

Under pressure to be more robust in her defense of Chen, Tsai argued that she could not behave "sentimentally" as others could. Her duty was to maintain the DPP's strength to move forward. In what appeared to be part of a pattern of separating herself from Chen, she said that anyone who violated basic social values and law must take the responsibility for the consequences.¹⁴⁴ Nonetheless, she was pressed hard by party elders to go to rallies convened to express support for him.¹⁴⁵ Although she eventually did agree to participate, she was sharply chastised for only staying for a short time and focusing her remarks on the broader issues of upholding sovereignty, democracy, human rights, and justice,¹⁴⁶ while saying nothing explicitly on Chen's behalf.¹⁴⁷

When Chen was indicted in mid-December, Tsai Ing-wen read out yet another

official party statement calling for protection of his human rights, including his release from detention, and for fair and impartial judicial proceedings. She said that the party would assume full political responsibility for Chen's political legacy. But in the course of doing so, she also called on Chen to bravely face justice, observing that, as a former leader, he must meet the people's expectations and the party's core values of honesty, assiduousness in government affairs, and love for the native soil. Noting that this was the DPP's most difficult hour, the statement said that if the party descended into internal strife, forgetting its responsibilities to Taiwan's history, people would lose hope. In what appeared to be a core purpose of the statement, she called on members to be kindhearted and have integrity and *to maintain party unity*.¹⁴⁸ Since over three-quarters of the public—and, according to some polls, even more than 60 percent of DPP supporters—believed Chen was probably guilty as charged, not only were there internal party reasons to stay out of the merits, there was also good political reason to do so as the particulars of the indictment continued to mount.¹⁴⁹

It is worth noting that during this period Tsai delivered what can only be described as a very thoughtful address about the DPP's policies and goals, laying out a vision somewhat in conflict with the focus on the party's ideological and demonstration-oriented bent. She spoke of the DPP's role in the full flowering of democracy in Taiwan, and yet also of the difficulties it faced due to the loss of the LY and presidential elections and the corruption allegations against Chen Shui-bian. All of this, she said, provided an opportunity for self-reflection, a summing up of what had worked and what had gone wrong, both in terms of policy and of organization. The DPP needed, she said, to transform itself into "a modern, competitive political party that is in touch with the needs and aspirations of our people, so that we will be prepared to lead Taiwan again in the future." "The revival of the DPP," she continued, "depends not on the failures of the KMT but on our own ability to maximize our strengths while honestly tackling and remedying our mistakes of the past." She cited issues of climate change, energy and resource management, and comprehensive welfare for the elderly and disadvantaged, laborers, farmers and low-income groups. She stressed the need for the economy to be innovative and service-based. Regarding sovereignty, Tsai contended that "we want to ensure that (i) all options are open, with no foreclosure of any option; (ii) people on Taiwan have the right to make their own decisions; and (iii) decisions are to be made solely by people of Taiwan."¹⁵⁰

All of this was of a piece with remarks she gave to a San Jose, California, audience in the same general time frame, when she said she expected the DPP to act as a "high quality opposition" party by not ceaselessly criticizing the KMT but rather by engaging in constructive competition with the ruling party, reducing inter-party confrontation and allowing the people of Taiwan to live together in harmony. Still, she cautioned that if the KMT triggered public dissatisfaction by pushing Taiwan "too close to the Mainland," the DPP did not rule out the option of mobilizing citizens to take to the streets in protest.¹⁵¹

Returning on New Year's Day to her earlier theme of creating a constructive agenda, Tsai vowed the DPP would engage in self-renewal, joining hands with

intellectuals and workers to turn action into a “people’s campaign” that will deepen democracy: “We will break the cocoon to arise as an awe-inspiring party, moving forward so that we may do much better when the people return us to power the next time.”¹⁵² Preserving Taiwan’s sovereignty will be an important theme in this work.

One final note on Tsai and her concerns about the way cross-Strait policy was being formulated and implemented. She charged that cross-Strait relations were being handled in the KMT-CCP party-to-party channel in an “extremely worrying” manner that would “end the era of active regulation.”¹⁵³ She called for revising both the Referendum Law—to permit direct public input into cross-Strait matters,¹⁵⁴—and the statute on cross-Strait relations, to give the LY more supervisory powers.¹⁵⁵ The government responded that the party-to-party forum results were merely “recommendations to be considered” rather than decisions.¹⁵⁶ Ma reinforced that, asserting: “For critically important national policies such as those relating to cross-Strait policy, I make the final decisions” [大陸政策，我說了才算，因為國家大政方針，有關兩岸政策部分，是我說了算].¹⁵⁷

And in response to Tsai’s insistence that “issues concerning Taiwan’s sovereignty must be voted by all the people of Taiwan via a public referendum,”¹⁵⁸ Ma said: “In fact, we do not necessarily have to use referendums as a method. We have to look at the gravity of the issue. For example, presidential elections are a kind of referendum, right?” Even issues such as the opening of direct cross-Strait transport links, he said, could be determined through polls instead of referendums.¹⁵⁹

International Space

Economic performance will be the principal criterion by which President Ma Ying-jeou will eventually be judged by the Taiwan electorate¹⁶⁰—just as it was the principal issue that brought him into office in May 2008. However, consolidation of cross-Strait peace and stability could be his most lasting legacy,¹⁶¹ and closely connected to that, and of signal importance in its own right, will be his success in carving out opportunities for Taiwan to participate “meaningfully” in the international community without sacrificing principles related to sovereignty. As we have pointed out in this space before, both sides have agreed to move step by step, first addressing economic and other “easy” steps, and only moving on to political and security issues after that, in a deliberate fashion.

That being said, Ma has also been clear from the outset of his administration, indeed from his inaugural address onward, that progress in cross-Strait relations will be closely related to the degree to which Taiwan is treated with dignity in the wider international community:

We consider our status in the international community a very important sign of our dignity. During my inaugural address, I made it very clear that if Taiwan continued to be isolated in the international community, the cross-Strait relations cannot be developed as much as we wish... We

believe that (China) should not continue to squeeze us out of the international community.¹⁶²

At times, Taipei has characterized Beijing as showing “good will” on these issues. It did so, for example, when tallying up fewer instances of “China’s suppression of Taiwan” with respect to the latter’s participation in various international political, economic, trade, athletic, and cultural events in the first half of 2008.¹⁶³ PRC good will was also seen when Taiwan was admitted as a “sponsoring member” of the Agency for International Trade Information and Cooperation (AITIC),¹⁶⁴ and when, as noted earlier, it was allowed to sign the WTO’s Government Procurement Agreement. It was most notably the case when former vice president Lien Chan was accepted as Taiwan’s representative to the APEC Leaders Summit meeting in Peru, the most senior Taiwan representative ever to be allowed to attend the annual gathering. While there, he met with Hu Jintao for 40 minutes.¹⁶⁵

But “good will” was not seen to be in evidence when Taiwan’s effort to gain “meaningful participation” in UN specialized agencies was put forth¹⁶⁶ and then rebuffed.¹⁶⁷ Vice President Vincent Siew has underscored the potential costs if this as well as the military threat are not rectified:

The...more profound main cause of public misgivings toward the mainland is the Taiwanese people’s discovery that Beijing has yet to make any concrete display of goodwill toward Taiwan in respect of its threat of armed force against us or its confinement of our international space. The people can see that Beijing has 1,400 missiles still targeted at Taiwan, and that Beijing has still not made any concession on Taiwan’s wish to participate in the WHA and Asia-Pacific regional integration.

Only if we solve the latter problem will we be able to establish a high level of consensus on cross-strait relations, and put in place the essential pillars for long-term mutual trust and peace across the Taiwan Strait.¹⁶⁸

And it is importantly in this latter arena, specifically the issue of Taiwan’s aspiration to be an “observer” at the annual World Health Assembly (WHA) meeting in May 2009 and to participate much more actively in World Health Organization (WHO) meetings, that success or failure of Ma’s policies will be judged.

More often than not, Taipei has placed exceptional emphasis on success at the WHA in 2009. As one foreign ministry official put it: “Whether or not Taiwan’s WHA bid will be accepted will serve as an important litmus test to see if China has accepted Taiwan’s olive branch.”¹⁶⁹ At times, there has been a sense of greater patience. As Foreign Minister Francisco H. L. Ou expressed it: “We hope that concrete results can be seen in two or three years.”¹⁷⁰

Ma Ying-jeou himself has tended to be at the insistent end of the spectrum in

regard to this issue. Although he has occasionally been somewhat circumspect in expressing his aspirations¹⁷¹—perhaps recognizing a certain degree of impatience on the Mainland with what people there see as a series of demands Ma is unilaterally levying on them—Ma has more often been quite direct on the WHA question. He has cast it not simply as a political issue but as an “extremely important” [非常重要] human rights issue for the people of Taiwan.¹⁷² And while cautioning against unrealistic expectations about participation in the international community at large, he has focused intently on obtaining a WHA observer’s seat: “We will be able to see the results of our efforts when the next WHA convenes in May 2009.”¹⁷³ He has even prioritized participation in the WHA meeting over participation in the WHO itself.¹⁷⁴

For their part, PRC officials have openly recognized the importance of the issue. TAO head Wang Yi said that Beijing is drawing up plans related to the question of Taiwan’s “bid to participate in WHO activities” and that it was a “top priority” for future cross-Strait talks.¹⁷⁵ But while in private conversations senior officials say that “nothing is excluded” in thinking about ways to resolve the issue, they also point to WHO charter provisions regarding observers and ask rhetorically how Taiwan fits any of the listed criteria.¹⁷⁶ In any case, their position remains that Taiwan needs to speak directly with them about this question, and Hu Jintao reportedly suggested to Lien Chan during the APEC Leaders Meeting that Taipei send a delegation to the Mainland for this purpose.¹⁷⁷ Underlying all of this, of course, is the PRC’s insistence that any approach to “international space,” including WHA, must be based on the “one China” principle.¹⁷⁸

At this point, again keeping in mind the position that “nothing is excluded,” the most likely outcome appears to be a one-time (but presumably renewable) invitation to Taiwan to attend the WHA meeting as a “guest” of the WHO secretary-general. While this would not fully meet Taipei’s aspirations, it would be an important step forward, and could serve to meet Ma’s political need to get to the WHA table. At the same time, the opposition has already staked out a position warning against less than “observer status” outcomes:

The DPP and concerned civic groups should act now to pressure the Ma administration not to sacrifice Taiwan’s health security, dignity and sovereignty for the sake of a superficial display of false goodwill by the PRC and insist on Taiwan’s formal and distinct participation in the WHO system.¹⁷⁹

Especially if a less than ideal outcome emerges in 2009, to sustain a claim of success for Ma’s policy it would have to lead to much freer access by Taiwan delegations to WHO activities and much freer flow of information between the WHO and Taipei than has been the case until now. How this will play out is not clear at this point, but Hu Jintao’s speech commemorating the 30th anniversary of the “Message to Compatriots” addressed the issue in a way that could suggest growing flexibility. He said that as long as they do not give rise to “two Chinas” or “one China, one Taiwan,” “fair and reasonable” arrangements on Taiwan’s participation in international organizations could be worked out through “pragmatic consultation” between the two sides.¹⁸⁰ This is not an

entirely new position. But coming from the senior-most level in the context of Ma's policy of setting aside sovereignty questions (and thus any question of "two Chinas" or "one China, one Taiwan,"), it would seem to be a positive indicator.

The other dimension of "international space" has to do with Ma's proposal to pursue what he calls "modus vivendi" or "flexible" diplomacy [活路外交].¹⁸¹ As Ma continues to describe it, its aim is "to consolidate diplomatic relations with Taiwan's allies and restore mutual trust with other countries without being at loggerheads with China."¹⁸² The Taiwan leader has tried to reinforce his professions of non-confrontation in a variety of ways, one of them being the quiet cancellation of the third annual "Taiwan-Pacific Allies Summit" scheduled to take place in Kaohsiung in November.¹⁸³

Sometimes Ma talks about this under the rubric of a "diplomatic truce," a term that irks PRC observers because of its implication that Taipei has "legitimate" diplomatic relations. It may be accurate on Ma's part to say that the two sides have moved from "mutual denial" to "mutual non-denial" in terms of accepting the "reality" of the existence of functioning systems and governments on each side. But he understands this clearly does not mean that Beijing has acquiesced in Taiwan's "sovereignty," as MAC head Lai Shin-yuan once reportedly claimed.¹⁸⁴ In fact, Ma took some political heat for stressing that cross-Straits relations are "special relations" between the "Taiwan region" [台灣地區] and the Mainland region [大陸地區] but *not* "state-to-state" relations as his two predecessors had claimed.¹⁸⁵ Even though Lee Teng-hui was known for the latter characterization in a 1999 interview with Radio Deutsche Welle, Ma pointed out that the "two areas" concept in fact dated all the way back to Lee's action in 1991 when he reinstated the ROC constitution and announced the termination of the Period of National Mobilization for Suppression of the Communist Rebellion.¹⁸⁶ He noted that the DPP had never taken exception to the idea during its eight years of rule. None of this history, of course, stopped the DPP from attacking Ma for "downgrading" Taiwan's sovereignty,¹⁸⁷ which the government not only vehemently denied, but to which it responded by saying that, if it pressed the sovereignty issue and thus engaged in "hostile diplomacy" with the Mainland, Taiwan would "definitely be crushed."¹⁸⁸

In any case, as discussed in earlier *CLM* essays, for now Beijing generally does seem willing to call a halt to the competition to steal diplomatic partners. Still, there was a warning sign on this issue in a statement issued late in the year about the terms for the Holy See to establish relations with Beijing.¹⁸⁹ Although the statements emanating from Beijing were negative about the prospects, the fact that the issue was being discussed at all was an indication that the question of diplomatic partners switching sides is by no means dead. Moreover, the "model" case of the truce, Paraguay, is reportedly also in some doubt. The Paraguayan foreign minister has been quoted as saying his government was still pondering the issue of switching to Beijing and would make a decision within a few months.¹⁹⁰ As one outside observer put it: "It can be foreseen that in the future the number of countries holding diplomatic ties with Taiwan will further decline, but this will not be the result of the mainland's tactics. It will be the manifestation of pragmatic diplomacy."¹⁹¹ This is consistent with the view of a leading Mainland Taiwan expert, that the "ceasefire" will be "dynamic" rather than "static." That is, even if the two sides

undertake not to “undermine each other,” and agree not to try to outbid the other with economic aid, third parties may still raise the question.¹⁹²

Even while it is abstaining from competition over the establishment of diplomatic relations, Taipei plans to strengthen relations with “non-allies”¹⁹³ and, in particular, has adopted an activist posture in approaching its relations with Southeast Asia. There, it seeks not only to obtain the status of an ASEAN “dialogue partner”¹⁹⁴ but to ensure Taiwan’s inclusion in any regional economic architecture, including especially any regional free trade area.¹⁹⁵

Defense

Though the opposition charges that he is neglecting Taiwan’s national security interests, indeed that he is fumbling away any meaningful defense, Ma has insisted that, despite the relaxation of cross-Strait tensions, Taiwan cannot afford to ease up on national defense.¹⁹⁶

He has argued for a “lean and mean” military,¹⁹⁷ and he has for some time advocated an all-volunteer armed force.¹⁹⁸ But in the face of the continuing missile build-up across the Strait—China’s strong interest in an aircraft carrier, the possibility the PLA will purchase carrier-capable aircraft,¹⁹⁹ and even the deployment of new guided missiles that could reportedly be deployed as land-attack cruise missiles²⁰⁰—normal prudence has argued for maintaining a strong defense. As Ma put it:

We should not be lax in combat preparedness, and effective deterrence is our basic strategy. We want to stop war but will not be afraid of war, and we will prepare for war but refrain from provoking war.²⁰¹

A debate emerged in this period over procurement of offensive weapons versus adherence to the notion of a “hard-ROC defense,” with Ma seemingly leaning strongly in the latter direction as he had advocated in the campaign. Complicating the debate was a contretemps over a paper written by an American defense specialist who, as discussed in *CLM* 26,²⁰² had suggested scrapping of some planned major arms procurement plans (including F-16C/Ds) and adopting a “porcupine strategy” instead. According to press reports, senior officials in Taipei’s National Security Council were favorably inclined toward the arguments in the paper (which Ma had sent to the Ministry of National Defense for its review), whereas MND, while professing openness to “fresh ideas,” reportedly not only found it “well-meaning but shortsighted”²⁰³ but rather openly let it be known that the ministry had “had enough of it.”²⁰⁴ The author of the paper reportedly traveled to Taiwan in early December, but no follow-on reporting emerged from that visit. Meanwhile, Ma reiterated that he had not changed his mind about procuring F-16C/Ds.²⁰⁵ Whatever his inner views about the controversial paper, he told a military audience at year end that Taiwan could not afford to give up its air and naval advantage as a means of blocking an invasion in the Strait.²⁰⁶

As this debate was proceeding and the calendar was winding down, many, even in the conservative press, concluded that the U.S. arms sales package was dead and blamed Ma for this, charging that he had offended the United States by his overly eager cross-strait policies,²⁰⁷ his alleged slighting of national defense, and his supposed neglect of relations with the United States and Japan.²⁰⁸ But in early October, the United States acted on large portions of the arms sales package of seven items that had been under active consideration since 2001. (F-16C/Ds were never in that package, even though some commentators in Taiwan seemed to think they were.) The Bush administration approved a package worth approximately \$6.46 billion out of the total package of \$12 billion.²⁰⁹ In cutting back, it agreed to sell only three of the requested six PAC-III anti-missile batteries and declined to act on either the request for a design study on submarines or the procurement of some transport helicopters.

Despite the U.S. action, the opposition continued to chastise Ma, characterizing this package—reduced as it was and coming at the last possible minute in the Bush administration—as a “grave warning” that U.S.-Taiwan mutual trust had not been restored and that the president needed to reevaluate his prioritization of “placing cross-strait relations above diplomacy” and his “neglecting national defense to curry favor with China.”²¹⁰ The Ma administration took a sharply different view, saying the decision “marks an end to turmoil in Taiwan-US relations of the past eight years and also represents the beginning of a new era in peace and security, as well as mutual trust between Taiwan and the United States.”²¹¹

At the same time, one consequence of all of the uncertainty surrounding the sale seemed to be an increasing stress on indigenous defense capability. In an interview with Taiwan domestic media in late October, several weeks after the U.S. arms sales decision, Defense Minister Chen Chao-min underscored this point:

[I]n planning and building weapons of a defensive nature, we hope to establish an independent national defense, and we must be able to carry out our own R&D and production because these are all to be used to safeguard the security of our countrymen, they provide backing for the defense of the country and bargaining chips for setting up future cross-strait negotiations.

While Taiwan had pledged not to initiate an attack and start a war, he said, “we have to be able to withstand the enemy’s first strike and be able to launch a counterattack.” In this regard, he added, in accordance with Ma’s instructions:

although the two sides of the Taiwan Strait have opened up prospects for conciliation, there can be no slackening in combat readiness preparations because if there are no combat readiness capabilities during peacetime, then there will be no defensive capabilities when faced with an enemy invasion or outside threat.²¹²

While Ma had said that improving cross-strait relations cannot be based on

“wishful thinking,”²¹³ he has continued to express hope for a cross-Strait peace accord—within his first term if possible. Still, he has noted that there is no timetable and certain factors are not in his control.²¹⁴ In this context, and in the context of Ma’s call for military confidence-building measures,²¹⁵ the final point of Hu Jintao’s 31 December six-point proposal was particularly striking.

Saying that the two sides had a responsibility to posterity to ensure that there would be no future conflict in the Strait, in order to have beneficial discussions about these issues, under the “special circumstances” where the nation has not yet been unified, the two sides could hold “pragmatic exploratory discussion on their political relationship.” Hu suggested that, “in the interest of stabilizing the situation across the Strait and mitigating military security apprehensions,” the two sides could, at an appropriate time [适时], begin contacts and exchanges on military issues and explore the question of establishing a military security mutual trust mechanism. On the basis of the principle of “one China,” he said, the PRC once again called for consultations on the formal ending of the state of hostilities between the two sides of the Strait, the achievement of a peace accord, and the building of a framework for the peaceful development of cross-Strait relations.²¹⁶

The United States

We have already noted that the Bush administration finally came through with notification to Congress of a substantial arms sales package at the last possible moment. On the one hand this reflected the continuing U.S. commitment to the maintenance of stability in the Strait and to Taiwan’s security, while on the other hand at least the timing did reflect a level of frustration with Taiwan going back over eight years. Still, contrary to some of Ma’s domestic critics, cutting the package in half was not designed to “punish” Taiwan or the Ma administration, but rather was a reflection of U.S. support for burgeoning cross-Strait relations and a desire not to disrupt that process. This support continued to be expressed openly over the succeeding weeks,²¹⁷ including specifically after the signing of the four agreements during Chen Yunlin’s visit.²¹⁸ Directly addressing press reports and political commentaries suggesting that the United States disapproved of Ma’s cross-Strait approach, the designated American representative office in Taiwan—the American Institute in Taiwan (AIT)—issued a statement that read in part:

The U.S. government has long called on Taiwan and the People’s Republic of China to find means to engage in dialogue in order to reduce tension between the two sides of the Taiwan Strait. We welcome the positive development. There is no need for the U.S. government to worry about Taiwan and mainland China getting too close.²¹⁹

Unsurprisingly, the United States also viewed Taiwan’s efforts in the United Nations much more positively than in 2007. In contrast to the implicitly critical U.S. statement posted on the American delegation’s website the previous year,²²⁰ the statement issued in 2008 was quite positive.²²¹ It reiterated that “The United States has long

supported meaningful participation for Taiwan in [UN] specialized agencies, including the World Health Organization (WHO). Such participation would enable the international community to better address pressing global challenges.”

Laying out the standard position on organizations where statehood is a requirement for membership versus those where it is not, the statement then focused on the WHA/WHO question:

In the WHO, we strongly support Taiwan’s observer status in the World Health Assembly (WHA), the supreme governing body of the WHO. We also support the involvement of experts from Taiwan in appropriate technical-level meetings. Without opportunities for participation in the WHO, Taiwan’s 23 million inhabitants have only restricted access to health alerts and public health programs to which they have much to contribute, and from which they could and should benefit.

Looking ahead, and trying to predict how the next administration will view such contacts, one can turn to the letter from then-candidate Barack Obama to Ma Ying-jeou on the occasion of Ma’s inauguration. Obama observed that the occasion held promise for more peaceful and stable relations between the two sides of the Strait “in no small measure because you have extended the hand of peace and cooperation to Beijing.”²²²

On arms sales, Obama welcomed the 3 October Bush administration decision as an “important response to Taiwan’s defense needs” that is “fully consistent with U.S. obligations under the Taiwan Relations Act.” He said, “The sale helps to contribute to Taiwan’s defense and the maintenance of a healthy balance in the Taiwan Strait.” Obama also endorsed the notion that “a strengthening of Taiwan’s defenses will not undermine the process of reduction of tensions and can actually promote it.” He avoided any comment on either submarines or F-16C/Ds, but he was careful to tie arms sales decisions to the island’s defense needs, saying he looked forward to “fully reviewing the notifications and the accompanying justification of the Department of Defense.”²²³

In turn, Ma’s letter of congratulations to Obama on his victory in the U.S. election spoke of the continuing need for an “active” U.S. role due to the continuing existence of the “possibility of military confrontation.” Consistent with his goal of restoring trust between Washington and Taipei, Ma said he looked forward to strengthened friendship and increasing understanding, cooperation and trust. He did not pass up the opportunity to make a pitch for a face-to-face meeting: “I hope that I will be able to meet with you in the future to further discuss issues of mutual interest.”²²⁴ But recognizing that this was a distant prospect, he went on: “In the meantime, I believe that open channels of communication and continuous exchange of views between us will be conducive to peace and prosperity in the region.”²²⁵

While Tsai Ing-wen expressed hope that the United States would pay more attention to the region, which she saw as benefiting Taiwan-U.S. relations,²²⁶ some in the DPP fretted about the prospects of another Democrat in the White House,²²⁷ while others

continued to worry that Americans were “uninformed” about the undemocratic developments taking place under Ma’s leadership.²²⁸

The PRC Response to the United States

In the run-up to the arms sales decision, senior PRC officials tried to fend off steps that would disrupt either cross-Strait or U.S.-PRC relations. Premier Wen Jiabao told a New York audience in late September that President Bush’s openly expressed opposition to Taiwan independence had “generated positive international impacts, won admiration and respect from the Chinese people, and enabled the smooth development of China-US relations.” China now hoped the United States would stick to these positions, he said.²²⁹

Following the arms sales decision a week later, Beijing launched a series of condemnations.²³⁰ The foreign ministry issued a statement saying the sale would “severely undermine China’s interests and Sino-US relations.” It called on the United States to “take immediate measures to correct its mistakes, cancel relevant plans to sell weapons to Taiwan, put an end to its military links with Taiwan, and stop disturbing the peaceful development of cross-Strait relations so as to prevent further damage to the Sino-US relations as well as peace and stability across the Taiwan Strait.” The statement added: “China reserves the right to make further reactions.”²³¹

At the regular foreign ministry press conference several days later, the spokesman essentially reiterated this position but added a message to the American presidential candidates:

The development of Sino-U.S. relations is an important consensus not only of the U.S. government but also of the two political parties and people in various circles in the United States. People in various circles in the United States attach importance to the development of constructive cooperative relations between China and the United States. This means that we should cherish the important political foundation of Sino-U.S. relations and take care to preserve it. We hope the two political camps in the United States understand this point; strictly honor their commitments to adhering to the one-China policy, observing the three China-U.S. joint communiqués, and opposing “Taiwan independence”; appropriately handle issues involving Taiwan; and do things that will spur the development of Sino-U.S. relations.²³²

The defense ministry made similar statements, including the call to cancel the sales, both in official briefings and when meeting with visiting senior Americans.²³³ And this continued into December.²³⁴ Although MND insisted that unless Washington scrapped the arms sales package and stopped contact with Taiwan’s armed forces, the PLA and ministry of national defense would not resume normal relations with their American counterparts,²³⁵ there were some indications of a softening of this position

toward year end, and it was presumed that Beijing would not want to carry the suspension over into the Obama administration.

In his message of congratulations to President-elect Obama a month later, Hu Jintao called for enhanced mutual trust and cooperation “on the basis of” the three joint U.S.-PRC communiqués.²³⁶ In his phone conversation with Obama a few days later he added:

China and the United States should respect each other and accommodate each other’s concerns, and appropriately settle sensitive issues between the two countries, particularly the Taiwan issue, so as to push forward the Sino-US constructive and cooperative ties to a higher level.²³⁷

In case this wasn’t direct enough, in a speech delivered in Washington in mid-December, State Councilor Dai Bingguo warned:

We must adhere to the principle of non-interference in each other’s internal affairs. In particular, we must handle properly the Taiwan question, the most important and sensitive issue in our bilateral relations... To realize greater growth of China-US relations, the key link is to make sure we handle well issues involving each other’s core interests and maintain and develop the strategic underpinning of our cooperation. Taiwan and Tibet-related issues concern China’s core interests. The Chinese people have an unshakable determination to defend our core interests.²³⁸

Conclusion

In sum, although Taiwan faced economic challenges during this period akin to those faced by everyone else, and although these contributed to deepening political divisions and turmoil over cross-Strait relations, in fact those relations were moving ahead well, with the promise of even more significant steps to come. Even so, it is obvious that the road ahead will not be easy for either side. A key determinant will be whether the PRC lives up to Hu Jintao’s 31 December clarion call to “ascend the heights and take a long-term perspective.” [登高望远]. By the time *CLM* 28 is published, we may have a clearer idea.

Notes

¹ Sofia Wu, “Cross-strait talks to prioritize food safety inspections: MAC,” CNA, 19 September 2008.

² “Mainland orders Sanlu to end tainted milk powder sales in Taiwan,” Xinhua, (Taiwan Affairs Office website), 24 September 2008, http://www.gwytb.gov.cn:8088/detail.asp?table=Conference&title=Spokesperson%27s+Remarks&m_id=356.

³ “ARATS sent a letter to SEF expressing apologies to Taiwan people for the toxic milk powder incident,”

Zhongguo Tongxun She, 27 October 2008.

⁴ Ko Shu-ling, "ARATS chief apologizes for melamine," *Taipei Times*, 31 October 2008.

⁵ Text at <http://www.gio.gov.tw/public/Data/8111814333371.pdf>. (An "explanation" of the agreement by the Mainland Affairs Council is at <http://www.gio.gov.tw/public/Data/8111814282871.pdf>.)

⁶ Emmanuelle Tzeng, "Opposition blasts DOH over cross-strait agreement on food safety," CNA, 10 November 2008.

⁷ Text at <http://www.gio.gov.tw/public/Data/8111814232671.pdf>. (An "explanation" of the agreement by the Mainland Affairs Council is at <http://www.gio.gov.tw/public/Data/8111814232671.pdf>.)

⁸ Deborah Kuo, "SEF pushes for increased number of cross-strait charter flights," CNA, 21 December 2008.

⁹ The Taiwan Tourism Bureau had halved the number of members required to form a group (to five), raised the ratio of "free touring" time to one-third of the total visit (up from one-fifth), and extended the maximum stay from 10 up to 15 days. (Philip Liu, "Direct cross-strait transportation link kicks off today," *Taiwan Economic News*, 15 December 2008.) Also many cities and counties began to cooperate to devise strategies to lure more Mainland tourists to visit. (Flor Wang, "Southern counties eyeing tourism opportunities from direct links," CNA, 15 December 2008.)

¹⁰ Philip Liu, "Travel agencies vying for employee incentive tours for Taiwanese enterprises in China," *Taiwan Economic News*, 1 December 2008.

¹¹ Dennis Engbarth, "Taiwan DPP poll shows 84.1% want ratification of cross-strait pacts," *Taiwan News*, 24 October 2008.

¹² A poll conducted by the Mainland Affairs Council found that over 80 percent of the public said they were satisfied with the establishment of direct routes vs. somewhat over 13 percent who said they were not. (Mainland Affairs Council, "MAC public opinion survey: Over 70 percent of the public are satisfied with the agreement and outcome of the 'Chiang-Chen talks'," 9 November 2008, Press Release No. 91, <http://www.mac.gov.tw/english/english/news/08091.htm>.)

¹³ "Explanation concerning the cross-strait air transport agreement," Mainland Affairs Council, 4 November 2008, <http://www.gio.gov.tw/public/Data/8111814232671.pdf>.

¹⁴ Flor Wang, "Straighter cross-strait air routes will not affect defense: premier," CNA, 4 November 2008.

¹⁵ Andrew Lee, "Checkpoints on shipping to ensure Taiwan's defense: minister," CNA, 17 November 2008.

¹⁶ Text at <http://www.gio.gov.tw/public/Data/8111814352771.pdf>. (An "explanation" of the agreement by the Mainland Affairs Council is at <http://www.gio.gov.tw/public/Data/8111814273171.pdf>.)

¹⁷ Ben Shen, "Direct cross-strait shipping expected to be big moneymaker," *Taiwan Economic News*, 3 November 2008.

¹⁸ Han Nai-kuo, "Keelung expects renewed prosperity from direct shipping with China," CNA, 15 December 2008. Even the Mainland's largest shipping firm, COSCO Group, reportedly signed a letter of intent to invest in the Kaohsiung Intercontinental Container Terminal, one of the 12 major construction projects Ma advocated during the presidential campaign. (Philip Liu, "China's largest shipping firm intends to invest in Kaohsiung harbor," *Taiwan Economic News*, 19 December 2008.)

¹⁹ Deborah Kuo, "Maritime pilots welcome opening of cross-strait shipping links," CNA, 15 December 2008.

²⁰ Han Nai-kuo, "Direct shipping to save NT\$2.5 billion a year for Formosa Plastics," CNA, 5 November 2008.

²¹ Y.F. Low, "Import ban on Chinese agricultural products to remain: president," CNA, 31 October 2008.

A less favorable side effect, but one that authorities were apparently prepared for, was the attempt to smuggle illegal drugs on board a ship within three days of the start of the direct shipping program. (Sofia Wu, "Police bust 1st drug smuggling case via cross-strait cargo charter," CNA, 18 December 2008.)

²² Text at <http://www.gio.gov.tw/public/Data/8111814361671.pdf>. (An "explanation" of the agreement by the Mainland Affairs Council is at <http://www.gio.gov.tw/public/Data/811181429371.pdf>.)

²³ Maubo Chang, "Official makes pitch in support of direct postal links with China," CNA, 15 October 2008.

²⁴ Han Nai-kuo, "Cross-strait postal remittance service to begin in mid-February," CNA, 28 December 2008. Remittances from Taiwan to the Mainland have been possible since 1991, but not the other way around.

²⁵ "Mainland Affairs Council: Government officials to communicate directly in cross-strait negotiations,"

CNA (Chinese), carried in *China Times*, translated in summary by OSC, CPP20081112100001.

²⁶ “Taiwan quickens implementation of four agreements reached with Mainland,” *Zhongguo Tongxun She*, 6 November 2008, translated in summary by OSC, CPP20081106072025.

²⁷ “Pacts inked to expand direct ties,” *China Daily*, 5 November 2008.

²⁸ “Transcript of Press Conference by PRC State Council Taiwan Affairs Office in Beijing,” 12 November 2008, translated by OSC, CPP20081112038001. (Chinese-language transcript is available at http://www.gwytb.gov.cn/xwfbh/xwfbh0.asp?xwfbh_m_id=102. It contains further details of the achievements at the meetings.)

²⁹ “Mainland Taiwan Affairs chief describes cross-Strait visit as one of exploration, cooperation, peace,” *Xinhua*, 7 November 2008, disseminated by OSC, CPP20081107968192.

³⁰ “Remarks by Minister Lai Shin-Yuan in the meeting with Chairman Chen Yun-Lin,” Mainland Affairs Council, 4 November 2008, <http://www.mac.gov.tw/english/english/cc2/t971104b.pdf>.

³¹ Mainland Affairs Council, Press Release No. 90, 7 November 2008, <http://www.mac.gov.tw/english/index1-e.htm>.

³² Lilian Wu, “China’s top envoy ‘more Taiwanese’ after visit: president,” CNA, 7 November 2008.

³³ According to an Executive Yuan poll conducted within a few days of the Chen Yunlin visit, satisfaction with each of the agreements was over 60 percent. Numbers of satisfied respondents vs. dissatisfied were as follows: air transport agreement 62.7 percent vs. 18 percent; maritime transport agreement 62.9 percent vs. 19.4 percent; postal services agreement 71 percent vs. 12.2 percent; and food safety agreement 66.6 percent vs. 21.1 percent. Over half of the respondents thought the agreements either benefited both sides (36.4 percent) or benefited Taiwan more (20.4 percent). They thought Taiwan’s economic and trade development would benefit by 60.3 percent vs. 26.8 percent. And they thought the four agreements would benefit Taiwan’s sovereignty and international space by 45.5 percent vs. 36.9 percent. (Executive Yuan Research, Development and Evaluation Commission, “Survey of ARATS Chairman Chen Yunlin’s visit to Taiwan,” 12 November 2008, translation carried by Kuomintang News Network, <http://www.kmtnews.net/client/eng/NewsArtical.php?REFDOCID=00aygvivzzq10iv2&TYPIDJump=00air8vknmxqomxb>.)

Other polls ranged both higher and lower. A Global Views Survey Research Center poll found that 47.4 percent of respondents thought the agreements were either beneficial to both sides (12.5 percent) or more beneficial to Taiwan (34.9 percent). That same poll found that between 43 and 47 percent of respondents thought that the agreements had not hurt Taiwan’s sovereignty (depending on which agreement was being asked about), vs. 23–29 percent who thought they had. (“GVSRC survey on Taiwanese people’s attitudes toward economic agreements with China and cross-Strait exchanges,” Global Views Survey Research Center, 10 November 2008, http://www.gvm.com.tw/gvsrcc/200811_GVSRC_otherissue_E1.pdf.)

A Mainland Affairs Council poll returned higher support rates for the agreements, with over 70 percent reportedly satisfied with the new air transport arrangements, over 80 percent satisfied with the sea transport agreement, almost 69 percent satisfied with the food safety agreement, and almost 85 percent in favor of the postal services agreement. Over two-thirds of respondents to the MAC poll disagreed with the assertion that Chen’s visit undermined Taiwan’s dignity. (Mainland Affairs Council, “MAC public opinion survey: Over 70 percent of the public are satisfied with the agreement and outcome of the ‘Chiang-Chen talks’,” 9 November 2008, Press Release No. 91, <http://www.mac.gov.tw/english/english/news/08091.htm>.)

³⁴ The KMT LY caucus said that the two transport agreements and the postal agreement needed LY action while the food safety only needed to be “notified” to the LY. (Steve Bercic, “Agreements with China do not require law amendments: KMT caucus whip,” CNA, 7 November 2008.) On the other hand, the LY legal bureau said that allowing Mainland ships and planes into Taiwan “violated” the Statute Governing Relations Between the Peoples of the Taiwan Area and the Mainland Area (“Legislature legal director says parts of SEF-ARATS agreement violate law,” *Taiwan News*, 6 November 2008), but it never quite said the law would actually have to be amended nor did it explain how weekend charter flights had been able to land without such amendment. In any case, the KMT caucus agreed with the administration that if the LY failed to act, the agreements would automatically go into effect. (Shih Hsiu-chuan, “Deals with ARATS take effect today, KMT caucus says,” *Taipei Times*, 7 December 2008.)

³⁵ “DPP lawmakers to oppose cross-strait accords,” *China Post*, 17 November 2008.

³⁶ Dennis Engbarth, “Taiwan DPP poll shows 84.1% want ratification of cross-strait pacts,” *Taiwan News*, 24 October 2008.

³⁷ Flora Wang, “Wang urges draft on cross-strait deals,” *Taipei Times*, 30 September 2008.

³⁸ Shih Hsiu-chuan, “Cross-strait accords must get legislative approval: Wang,” *Taipei Times*, 2 November 2008.

³⁹ “民主進步黨對兩岸三通之聲明,” (“DPP statement about the cross-strait three links”), DPP, 15 December 2008, <http://www.dpp.org/tw>.

⁴⁰ Shih Hsiu-chuan, “DPP hinders cross-strait pacts,” *Taipei Times*, 15 November 2008.

⁴¹ Wang Pei-lin, Huang Wei-chu, and Shih Hsiao-kuang, “Ruling-opposition negotiation break down; Democratic Progressive Party to block four cross-strait agreements, launch scorched-earth protest,” *Tzu-yu Shih-pao*, 14 November 2008, translated in summary by OSC, CPP20081114100001.

⁴² Han Nai-kuo, “Cross-Taiwan Strait pacts to become effective automatically: KMT,” CNA, 30 November 2008.

⁴³ Sofia Wu, “Ma to reaffirm resolve to defend sovereignty in National Day speech,” CNA, 9 October 2008.

⁴⁴ “President Ma’s Promises,” ETTV Asia Channel interview with Ma Ying-jeou, 1 November 2008, reported in summary by OSC, CPP20081101072001.

⁴⁵ “Full text of remarks at the president’s press conference,” Office of the President, 6 November 2008, translated by OSC, CPP20081107046001.

⁴⁶ In his meeting with MAC chairwoman Lai, Chen reportedly referred to her as the “person in charge of Mainland Affairs,” but in the Chinese TV report to the Mainland her official title of “Taiwan’s Mainland Affairs Council Chairperson” was used. (Sofia Wu, “MAC chief stresses parity, trust in meeting with Chinese negotiator,” CNA, 4 November 2008.)

⁴⁷ CTI TV, 6 November 2008, reported by OSC, CPP20081125530001.

⁴⁸ “Minutes of an exclusive interview with Ma Ying-jeou,” Phoenix TV, 3 December 2008, translated by OSC, CPP20081205710012.

⁴⁹ “President Ma Meets Delegations from Taiwan’s Straits Exchange Foundation and Mainland China’s Association for Relations Across the Taiwan Straits,” (English-language summary), Office of the President, 6 November 2008, http://www.president.gov.tw/en/prog/news_release/print.php?id=1105499835, (accessed 18 November 2008). (The Chinese text of Ma’s full statement is at: “總統接見海基、海協兩會代表團” [President meets SEF and ARATS delegations], <http://www.president.gov.tw/>, 11 November 2008.)

⁵⁰ One poll showed respondents split about evenly between those who approved Ma’s performance when meeting with Chen and those disapproving (33 percent approval vs. 32 percent disapproval). (“Lien-ho Pao public opinion poll: Ma-Chen meeting, Ma appraised at two extremes, Tsai image suffers serious harm,” Lien-ho Pao, 7 November 2008, <http://udn.com/NEWS/NATIONAL/NATS6/4590841.shtml>, translated in summary by OSC, CPP20081107100001.)

The Executive Yuan RDEC 12 November poll (see endnote 33) showed 49.4 percent of respondents satisfied with the content of Ma’s conversation with Chen (vs. 29.3 percent dissatisfied), while 49.3 percent were satisfied with Ma’s overall performance during the visit (vs. 39.1 percent dissatisfied).

On the other hand, a TVBS poll found that only 35 percent of respondents were satisfied with Ma’s performance during his meeting with Chen vs. 41 percent who were dissatisfied. That same poll revealed, however, that by 60 percent vs. 23 percent, respondents were not worried that Ma would betray Taiwan’s national interests. (TVBS Public Opinion Poll, “Survey on ARATS chairman Chen Yunlin’s visit to Taiwan and student protests,” 10 November 2008, translation carried on Kuomintang News Network, <http://www.kmtnews.net/client/eng/NewsArtical.php?REFDOCID=00aycjbkkybuqi6t&TYPIDJump=00air8vknmxqomxb>.) This contrasts sharply with DPP polling numbers from late December that showed 50.4 percent of respondents did not trust the Ma administration’s handling of cross-strait relations with Beijing vs. 44.3 percent who said they did. (“2008 China’s public image in Taiwan—public survey conducted by the DPP Survey Center,” DPP Newsletter, 2008 November–December.)

After considering these numbers, however, it is perhaps worth noting that in the December GVSRC “Taiwan Public Mood Index,” which was based on polling from 15–16 December, the trust index for Ma rose to 50.6, the highest level since August, and the cross-strait relations alleviation outlook index rose to 65.9, the highest level since June. (“GVSRC Survey: Taiwan Public Mood Index, December 2008, http://www.gvm.com.tw/gvsr/GVSRC_TPMI_200812_ENG.pdf.)

Ma’s overall numbers continued to seriously lag, however, due to the economic situation. One survey at the end of the year found that 33.4 percent of respondents were satisfied with Ma’s performance since taking office vs. 55.3 percent who were not. Moreover, 75.7 percent of the respondents were dissatisfied with current economic performance vs. 18.1 percent who were satisfied, although by 47 percent vs. 27

percent they thought the influence of the international environment was responsible for Taiwan's poor economic performance rather than the lack of an overall government plan (20 percent) or poor performance by the economic team in the Executive Yuan (7 percent). ("Survey on State of the State, 2009," *Commonwealth Magazine*, 31 December 2008, translation in Kuomintang News Network, <http://www.kmtnews.net/client/eng/NewsArtical.php?REFDOCID=00azo6dgmchxf3t9&TYPIDJump=00air8vknmxqomxb>.)

⁵¹ "Transcript of press conference by PRC State Council Taiwan Affairs Office," 12 November 2008, translated by OSC, CPP20081112038001. (Chinese transcript at http://www.gwytb.gov.cn/xwfbh/xwfbh0.asp?xwfbh_m_id=102.)

⁵² "Ma Ying-jeou meets Chen Yunlin," *Xinhua* (Chinese), TAO website, 6 November 2008, http://www.gwytb.gov.cn/gzyw/gzywl.asp?gzyw_m_id=1755.

⁵³ Alan D. Romberg, "Cross-Strait Relations: First the Easy Steps, Then the Difficult Ones," *China Leadership Monitor*, No. 26, p. 8.

⁵⁴ Liu Shang-yun and Chiang Hui-chen, "Lai Shin-yuan says DPP plays ethnic politics, fails to explain its policies," *Chung-kuo Shih-pao*, 10 November 2008, translated in summary by OSC CPP20081110100002.

⁵⁵ Yen Ch'ing-yu, "DPP criticizes Lai Shin-yuan, says Lai is political hatchet man," *Chung-kuo Shih-pao*, 10 November 2008, translated in summary by OSC, CPP20081110100002.

⁵⁶ Elizabeth Hsu, "MAC chairwoman announces her withdrawal from TSU," *CNA*, 13 October 2008.

⁵⁷ Han Nai-kuo, "TSU expels MAC chairwoman from party," *CNA*, 14 October 2008.

⁵⁸ Ko Shu-ling, Jimmy Chuang, and Flora Wang, "ARATS man jostled, jeered at in Tainan," *Taipei Times*, 22 October 2008.

⁵⁹ Tania Branigan, "Taiwanese protesters attack Chinese envoy," *Guardian*, 21 October 2008.

⁶⁰ David Young, "Ex-Pres. Chen: Zhang comes to 'ask for it'," *China Post*, 23 October 2008.

⁶¹ David Young, "Visiting PRC official mobbed in Tainan," *China Post*, 22 October 2008.

⁶² Private communication from colleague in Taiwan.

⁶³ David Young, "Visiting PRC official mobbed in Tainan," *China Post*, 22 October 2008.

⁶⁴ Mark Magnier, "Chinese official roughed up by crowd in Taiwan," *Los Angeles Times*, 22 October 2008.

⁶⁵ "Taiwan Gov't is to blame for the brawl in Tainan: Taiwan DPP Chair," *Taiwan News*, 23 October 2008.

⁶⁶ "DPP's statement concerning the Zhang Mingqing incident," Democratic Progressive Party, 21 October 2008, at <http://www.dpp.org.tw/>.

⁶⁷ "State Council Taiwan Affairs Office (TAO) spokesman issues statement on the violent attack on Zhang Mingqing in Taiwan," TAO (in Chinese), 21 October 2008, http://www.gwytb.gov.cn/gzyw/gzywl.asp?gzyw_m_id=1726.

⁶⁸ Andrew Lee, "China official says mobbing of his deputy may dent cross-strait ties," *CNA*, 21 October 2008. The PRC called for punishment for those responsible, and indeed the Tainan City Councilor involved was indicted for rallying a mob attack ("Taiwan councilor indicted for attacking visiting mainland scholar," *Xinhua*, 30 October 2008). In addition, the police commissioner of Tainan City was transferred to a deputy director post in the National Highway Police Bureau. (Ruth Wang, "Tainan police director transferred after Chinese official besieged," *CNA*, 21 October 2008.)

⁶⁹ Tzeng I-ch'ing, "Seven Chinese officials cancel trip to Taiwan at last minute," *Lien-ho Pao*, 23 October 2008, translated in summary by OSC, CPP20081023100002. Such cancellations continued over the succeeding weeks. (Ralph Jennings, "Safety-wary China officials cancel Taiwan trips: KMT," *Reuters*, 9 November 2008.)

⁷⁰ Transcript of PRC State Council TAO News Conference," 29 October 2008, translated by OSC, CPP20081029038001.

⁷¹ "Security force of 10,000 deployed to ensure Chen Yunlin's safety," *Taipei Newspapers* (summary), Kuomintang News Network, 3 November 2008, <http://www.kmtnews.net/client/eng/NewsArtical.php?REFDOCID=00ay2l3qglw3xpps&TYPIDJump=00airl7gdql55u7h>.

⁷² Rich Chang, Mo Yan-chih, Meggie Lu, and J. Michael Cole, "Protesters say measures recall the martial law era," *Taipei Times*, 4 November 2008.

⁷³ Steve Bercic, "Nearly 150 police officers injured during ARATS chief's visit," *CNA*, 7 November 2008.

⁷⁴ Rich Chang, Mo Yan-chih, Meggie Lu, and J. Michael Cole, "Protesters say measures recall the martial law era," *Taipei Times*, 4 November 2008.

⁷⁵ Dennis Engbarth, “Protests were ‘victory’ for Taiwan people, says Tsai,” *Taiwan News*, 8 November 2008.

⁷⁶ Rich Chang and Loa Iok-sin, “CROSS-STRAIT TALKS: DPP encourages protesters to join a ‘siege of Boai,” *Taipei Times*, 6 November 2008.

⁷⁷ “Chairperson Tsai: adhere to principles of peace, rational and non-violent. ‘Yellow Ribbon Siege’ ended at 5:30 pm,” 7 November 2008, <http://www.ddp.org.tw/>.

⁷⁸ “Chairperson Tsai: government which forced its people to take to the streets is the real [violent government],” Democratic Progressive Party, 7 November 2008, <http://www.dpp.org.tw/>.

⁷⁹ Maubo Chang, “President’s spokesman accuses DPP chief of shedding responsibility,” CNA, 8 November 2008.

⁸⁰ “Standing at a new starting point of history: interview with President Ma Ying-jeou,” China Television Company (CTV), 7 November 2008, translated in summary by OSC, CPP20081107072002. A month later, the National Police Agency issued a detailed statement that touched on these issues in describing what had been done to provide security for Chen and why. (“A clarification on the security arrangement during the visit of Mr. Chen Yunlin,” National Police Agency carried by Kuomintang News Network, 5 December 2008, <http://www.kmtnews.net/client/eng/NewsArtical.php?REFDOCID=00aayywik5fit8nzi&TYPIDJump=00air17gdql55u7h>.)

⁸¹ Mo Yan-chih and Rich Chang, “Violence ends, finger-pointing begins,” *Taipei Times*, 8 November 2008.

⁸² Ibid.

⁸³ Rich Chang and Loa Iok-sin, “CROSS-STRAIT TALKS: DPP encourages protesters to join a ‘siege of Boai,” *Taipei Times*, 6 November 2008.

⁸⁴ Loa Iok-sin and Jimmy Chuang, “Liao apologizes to injured reporter,” *Taipei Times*, 9 November 2008.

⁸⁵ Dennis Engbarth, “Protests were ‘victory’ for Taiwan people, says Tsai,” *Taiwan News*, 8 November 2008.

⁸⁶ “Taiwan president Ma fails to reflect on his behavior: DPP Chair Tsai,” *Taiwan News*, 24 November 2008.

⁸⁷ Dennis Engbarth, “Protests were ‘victory’ for Taiwan people, says Tsai,” *Taiwan News*, 8 November 2008.

⁸⁸ “Chen Yunlin gets taste of democracy; says ‘I’ve heard’ opposition voice,” *Apple Daily*, 4 November 2008, translated in summary by OSC, CPP20081104569001.

⁸⁹ On the night of the major demonstrations, a TVBS poll asked whether the protests were “normal phenomena for a democratic country and should be tolerated” or whether they had “gotten out of line and should not be tolerated.” The latter response—“out of line and should not be tolerated”—drew 50 percent support while only 29 percent agreed they were “normal” and should be tolerated. In that same poll, while 33 percent of respondents thought that police actions to maintain law and order had been “excessive,” 19 percent thought the measures had been “too loose” and 27 percent thought the policy had been “moderate.” That is, 46 percent thought the police actions had been “moderate” or even “too loose,” while only 33 percent found them excessive. (“Survey on protests against ARATS chairman Chen Yunlin’s visit to Taiwan,” TVBS Public Opinion Poll Center, 6 November 2008, summarized translation on Kuomintang News Network, 10 November 2008. The original TVBS survey is available at http://www.tvbs.com.tw/FILE_DB/DL_DB/doshouldo/200811/doshouldo-20081107135807.pdf.)

Other polls showed similar results. A Lien-ho Pao poll showed 61 percent of the general public (neither pro-Green nor pro-Blue) saw DPP supporters as having been “out of line” whereas only 25 percent thought they were legitimately “exercising their freedom of speech.” The same poll found 49 percent held the DPP alone responsible for the violent conflicts, 28 percent blamed the police, and 22 percent thought both were to blame. (“Survey on the satisfaction ratings of President Ma Ying-jeou and DPP chairwoman Tsai Ing-wen after the Ma-Chen Meeting, as well as protests and marches held by pan-Green camps,” United Daily News, 7 November 2008, summarized translation on Kuomintang News Network, 7 November 2008. The original UDN poll is available at <http://udn.com/NEWS/NATIONAL/NATS6/4590840.shtml>)

Chung-kuo Shih-pao found that 19.7 percent of respondents attributed the conflicts to excessive police action, 11.5 percent thought police and demonstrators shared responsibility, and 53.8 percent thought the protestors were out of control. (“Survey on second Chiang-Chen Meeting,” *China Times*, 7 November 2008, summarized translation in tabular form at Kuomintang News Network, 7 November 2008.)

A *P’ing-kuo Jih-pao* (*Apple Daily*) poll showed 31.7 percent of respondents held Tsai Ing-wen

responsible for the bloody clashes while 29 percent blamed legislators, 25.2 percent blamed Ma, 5.5 percent said Chen Yunlin was responsible, and 2.8 percent blamed the police. (“Apply Daily [6 November] poll: 31.66 percent say Tsai Ing-wen responsible,” *Chung-kuang Hsin-wen Wang*, 8 November 2008, translated in summary by OSC, CPP20081109102001). Another *Apple Daily* poll in the same time frame showed that 62 percent of the people believed the clashes had damaged the DPP’s image. (“Ma demands Tsai Ing-wen take responsibility for bloody clashes in Beleaguered City activity,” *P’ing-kuo Jih-pao*, 8 November 2008, translated in summary by OSC, CPP20081109569001.)

⁹⁰ *Lien-ho Pao* found that while the general public split about evenly in evaluating Ma’s performance when receiving Chen Yunlin (satisfied 33 percent, dissatisfied 32 percent), by two-to-one (53 percent vs. 26 percent) they were dissatisfied with Tsai Ing-wen’s handling of the protests and marches. (“Survey on the satisfaction ratings of President Ma Ying-jeou and DPP chairwoman Tsai Ing-wen after the Ma-Chen Meeting, as well as protests and marches held by pan-Green camps,” *United Daily News*, 7 November 2008, summarized translation on Kuomintang News Network, 7 November 2008. The original UDN poll report is at <http://udn.com/NEWS/NATIONAL/NATS6/4590841.shtml>.)

Global Views Survey Research Center (GVSRC) found that 55.2 percent of respondents thought Tsai Ing-wen failed to take responsibility for the protests, while 24.7 percent disagreed. (“Survey on Taiwanese people’s attitudes toward economic agreements with China and cross-strait exchanges,” GVSRC, 10 November 2008, http://www.gvm.com.tw/gvsrc/200811_GVSRC_otherissue_E1.pdf.)

In GVSRC’s monthly “public mood index” survey, taken a week after Chen Yunlin’s visit, “trust in the opposition side” dropped from 42 to 35.4, a record low since the DPP left office in May. Moreover, the trust index for the DPP alone dropped to 31.7, and the trust index for Tsai personally plummeted from 50.1 to 39.1. She recovered partially over the next month, to 42.3, but trust in her remained between 8 and 18 points lower than any month since the beginning of the year other than November. The trust index for the DPP inched upward to 32.3 in December. (“Taiwan Public Mood Index, December 2008,” GVSRC, 26 December 2008, http://www.gvm.com.tw/gvsrc/GVSRC_TPMI_200812_ENG.pdf.)

⁹¹ Ko Shu-ling, “Assembly law should be changed: Ma,” *Taipei Times*, 17 November 2008. This position was reflected in the Executive Yuan’s proposal to the LY, which made provision for the police to invalidate the registration within 36 hours on three grounds: when a protest would jeopardize national security, social order, or public interest; if the activity would endanger lives, freedom, or property; or when an event taking place close to another event could cause problems. The vice minister of interior noted that even under the permit system, less than 0.0035 percent of applications were rejected, and gave his promise that this percentage would only go down under the new system, the three caveats notwithstanding. (Shih-Hsiu-chuan, “Cabinet proposes altering Assembly and Parade Law,” *Taipei Times*, 5 December 2008.)

There has been a great deal of criticism of the current detention system from the legal community. (“Legal experts attack Taiwan’s detention system for suspects,” *Taiwan News*, 12 December 2008.) Although Ma has continued to argue that pre-trial detention, which requires a court decision, is not a violation of human rights and is not practiced excessively in Taiwan (Mo Yan-chih, “Ma receives former law mentor,” *Taipei Times*, 17 December 2008), he has also proclaimed himself open to revision of the detention act to clarify distinctions of treatment between those who have not been found guilty of any crime and those who have. (Y.F. Low, “President supports proposal to revise Detention Act,” *CNA*, 10 December 2008.)

⁹² “Taiwan DPP Chair Tsai Ing-wen rebuts President Ma’s ‘violence’ claim,” *Taiwan News*, 17 November 2008.

⁹³ *Ibid.*

⁹⁴ Andrew Lee, “DPP leader apologizes for not amending assembly and parade law,” *CNA*, 23 November 2008.

⁹⁵ Loa Iok-sin, “Legislators bicker over assembly law,” *Taipei Times*, 20 November 2008.

⁹⁶ Mao Leilei, “Wang Yi says that ARATS chairman’s visit to Taiwan on invitation is a new starting point in ARATS-SEF systematized consultations,” *Xinhua*, 3 November 2008, translated by OSC, CPP20081103172017.

⁹⁷ Sofia Wu, “ARATS official arrives for study of post-quake reconstruction,” *CNA*, 22 September 2008.

⁹⁸ “Chinese Mainland send [sic] 13 wanted people to Taiwan,” *Xinhua*, 22 October 2008, disseminated by OSC, CPP20081022968206.

⁹⁹ Yu Yingrui, “Relationship between the two sides across the Taiwan Strait,” *Xinhua* (Chinese), 23 October 2008, translated by OSC, CPP20081023136021.

¹⁰⁰ Jacqueline Wong, "China, Taiwan sign deals to boost oil exploration," Reuters, 26 December 2008. Four agreements were signed, including for cooperation in Kenya, in the Taiwan Strait, and in areas off shore of Guangdong and Fujian provinces.

¹⁰¹ A Singapore commentary said that, beyond shipping, "it is doubtful if any of Taiwan's moves to improve the island's economic links with China will have a significant impact." The author noted the problems attracting significant numbers of tourists, and the fact that limited access to Taiwan's stock market would probably drive down that market's attractiveness to Mainland investors, for example, meant that it was far from assured that the Mainland would help Taiwan through its difficult downturn. (Bruce Gale, "Taipei can't count on Beijing for economic lifeline," *Straits Times*, 17 December 2008.)

¹⁰² When Mainland exports were booming, Taiwan's exports boomed as well. In the first half of 2008, for example, Taiwan's exports to the Mainland rose 21.7 percent. (Judy Li, "Taiwan's exports to China surge 21.7% in first half," *Taiwan Economic News*, 3 September 2008.) In August, they rose another 20 percent. (Zhou Yingfeng, "Cross-Strait trade volume hits \$12.23 billion in August," Xinhua (Chinese), 13 October 2008, translated in summary by OSC, CPP20081013072014.)

In November, however, Taiwan's total export orders dropped year-on-year by over 28.5 percent, the largest monthly drop ever recorded. The connection to the Mainland is obvious when it is seen that orders from the Mainland and Hong Kong plummeted by almost 45.4 percent, the second largest year-on-year monthly decline ever. Orders from the United States fell by 29.3 percent. (Y.F. Low, "November export orders down 28.51 percent," CNA, 23 December 2008.)

Actual exports plunged 41.9 percent in December (year-on-year), the sharpest decline ever recorded, and the fourth monthly drop in a row. (Flor Wang, "Taiwan sees biggest fall in trade surplus in 27 years," CNA, 7 January 2009.) Electronics were particularly hard hit. Since exports represent about 70 percent of GDP, the economy actually shrank 1 percent in the third quarter from a year earlier, the first contraction since 2003. (Janet Ong, "Taiwan exports plunge 23%, most in 7 years," Bloomberg in *China Post*, 9 December 2008. Also, Crystal Hsu, "Exports dip to lowest in seven years," *Taipei Times*, 9 December 2008.) PRC and U.S. demand was seen as unlikely to recover any time soon, contributing to the bleak picture. (Tim Culpan and Janet Ong, "Taiwan export orders fall 1st time in 6 years," Bloomberg in *China Post*, 25 November 2008.) The fact that Taiwan's December exports to the Mainland had posted a record decline of 54 percent was taken as a sign of a looming crisis in Taiwan's external trade. (Crystal Hsu, "Taiwan's imports, exports at record low," *Taipei Times*, 8 January 2009.)

With total PRC exports down by 2.2 percent in November, the first monthly contraction in over seven years (Don Lee, "Slumping trade a sign of great fall for China," *Los Angeles Times*, 11 December 2008), and the Mainland's imports down 17.9 percent during the same month, Taiwan's gloom deepened as some analysts predicted that PRC exports could drop a further 19 percent in the first quarter of 2009. (Andrew Jacobs and David Barboza, "Unexpected drop in China's imports and exports," *International Herald Tribune*, 11 December 2008.)

¹⁰³ Financial issues were already prominent on the agenda in October, when Taiwan's deputy minister of economic affairs met with TAO director Wang Yi. (Andrew Lee, "Taiwan, China officials discuss cross-strait issues in Beijing," CNA, 14 October 2008.) When Chen Yunlin went to Taipei two weeks later, his 60-person delegation included a number of experts who addressed these issues with Taiwan counterparts. ("Transcript of Press Conference by PRC State Council Taiwan Affairs Office," 12 November 2008, translated by OSC, CPP20081112038001.) And at the end of the month, the vice chairman of the Financial Supervision Commission led a 116-person delegation to Beijing to attend the 14th annual cross-strait financial conference, where issues relating to an MOU were also taken up. (Philip Liu, "Cross-strait financial seminar to kick off on Nov. 25," *Taiwan Economic News*, 24 November 2008.) During the course of that conference, the chairwoman of the government-owned Taiwan Financial Holding Company indicated that a financial services agreement would be signed in the first half of 2009, paving the way for Taiwan banks and brokerages to set up units in the Mainland, upgrade their representative offices to branches, and invest in Mainland banks. (Li Yanping and Zhang Dingmin, "China, Taiwan to sign financial accord next year," Bloomberg in *China Post*, 26 November 2008.) Once the details of the MOU were confirmed, the chairman of the Taiwan International Securities Investment Consulting Corporation said, they would start studying investment opportunities in the Mainland, where he felt, despite the current downturn, the stock market remained attractive for the long run. (Wang Xu, "Cross-Straits financial supervision soon," *China Daily*, 26 November 2008.)

Economic issues, including a financial MOU, were again front and center on the agenda of the KMT-

CCP forum held in Shanghai 20–21 December, part of the effort to tee up a formal agreement when Chiang Ping-kun goes to the Mainland in the spring for the third SEF-ARATS meeting in the current series. However, the DPP continued to call for disbanding of the KMT-CCP dialogue: “Our directly elected government should represent our country in negotiations with China...no political party can substitute for the government,” Tsai had said. (Dennis Engbarth, “Protests were ‘victory’ for Taiwan people, says Tsai,” *Taiwan News*, 8 November 2008.)

Although Taiwan is leaning strongly in the direction of further opening up, from Taipei’s perspective the sectors in Taiwan to be opened to Mainland capital still need to be defined. Taipei’s goal is to allow such investment in sectors that could help spur domestic employment, upgrade local industry and increase capital injection into the market. But such things as entry-exit procedures, labor and health insurance policy issues, opening of bank accounts and related legal issues, and the maximum period that investors could stay in Taiwan all remain to be settled. (Wang Xu, “Cross-Straits financial supervision soon,” *China Daily*, 26 November 2008.) As already noted, since Mainland investments are apparently going to be limited to a maximum of 10 percent of the shares of a Taiwan company (Chiang Hui-chen and Huang Hsin-yi, “Taipei to allow Chinese capital to invest in Taiwan stock market starting from December,” *Chung-kuo-Shih-pao*, 27 November 2008, translated in summary by OSC, CPP20081128100001), some analysts have questioned how attractive such investment opportunities would actually be to Mainland investors and thus how much help they would provide to Taiwan’s economy. (Bruce Gale, “Taipei can’t count on Beijing for economic lifeline,” *Straits Times Online*, 17 December 2008, disseminated by OSC, CPP20081217094001.)

Meanwhile, the Investment Commission under the Ministry of Economic Affairs announced that the number of businessmen from the Mainland that any Taiwan firm could invite each year has been increased from 30 to 200. (Lin T’ing-yao, “Taiwan relaxes rules on business travelers from China,” *Ching-chi Jih-pao* in *Lien-ho Pao*, 27 November 2008, translated in summary by OSC, CPP20081128100001.)

¹⁰⁴ For its part, as early as September the PRC said it was paying “enormous attention” to problems faced by Taiwan-funded enterprises and making efforts to adopt appropriate measures to support such firms in transforming and upgrading themselves to achieve sustainable development. (Shen Yang and Lan Tianwei, “China will support and assist Taiwan-funded enterprises in transformation and upgrading says Sun Yafu, Deputy Director of the State Council’s Taiwan Affairs Office,” Xinhua Asia-Pacific Service, 22 September 2008, translated by OSC, CPP20080922074006.)

With the onset of the global financial and economic crisis after that, the Mainland took more aggressive steps. In November, TAO Director Wang Yi noted 10 measures adopted by the State Council to fuel domestic demand and boost PRC economic growth. He said these measures would afford Taiwan investors great opportunities. Moreover, he specified five ways in which the Mainland would help Taiwan enterprises:

“First, expand the sphere of investment for Taiwan firms, upgrade cross-strait cooperation, and help Taiwan-funded enterprises participate in mainland’s infrastructure and major construction projects. Second, bring about stepped up cross-strait cooperation in the tertiary industry and promote Taiwan enterprises’ investment in modern service trade. Third, encourage Taiwan investment in mainland’s resources exploitation, energy saving and environmental protection industries, and carry out cross-strait exchanges in energy conservation and environment protection technology. Fourth, support and assist Taiwan-funded enterprises in seeking independent innovation, upgrade, and accelerate pace of industrial transition to mainland’s mid-west region. Fifth, speed up cross-strait financial cooperation. In the course of the policy readjustment of reasonably increasing the scale of credit, give comprehensive consideration to the capital needs of the small and medium size Taiwan-funded enterprises and offer them convenience in capital accommodation.” (Li Dan, “Wang Yi says Mainland will work out specific measures to support development of Taiwan enterprises,” Xinhua, 16 November 2008, translated by OSC, CPP20081116136006.)

As Taiwan’s Mainland Affairs Council was stressing that the next phase of SEF-ARATS negotiations would focus on helping Taiwan enterprises in the Mainland (“Mainland Affairs Council: next phase of cross-strait negotiations to focus on Taiwan enterprises in China,” CNA in *Lien-ho Pao*, 27 November 2008, translated in summary by OSC, CPP20081128100001), ARATS president Chen Yunlin encouraged Taiwan firms to “actively cope” with their current difficulties. Perhaps reacting to instances where Taiwan owners had shut their factories and walked away without giving workers back pay—leading to social

tensions in several instances—Chen noted that Beijing had paid great attention to Taiwan businesses' calls for help and had taken steps to assist them to weather the crisis, including by raising export tax rebates three times during the year. ("ARATS chief encourages Taiwan businesses in Mainland to weather difficulty," Xinhua, 27 November 2008; disseminated by OSC, CPP20081127968230.) Nonetheless, SEF was planning to press the Mainland for further tax relief for Taiwan investors. (Andrew Lee, "SEF will seek tax relief for Taiwanese businessmen in China," CNA, 16 December 2008.)

Moreover, even before the financial MOU had been negotiated, Taiwan's Financial Supervisory Commission (FSC) reached agreement with two leading Chinese banks to establish a joint cross-Strait platform to help Taiwan firms invested in the Mainland to cushion the impact of the global financial crisis through the provision of adequate financial support. (Philip Liu, "Taiwan, China to set up joint platform for bailing out Taiwan-invested firms," *Taiwan Economic News*, 28 November 2008.)

And in December, Wang Yi followed up at the KMT-CCP forum, announcing 10 measures to support development of Taiwan companies invested in the Mainland. ("Chinese mainland announces ten measures for co-op with Taiwan," Xinhua, 21 December 2008, http://news.xinhuanet.com/english/2008-12/21/content_10532829.htm.) Among these, in addition to PRC television manufacturers buying \$2 billion worth of flat screen monitors from Taiwan companies, and increasing agricultural cooperation with Taiwan, Wang announced that three PRC banks would provide a total of \$18.99 billion in financing for Taiwan-invested firms over the next three years. (Chang Ming-kun, Kuo Mei-lan, and Deborah Kuo, "China willing to extend economic support to Taiwanese firms: official," CNA, 21 December 2008.)

As some analysts pointed out, this assistance was very much in Beijing's own self-interest in an effort to bolster those firms' employment of large numbers of local workers. (Andrew Peale, "Beijing needs to ease Taiwan's Straits," *Wall Street Journal*, 23 December 2008), and, in fact, the government in Taipei indicated it would take its time to carefully assess the proposed measures. ("Taiwan evaluating economic aid offers from rival China," *Taiwan News*, 22 December 2008.) How much of this official skepticism reflected genuine caution about the economic effects and how much may have reflected determination by the bureaucracy to underscore its policy role vs. the KMT's "reference" role is not knowable, but that latter factor should not be ruled out.

Throughout this period, Ma Ying-jeou continued to stress that an important goal was not to encourage the expansion of Taiwan businesses in the Mainland, but to entice them back to Taiwan. He cited some progress in this effort (including the return of 17 companies) and promised aid in a variety of forms, including helping them to settle in a "special district" to be established specifically to accommodate such returning firms. ("Ma pledges a special district for Taiwanese companies returning from the Mainland," Taipei newspapers, summary by Kuomintang News Network, 8 December 2008.)

¹⁰⁵ "Exclusive interview with Taiwan president Ma Ying-jeou: Shelving disputes and facing reality in relations with China," *Sekai* (Japanese monthly journal), 1 November–30 November 2008, translated by OSC, JPP20081009026001.

¹⁰⁶ "President Ma attends 'Business Roundtable with the Government of Taiwan'," Office of the President, 18 November 2008, http://www.president.gov.tw/en/prog/news_release/print.php?id=1105499839.

¹⁰⁷ Y.F. Low, "Expansion of cross-strait charters could keep businessmen at home," CNA, 24 October 2008. Taiwan investments in the Mainland, which had grown robustly early in the year, took a nosedive as the PRC's export markets were impacted by the global financial crisis. As a result, investment, which had increased by almost 25 percent in the first five months of the year, dropped over 34 percent year-on-year in the third quarter (Flor Wang, "China-bound investment rush cooling off: MAC vice chief," CNA, 19 November 2008), and for the first eight months as a whole, declined by almost 10 percent. (Judy Li, "Taiwan investments in China decline 9.91% in first 8 months," *Taiwan Economic News*, 24 September 2008.)

¹⁰⁸ Not only did foreign investments in the island plummet—by over 46 percent in the first 10 months of the year—but indicators continued in a relentless downward direction (employment, production, wages, export orders, etc.) and various forecasting bodies one after the other adjusted their projections into negative territory for the last quarter of 2008 and at least the first quarter of 2009. Indeed, projections for 2009 edged back into the black only after taking account of the \$15 billion stimulus package focused on job creation that Ma announced late in the year (Elizabeth Hsu, "Economic stimulus package to lift GDP: president," CNA, 22 November 2008), a \$27 billion "rescue" fund (Ken Liu, "Taiwan government plans a mega rescue fund," *Taiwan Economic News*, 11 November 2008), a five-year tax holiday on almost all investments between July 2008 and December 2009 (Philip Liu, "Gov't offering five-year tax holiday to all

investment projects,” *Taiwan Economic News*, 31 October 2008), incentives of various forms to spur automobile sales (Philip Liu, “Gov’t Resolves to Come to the Rescue of Auto Industry,” *Taiwan Economic News*, 20 November 2008), reduced income taxes (Philip Liu, “Legislature approves income tax cut initially,” *Taiwan Economic News*, 2 December 2008), and other similar measures.

Overall, however, the picture was grim. Unemployment set record after record as the year neared its end, and a prediction that the unemployed population would reach 500,000 by the end of the year (Chen Chia-en and Chang Li-te, “Number of unemployed likely to top 500,000 by end of year,” *P’ing-kuo Jih-pao*, 25 November 2008, translated in summary by OSC, CPP20081125569001) proved overly optimistic; that number was reached in November, with the 4.64 percent unemployment rate that month the highest in five years. (Judy Li, “Taiwan’s jobless rate hits 5-year high of 4.64% in Nov.,” *Taiwan Economic News*, 25 December 2008.) Some 202,000 of the total 507,000 unemployed had lost their jobs due to downsizing or company closures, a third of those job losses having occurred between September and November. (Emmanuelle Tzeng, “Taiwan’s unemployment rate climbs to 4.64 percent: DGBAS,” CNA, 22 December 2008.)

Many of those laid off recently were middle-aged or older breadwinners, which was seen as impacting families and society as a whole. (Crystal Hsu, “Unemployment rises for the fourth straight month,” *Taipei Times*, 25 November 2008.) Of particular concern, as well, was the fact that long-term unemployment (i.e., over 53 weeks) was growing, hitting a 3-year high in August (latest figures available to the author). It was noteworthy that over half of the long-term unemployed were 30 years old or younger, and 30 percent of them had a college education or above. (Judy Li, “Long-term unemployed in Taiwan hits 3-year high of 63,000,” *Taiwan Economic News*, 8 October 2008.) Whether government plans to enhance vocational skills for as many as 200,000 people would have a significant remedial effect remained to be seen. (Emmanuelle Tzeng, “CLA launches plans to promote vocational training for workers,” CNA, 12 December 2008.) A survey at year end found that 56.6 percent of respondents thought their economic situation would worsen over the coming year, and 68.3 percent feared they could lose their jobs. (“70 percent of Taiwanese fear for job in 2009: Magazine survey,” *Taiwan News*, 30 December 2008; a full translation of the poll, conducted by *Commonwealth* magazine, is found on the KMT News Network website at <http://www.kmtnews.net/client/eng/NewsArtical.php?REFDOCID=00azo6dgmchxf3t9&TYPIDJump=00air8vknmxqomxb>.)

Contributing to this already bleak picture, some 40 percent of domestic firms were planning to downsize their workforce, with 20 percent already having laid off workers or planning to do so soon. (Judy Li, “Over 40% of enterprises in Taiwan plan to downsize staff,” *Taiwan Economic News*, 2 December 2008.) And two-thirds of manufacturers indicated they had no plans—no plans—to invest in 2009. (Judy Li, “Over 60% of Taiwan manufacturers halt 2009 investment plans,” *Taiwan Economic News*, 9 December 2008.) Of those who did plan to replace workers, somewhat under a quarter planned to replace some or most of their regular workforce with part-time or temporary staff. Only 10 percent of firms were planning to recruit new workers by the end of the year, with 70 percent of those jobs likely going to entry-level workers. (Y.F. Low, “10% of businesses to lay off workers amid economic downturn: survey,” CNA, 19 November 2008.)

A poll of manufacturers showed that over 80 percent expected further declines in business in December and over two-thirds expected a worse situation over the next six months, the highest level of such pessimism ever recorded. Only 4.3 percent anticipated better performance over that period. (Chen Min-wei and Wu Ching-chun, “November export orders see record fall,” *P’ing-kuo Jih-pao*, 24 December 2008, translated in summary by OSC, CPP20081224569001.) The drop in PRC orders was attributed to falling American demand, and weaker orders were seen to “bode ill” for holiday sales, especially for electronics. (Tim Culpan and Janet Ong, “Taiwan export orders fall 1st time in 6 years,” *Bloomberg in China Post*, 25 November 2008.)

Salaries actually dropped over 3 percent in real terms in the first three quarters, after accounting for inflation (Y.F. Low, “Negative growth in real earnings hit 28 year high,” CNA, 25 November 2008), and per capita income was forecast to decline in 2009, only the fourth such drop since 1981 (the others being during the second oil crisis, the Asian financial crisis, and the bursting of the Internet bubble). (Judy Li, “Taiwan’s per capita GNP forecast to fall below \$18,000 for 2009,” *Taiwan Economic News*, 1 December 2008.) According to one poll, nearly one-fourth of all workers held part-time jobs. While many of these people had no other jobs, over half did hold full-time jobs but needed the additional income due to the economic downturn. Again, those in older age brackets (over 40) were disproportionately represented among the part-time employed. (Flor Wang, “Nearly one fourth of Taiwan’s workers hold part-time jobs:

poll,” CNA, 22 December 2008.) Overall, the number of people working 35 hours a week or less reached 741,000 in November, up from 536,000 in October, generally due to required unpaid leave. The deputy director of the Directorate General of Budget, Accounting and Statistics (DGBAS), which issued these data, noted that while these people were not counted in the unemployment figures, they would eventually pull down real wage growth if the phenomenon persisted. (Han Nai-kuo, “Unpaid leave affects 741,000 workers in Taiwan,” CNA, 22 December 2008.)

There were some bright spots. Acer became the number-one shipper of “brand-name” consumer notebook PC’s in the third quarter and was a close second in overall notebook PC shipments. (Steve Chuang, “Acer Unseats HP as No. 1 NB PC Brand by Shipment in Q3,” *Taiwan Economic News*, 19 November 2008.) Ma cited this success and the traditional strength of Taiwan’s IT industry to try to “talk up” the economy. (Y.F. Low, “President again expresses confidence in Taiwan’s economy,” CNA, 29 November 2008.) But in general the electronics industry was not faring well as the year wore on. Semiconductor production, for example, was projected to be down 6.5 percent for the year. (Claire Sung and Jessie Shen, “Taiwan IC production value down 6.5% in 2008, research suggests,” *DigiTimes*, 20 November 2008.) Hence, despite the morale boost Ma and others sought to spread, consumer confidence plummeted. (Steve Bercic, “Consumer confidence index reaches new low in November,” CNA, 28 November 2008.)

Some industries had a more optimistic outlook, such as a Taiwan-based maker of solar-grade crystalline silicon wafers that hit its 40th straight month of record revenues in November (“The monthly revenue of November has peaked record, consecutive 40 months record high,” Sino-American Silicon Products website, 8 December 2008, http://www.saswafer.com/index/index_en.aspx) and obtained funding in late December to construct a factory in northern Taiwan that would almost triple its capacity. (Nguyen Huang and Adam Hwang, “SAS secures NT\$2.5 billion syndicated loan for solar wafer capacity expansion,” *DigiTimes*, 19 December 2008, disseminated by OSC, CPP20081219312014.)

In terms of the overall cross-Strait impact, one consequence was that a number of Taiwan-based firms began to focus their Mainland operations on the PRC domestic market rather than continuing to concentrate only on export markets. (Xu Xiaoqing, “Newsletter: Financial crisis impels Taiwan businessmen in Shanghai to change to meet the contingency,” *Zhongguo Xinwen She* (in Chinese), 2 December 2008, disseminated and translated in summary by OSC, CPP20081202718009; also Philip Liu, “Financial tsunami deepens predicament of Taiwanese firms in China,” *Taiwan Economic News*, 16 December 2008.) The Taiwan government announced it was taking steps to help in that effort. (Rachel Chan, “TAITRA [Taiwan External Trade Development Council] to set up new offices in China to assist Taiwanese companies,” CNA, 26 December 2008.) (TAITRA made known that, with Taiwan’s trade surplus having fallen by 48 percent in the first 11 months of 2008 as compared with the same period in 2007, an even more important mission in 2009 was to help firms redirect their exports from China, Europe, and the United States to emerging markets such as Russia, the Middle East, and Central and South America.)

¹⁰⁹ “Taiwan to become GPA member,” *China Post*, 29 November 2008. The GPA Committee of the WTO unanimously approved Taiwan’s accession to the agreement on 9 December, and Taiwan will become a member 30 days after the LY approves the action.

All public construction projects involving procurement in excess of \$6 million will be required to be open to international bids. The U.S. Trade Representative calculated this would provide “assured access” to procurement opportunities in Taiwan worth around \$20 billion per year. (“US hails Taiwan’s joining WTO procurement pact,” AFP, 10 December 2008.) On the other hand, Taipei’s Cabinet-level Public Construction Commission predicted there would be little impact on domestic business in the initial stages because, it said, Taiwan was already very open to foreign bidders and suppliers. (Deborah Kuo, “GPA accession will have little impact on Taiwanese businesses: agency,” CNA, 10 December 2008.)

¹¹⁰ David Young, “Business in China facing challenges,” *China Post*, 24 November 2008.

¹¹¹ “President Ma attends ‘Business Roundtable with the Government of Taiwan,’” Office of the President, 18 November 2008, http://www.president.gov.tw/en/prog/news_release/print.php?id=1105499839.

The Mainland Affairs Council issued a press release discussing the next phase. Referring to a 7 November press conference by Lai Shin-yuan, it said the two sides would in the future hold discussions on priority issues for negotiations in the next phase. “These include: strengthening the order of cross-strait exchanges (joint crackdown on crime, expanding food safety cooperation, and quarantine and inspection of agricultural products); cross-strait financial cooperation (establishing a banking supervision and management mechanism, signing a memorandum of understanding on cross-strait securities and futures

supervision and management, and promoting cross-strait financial interaction); cross-strait economic and trade cooperation (cross-strait investment protection agreement, avoidance of double taxation, a mediation mechanism for cross-strait economic and trade disputes, cross-strait cooperation on standard inspection, measurement and certification, and cross-strait intellectual property rights protection), and other issues. Both sides have a strong intention to carry out follow-up discussions and will include issues of consensus within the scope of agreements to be signed during the next round of talks.” (“The second Chiang-Chen Talks establish a normal operation mechanism for institutionalized negotiations between the SEF and the ARATS and have major significance for promoting the normal development of cross-strait relations,” Mainland Affairs Council, Press Release No. 90, 7 November 2008, <http://www.mac.gov.tw/english/index1-e.htm>.)

¹¹² Romberg, “Cross-Strait Relations: First the Easy Steps, Then the Difficult Ones,” *China Leadership Monitor*, No. 26, pp. 5–6.

¹¹³ Flor Wang, “Time not ripe for intermediary bodies to exchange offices: MAC chief,” CNA, 16 December 2008. (Emphasis added)

¹¹⁴ C.Y. Lin and Steve Bercic, “U.S. has not considered costs of warmer cross-strait ties: DPP,” CNA, 9 September 2008.

¹¹⁵ “Chairperson Tsai: Sovereignty Dispute must be clarified ahead of Chen Yunlin’s visit,” Democratic Progressive Party, 23 September 2008, <http://www.org.tw/>.

¹¹⁶ Andrew Lee, “Chinese official’s visit will harm Taiwan: DPP chair,” CNA, 21 October 2008.

¹¹⁷ Max Hirsch, “Taiwan opposition warn talks with China leading to unification,” Kyodo, 24 October 2008, disseminated by OSC, JPP20081024052014.

¹¹⁸ “The DPP plans to hold a “Safeguard Taiwan” Demonstration on October 25 to protest Chen Yunlin’s visit to Taiwan,” Democratic Progressive Party, 13 October 2008, <http://www.dpp.org.tw/>.

¹¹⁹ Y.F. Low, “DPP to further demonstrate against Chinese negotiator’s visit,” CNA, 29 October 2008.

¹²⁰ “Serious economic & political risks in the SEF-ARATS agreements,” Democratic Progressive Party, 5 November 2008, <http://www.dpp.org.tw/>. Tsai presented a list of demands that had been approved by the DPP Central Standing Committee:

- Any agreements made during the talks must be ratified by the Legislative Yuan, issues concerning Taiwan’s sovereignty must be voted by all the people of Taiwan via a public referendum.
- The talks between the SEF-ARATS must be based on the standard international practices between two states. This includes the proper usage of all official titles, a suitable venue, proper layout of the venue, etc. No ambiguity or any room for controversy should be allowed.
- The current SEF-ARATS meeting is an institutionalized mechanism for talks between Taiwan and China. Chen Yunlin is a representative of the People’s Republic of China delegation during the talks. In this respect, during Chen’s time in Taiwan, he cannot be engaged in any political activities outside of the planned talks. Chen’s visit in Taiwan should also adhere to the principle of complete transparency, and allowed to be monitored and scrutinized by the people as well as by the media.
- Ma Ying-jeou should retract his “Taiwan is an area” statement [see endnote 186], and to reiterate that “Taiwan’s future should only be decided by the 23 million people of Taiwan.”
- Aside from the Chinese toxic milk incident, Ma Ying-jeou should also address the issue of the continued long term bullying of China against Taiwan. This includes China’s continued threat of using military aggression, as well as diplomatic and economic isolation of Taiwan. Ma must demand Chen Yunlin in person, to request the Chinese government to apologize to the Taiwanese people for its hostile actions. Additionally Ma must also demand China to withdraw the missiles deployed along the Chinese coast targeting Taiwan.

¹²¹ “An open letter: Why Chen Yunlin is not welcomed here,” Democratic Progressive Party, 3 November 2008, <http://www.dpp.org.tw/>.

¹²² Rachel Chan, “DPP cannot guarantee peaceful protest: party chair,” CNA, 5 November 2008.

¹²³ The DPP charged that Ma had failed to deliver on his so-called “633” campaign promise to achieve 6 percent annual economic growth, per capita GDP of \$30,000, and unemployment below 3 percent. Managing to ignore the state of the global economy, the party said “Ma’s actions not only demonstrated his arrogance but also his betrayal of the mandate and the trust given him by the people.” (“Campaign promises go unfulfilled, Ma unapologetic,” Democratic Progressive Party, 4 September 2008, <http://www.dpp.org.tw/>.) For his part, Ma said he would deliver on all three parts of this pledge by the end of his second term in 2016. (Steve Bercic, “President confident to achieve economic platform by 2016,”

CNA, 3 September 2008; full text of the 26 August interview is available in Chinese [“總統接受墨西哥「太陽報」系集團董事長瓦斯蓋茲(Mario Vázquez Raña)專訪”][“President receives delegation of the Chairman of the Board of the Mexican paper Sol de Mexico Mario Vazquez Raña for an exclusive interview”] on the presidential website, <http://www.president.gov.tw/>). Later he refined that to say that the \$30,000 per capita GDP was a goal to be achieved by the end of his second term, but he still hoped to achieve 6 percent annual growth during his first term. (Ho Ai Li, “Ma plans to create 100,000 new jobs,” *Straits Times Online*, 4 December 2008, disseminated by OSC, CPP20081204094002.)

A month later, Tsai declined to participate in “Double 10” National Day activities to show her dissatisfaction with Ma’s policies and his “trampling of national dignity” (“Taiwan DPP Chairwoman Tsai unwilling to endorse Taiwan President Ma’s cross-strait policy,” *Taiwan News*, 8 October 2008) and because “it is pointless to celebrate National Day at a time when the country’s sovereignty, the economy and the people’s livelihood are being hit hard.” (Flor Wang, “DPP chair meets seven local government chiefs in southern Taiwan,” CNA, 10 October 2008.) Obviously sensitive to the state of the economy, Ma used the occasion of his Double 10 national day rally speech to pledge acceleration of reform: “Invigorating our economy is this administration’s top priority.” (President Ma Ying-jeou’s address to the ‘Double Tenth’ rally,” Office of the President, 10 October 2008, http://www.president.gov.tw/en/prog/news_release/print.php?id=1105499817.)

And then in early December, Tsai listed a series of questions about the administration’s economic policies, saying that “once the Ma administration publicly addresses each of the questions we have listed...we would be willing to consider the possibility of issuing an invitation at our own initiative at an appropriate time” to talk with him. Meanwhile, she said,

the DPP will not irrationally disparage Taiwan, nor will we maliciously obstruct the nation’s economic development. In the same vein, the DPP is extremely worried that the Ma administration’s policies will seriously harm Taiwan’s economy and drag it into a recession. The people expect bipartisan cooperation on getting through these difficult times and we will not let them down. However, bipartisan cooperation needs to be based upon a common understanding rather than the opposition blindly following the wishes of the ruling party. The people do not expect the DPP to sign off on blank checks, and they...certainly do not want us to stand by idly while inappropriate economic policies are being proposed.”

If the ruling party does not change its principles for determining the legislative agenda and allow the opposition party to have real supervisory powers, she went on, “the DPP will strongly demand the establishment of a higher level, more effective supervisory mechanism.” (“Chairperson Tsai questioned government’s economic policy,” *Democratic Progressive Policy*, 1 December 2008, <http://www.dpp.org.tw/>)

¹²⁴ “The Ma government’s cross-Strait economic and trade policy that has no defenses will seriously harm Taiwan economy,” (in Chinese “馬政府不設防的兩岸經貿政策 將嚴重傷害台灣經濟”), DPP, 19 December 2008, <http://www.dpp.org/tw>.

¹²⁵ Sofia Wu, “DPP to set up special panel to review impact of direct links,” CNA, 15 December 2008.

¹²⁶ “馬政府應清楚說明三通直航的利弊得失 確保台灣利益,” (“The Ma government must clearly explain the pros and cons and the merits and faults of the three links direct routes and ensure protection of Taiwan’s interests”), 15 December 2008, <http://www.dpp.org/tw>.

¹²⁷ “*The Liberty Times* Editorial: Taiwan doesn’t want puppet leader,” *Taipei Times*, 24 November 2008.

¹²⁸ “民進黨中常會對大三通的聲明” (“DPP central standing committee statement on the three links”), DPP, 17 December 2008, <http://www.dpp.org/tw>.

¹²⁹ Elizabeth Hsu, “DPP head wants to debate President Ma on sovereignty issue,” CNA, 25 October 2008; Meggie Lu, “Tsai calls for talks with President Ma,” *Taipei Times*, 10 November 2008; Ko Shu-ling, “Tsai Ing-wen says DPP opposes her meeting Ma,” *Taipei Times*, 13 November 2008.

¹³⁰ Ko Shu-ling and Rich Chang, “Ma pledges reconciliation through dialogue,” *Taipei Times*, 11 November 2008.

¹³¹ “DPP not ready for dialogue with Ma,” *China Post*, 11 November 2008.

¹³² “DPP Tsai not to meet with Pres. Ma,” *China Post*, 25 November 2008.

¹³³ Ko Shu-ling, “Tsai Ing-wen says DPP opposes her meeting Ma,” *Taipei Times*, 13 November 2008.

¹³⁴ Lin Ya-chih, “Tsai Ing-wen seeks survival,” *Tsai Hsun*, No. 321, December 2008, translated in

summary by OSC, CPP20090101099002.

¹³⁵ One journalist wrote that, given the party's minority in parliament, Tsai Ing-wen's choice to return to the social movement approach was reasonable at this point since it had been the DPP's traditional line. However, in leading the DPP street protests, he said, past party chairs often were experienced in social movements or had been persecuted, neither of which was true in her case. Therefore, the parade on 25 October was a touchstone for Tsai and the protest against Chen Yunlin on 6 November was a key to her transformation, he said. The DPP prepared a stage for Tsai as the leader of the protest. Although the protest got out of hand at the end, Tsai was calm enough to accuse the Ma Ying-jeou government of being unjust and to attack Ma for moving his meeting with Chen Yunlin ahead of the schedule. Tsai's performance showed, this journalist judged, that she had become closer to the traditional DPP and the grassroots. (Lee Yen-mou, "Tsai-Ing-wen challenges," *Hsin Hsin Wen*, No. 1132, 13–19 November 2008, translated in summary by OSC, CPP20081208099002.)

Another wrote that originally Tsai Ing-wen wanted to shape the DPP's image as that of an opposition party with governing experience, and that she originally did not approve of the street protest approach favored by the deep Green supporters. However, Tsai gradually found that she had to open her mind to embrace the DPP supporters when she was out on the street. Incrementally, the author says, Tsai "learned the rally language." (Ho Chung-hwa, "Tsai Ing-wen into mass movement," *Chin Chou-kan*, No. 621, 17–23 November 2008, translated in summary by OSC, CPP20081208099002.)

¹³⁶ "Taiwan DPP mulls amendments to Cross-strait Ordinance and Referendum Act," *Taiwan News*, 20 December 2008.

¹³⁷ "DPP chair Tsai Ing-wen swears defense of Taiwan," *China Post*, 29 December 2008. Presumably this meant "independence" in the sense of not being part of the PRC, not in the sense of pushing for a de jure change in status.

¹³⁸ Li Hsin-fang, "Chen Shui-bian makes moves; members of DPP voice different opinions," *Tzu-yu Shih-pao*, 22 September 2008, translated in summary by OSC, CPP20080922100001; "Chen Shui-bian holds first rally in N. Taiwan," *China Post*, 2 October 2008; Ko Shu-ling, "Chen calls on Ma to step down over economic ills," *Taipei Times*, 2 October 2008.

¹³⁹ Han Nai-kuo, "DPP split over former president leads to scuffle," *CNA*, 13 October 2008.

¹⁴⁰ Lin Cheng-chung, "Will DPP hold huge rally in October? Chen Shui-bian gives instructions, challenges Tsai Ing-wen," *Lien-ho Pao*, 23 September 2008, translated in summary by OSC, CPP20080923100002.

¹⁴¹ Yen Chen-kai, "DPP marks birthday, disassociates itself from Bian," *P'ing-kuo Jih-pao*, 5 October 2008, translated in summary by OSC, CPP20081005569001.

¹⁴² Amber Wang, "More on Taiwan's former President Chen Shui-bian arrested over graft probe," *AFP*, 11 November 2008, disseminated by OSC, CPP20081111968251.

¹⁴³ Ko Shu-ling, Rich Chang, and Flora Wang, "Reaction is swift and sharply split along party lines," *Taipei Times*, 13 November 2008.

The Ministry of Justice denied charges of overzealousness or political persecution regarding Chen or other cases it was prosecuting. (Tsao Yu-fen, "Ministry of Justice says focus of corruption investigation has always been on government officials," *Tzu-yu Shih-pao*, 26 November 2008, translated in summary by OSC, CPP20081127100001; "Taiwan's MoJ denies political interference in cases," *Taiwan News*, 26 November 2008.) But in December it felt constrained to issue a comprehensive statement regarding its actions in the former president's case: explaining why the pretrial detention did not violate Chen's human rights; denying that he was being politically targeted; justifying detaining and handcuffing him; refuting accusations that these actions represented political retribution; countering the notion that these actions were a "present" to Chen Yunlin; and asserting that the new KMT government was not persecuting former DPP high-ranking officials but rather that those former officials were charged in such high numbers because they were the ones who had had the opportunity to engage in corruption over the past eight years. ("Issues regarding the detention of former president Chen Shui-bian as a criminal defendant," Ministry of Justice, carried on Kuomintang News Network, 5 December 2008, <http://www.kmtnews.net/client/eng/NewsArticle.php?REFDOCID=00ayyq4ws7qm40m2&TYPIDJump=00air17gdq155u7h>.)

An interesting sidelight to all of this was that some critics on the Mainland seized the events surrounding Chen Shui-bian's arrest—including his handcuffing—to tout the rule of law and the importance that no official or individual should be above the law. (Hu Shuli, "Defending rule of law in a Taipei court," *Caijing Online* Editorial, 25 November 2008, translated by OSC, CPP20081125456003.)

As to the charge regarding prosecution only of DPP members, it is perhaps worth noting that on 24

December the Taiwan High Court sentenced two KMT members, one a former Taipei city councilman and the other the former director general of the Construction and Planning Agency, sending them to prison for manipulating share prices of a construction company in the 1990s. (Lin Chun-hong and Yang Kuo-wen, "Hung Fu case, Pan Li-men: innocent verdict changed to guilty" (宏福案 潘禮門無罪變有罪), *Tzu-yu Shih-pao*, 19 December 2008, at <http://www.libertytimes.com.tw/2008/new/dec/25/today-so9.htm>.)

¹⁴⁴ "Tsai Ing-wen slammed for not showing support to Bian at rallies," *P'ing-kuo Jih-pao*, 24 November 2008, translated in summary by OSC, CPP20081124569001.

¹⁴⁵ Mo Yan-chih, "Tsai urged to join DPP rally for Chen and Taiwan," *Taipei Times*, 19 November 2008.

¹⁴⁶ Lin Cheng-chung, "Tsai Ing-wen likely to attend rally organized by Chen Shui-bian's office," *Lien-ho Pao*, 18 November 2008, translated in summary by OSC, CPP20081118100001.

¹⁴⁷ "Tsai Ing-wen slammed for not showing support to Bian at rallies," *P'ing-kuo Jih-pao*, 24 November 2008, translated in summary by OSC, CPP20081124569001.

¹⁴⁸ "DPP Statement regarding the indictment of former president Chen Shui-bian," (in Chinese)

(“民主進步黨對於陳前總統起訴案之聲明”), Democratic Progressive Party, 12 December 2008,

<http://www.dpp.org/tw>; emphasis added. (The issues about judicial fairness raised in the statement are reported in Dennis Engbarth, "Court should bail Chen to expedite defense: DPP," *Taiwan News*, 13 December 2008, and in Sofia Wu, "DPP to assume political responsibility for Chen's legacies: chief," *CNA*, 12 December 2008.)

¹⁴⁹ "Survey on former President is indicted by the SIU," TVBS public opinion poll center, 12 December 2008, http://www.tvbs.com.tw/FILE_DB/DL_DB/even/200812/even-20081215160649.pdf, carried in translation by Kuomintang News Network, 16 December 2008, <http://www.kmtnews.net/client/eng/NewsArtical.php?REFDOCID=00az9v8bcgoa8vb4&TYPIDJump=00air8vknmxqomxb>.

In mid-December, evidence was reported regarding a further US\$30 million in "contributions" that Chen had allegedly amassed from domestic enterprises and financial holding companies above and beyond the \$21 million in bribes of which he already stood accused of taking. ("Ex-first family discovered to have received additional NT\$1 billion in bribes from businessmen," Taipei newspapers, reported on Kuomintang News Network, 17 December 2008, <http://www.kmtnews.net/client/eng/NewsArtical.php?REFDOCID=00azavvywoqjmyl&TYPIDJump=00air17gdql55u7h>.)

¹⁵⁰ "Policy briefing session for diplomats and foreign representative," Democratic Progressive Party, 26 September 2008, <http://www.dpp.org/tw/>.

¹⁵¹ Yen Ling-ju and Steve Bercic, "DPP head expects party to become 'high quality opposition'," *CNA*, 15 September 2008.

¹⁵² "DPP to break cocoon, fight for democracy: Tsai Ing-wen," *China Post*, 2 January 2009.

Tsai endeavored to set up the DPP as the antithesis of the KMT: "If Taiwan society is divided under the administration of Ma, the party should play a role in bringing together public opinion; if the government is conservative and authoritative [sic], we should represent freedom and democracy. If the government is pro-big enterprise, we should speak for the middle class, laborers and farmers; if Ma's cross-strait policies lean toward China too much, the party should protect Taiwan sovereignty and consolidate Taiwanese identity in civil society." (Rich Chang, "Tsai sets year's course for DPP," *Taipei Times*, 3 January 2009.)

¹⁵³ Dennis Engbarth, "Ma leaving Taiwan defenseless against PRC dumping, says DPP," *Taiwan News*, 20 December 2008.

¹⁵⁴ "KMT-CCP forum violated democracy and regulations relating to cross-strait relations, Referendum Law should be appropriately revised," (in Chinese, "國共平台侵害民主 兩岸關係條例、公投法應適度修改"), DPP, 19 December 2008, <http://www.dpp.org/tw>.

¹⁵⁵ "Taiwan DPP mulls amendments to Cross-strait Ordinance and Referendum Act," *Taiwan News*, 20 December 2008.

¹⁵⁶ "Wu Poh-hsiung's statement [to the fourth KMT-CCP forum in Shanghai]," KMT Culture and Communications Committee, 19 December 2008, disseminated by Kuomintang News Network, 19 December 2008,

(<http://www.kmtnews.net/client/eng/NewsArtical.php?REFDOCID=00azckhe2r4injmo&TYPIDJump=00air79hymrtyl0>). SEF chairman P.K. Chiang and others in the government were quick to endorse that division of responsibility. (Deborah Kuo, "KMT-CPC forum consensus provides only 'directions': SEF head," *CNA*, 22 December 2008.)

The PRC highly evaluated the outcome of the meeting (Zhang Yong, Chen Jianxing, and Pan Qing, “New chapter in inter-party exchange; new voyage for cross-strait cooperation,” Xinhua, 22 December 2008, translated by OSC, CPP20081222172003, original Chinese version available at <http://chinese.aol.com/news/nationaldetail.jsp?keyid=7965139763348982914>.) So did the KMT, and the latter indicated that it intended to continue to hold such forums until a peace accord has been signed. (Han Nai-kuo, “KMT-CPC forums will continue until peace accord is reached: KMT,” CNA, 23 December 2008.)

The full text of the 21 December “Joint recommendations of the fourth cross-strait economic/trade forum” is available on the KMT News Network at <http://www.kmtnews.net/client/eng/NewsArtical.php?REFDOCID=00azfn0of4jc4eec&TYPIDJump=00air17gdql55u7h>. In those recommendations, the two parties called for wider participation in their future meetings. This was amplified by TAO director Wang Yi and KMT chairman Wu Poh-hsiung, who said people with different views and opinions were welcome to attend in the future. Said Wang:

We welcome people from all circles on both sides of the Strait to participate in the Forum in a more extensive manner; and we welcome not only the participation of representatives of all political parties and personages from different circles, but also the participation of personages from competent government departments on both sides of the Taiwan Straits in the capacity of specially invited experts. We should welcome not only people with similar views but also people with different opinions. Only in this way will the Forum pool together views of different schools on a larger scale, and will the Forum achieve its objective of truly promoting cross-strait communications and reflecting the popular will of the public on both sides of the Taiwan Straits.

Wu specifically expressed the hope that the DPP and TSU would participate in 2010. (“Both the KMT and CPC indicate that people with different views are welcome to participate in KMT-CPC forum,” Xinhua (Chinese), 21 December 2008, translated by OSC, CPP20081221072002) (Original Chinese-language article available at http://news.xinhuanet.com/newscenter/2008-12/21/content_10532789.htm)

¹⁵⁷ Tsou Ching-wen, Ch’en Shan-jung, Wang Yu-chung, and Peng Hsien-chun, “Interview with President Ma Ying-jeou,” *Tzu-yu Shih-pao*, 20 November 2008, translated by OSC, CPP20081120669001. (Chinese language original, in two parts, available at <http://www.libertytimes.com.tw/2008/new/nov/20/today-p1.htm> and <http://www.libertytimes.com.tw/2008/new/nov/20/today-p1-2.htm>.)

¹⁵⁸ See endnote 120.

¹⁵⁹ “Standing at new starting point of history: interview with President Ma Ying-jeou,” China Television Company (CTV), 7 November 2008, translated in summary by OSC, CPP20081107072002.

¹⁶⁰ In a recent interview, Ma’s focus was, as the correspondent put it, “squarely” on the domestic economy, but it was also clear that his agenda to help the economy includes promoting the economic benefits of closer cross-Strait relations. (Maureen Fan, “Taiwanese leader focuses on economy,” *Washington Post*, 10 December 2008.)

¹⁶¹ Ma himself has said that “Cross-straits peace will be remembered as the most important accomplishment of my administration.” (Jane Maccartney, “President Ma Ying-jeou of Taiwan has progress making ties with China,” *The Times*, 30 August 2008.)

¹⁶² Paul Wiseman, “USA TODAY interviews Taiwanese president,” *USA Today*, 11 November 2008. Ma has also argued reverse linkage, that is, that opening up cross-Strait economic and trade relations contributes to an overall improvement in ties between Taiwan and the Mainland and that this, in turn, opens the door to “international space.” (“Exclusive interview with Taiwan President Ma Ying-jeou: Shelving Disputes and facing reality in relations with China,” *Tokyo Sekai*, 1–30 November 2008 [interview on 5 September], translated by OSC, JPP20081009026001.)

¹⁶³ Rachel Chan, “China’s efforts to suppress Taiwan on the decline,” CNA, 13 September 2008.

¹⁶⁴ Jian Chen, “AITIC admission positive sign in cross-strait relations: MOFA,” CNA, 20 November 2008.

¹⁶⁵ Sofia Wu, “Choice of ex-VP for APEC summit marks progress in cross-strait ties,” CNA, 29 October 2008. The DPP alternated between charging that Lien was Beijing’s hand-picked candidate and that he was going to Peru, in fact, as a “KMT” representative, not as a representative of the government. Ma vehemently denied both charges, saying he had proposed Lien and that Lien’s status was “the leader’s special representative.” (Tsou Ching-wen, Ch’en Shan-jung, Wang Yu-chung, and Peng Hsien-chun, “Interview with Taiwan President Ma Ying-jeou,” *Tzu-yu Shih-pao Online*, 20 November 2008, translated by OSC, CPP20081120669001.)

For its part, Beijing acknowledged that the state of cross-Strait relations was relevant to its decision to allow Lien to go. The TAO spokesman observed that selection of Taiwan's representative should "follow previous customary practice, *as well as take into consideration the positive change in cross-Strait relations.*" ("Transcript of the State Council Taiwan Affairs Office News Conference," Taiwan Affairs Office, 29 October 2008, translated by OSC, CPP20081029038001. Emphasis added. The Chinese-language text is available at http://www.gwytb.gov.cn/xwfbh/xwfbh0.asp?xwfbh_m_id=101.)

On the other hand, Beijing was apparently behind the removal of Ma's portrait and biography, and an account of his naming of Lien Chan—indeed the removal of the entire section on heads of "member economies," which the Peruvian government had initially posted on the summit website. (A report on the original posting was carried by CNA: Y.F. Low, "Taiwan welcomes inclusion of its leader on APEC list," CNA, 15 November 2008.) A TAO spokesman's statement on the issue after the Ma portrait and other material had been removed made clear Beijing's position and strongly suggested PRC intervention with Lima: "With regard to Taiwan's participation in the APEC meetings, there are explicit stipulations in APEC's Memorandum of Understanding, which has been followed by the organization in its practice for years. All its sovereign members recognize the One China principle. We believe in light of that principle, parties concerned will follow the MoU and the existing practice in dealing with this issue." ("Foreign Ministry Spokesperson Qin Gang's Regular Press Conference on November 20," Ministry of Foreign Affairs, 21 November 2008, <http://www.fmprc.gov.cn/eng/xwfw/s2510/t523218.htm>.)

¹⁶⁶ Rachel Chan, "China not showing good will on Taiwan's U.N. bid: MOFA," CNA, 9 September 2008. See Romberg, "Cross-Strait Relations: First the Easy Steps, Then the Difficult Ones," *China Leadership Monitor*, No. 26, pp. 13–14, for a discussion of PRC handling of the issue at the UN.

¹⁶⁷ Rachel Chan, "MOFA regrets but not surprised at Taiwan's setback at U.N.," CNA, 18 September 2008.

Ambassador Zhang Yesui, Ambassador Wang Guangya's replacement as PRC UN Representative, submitted a letter on 14 October 2008 to the Secretary General objecting to reference in the UNGA "general debate" by Gambia, Tuvalu, and some others to the "so-called issue" of "Taiwan's participation in the United Nations specialized agencies." Zhang reiterated the PRC position on "one China," China's representation at the UN, and the inapplicability of the "principle of universality." He repeated the position that "Taiwan compatriots' participation in international activities is an internal affair of the Chinese people and should thus be resolved through consultation among the Chinese people on both sides of the Strait. We hope and firmly believe that, so long as the two sides work together and create conditions in the spirit of 'building mutual trust, putting aside differences, seeking common ground and striving for a win-win result', we will surely be able [to] find an appropriate solution through consultation." ("Letter dated 14 October 2008 from the Permanent Representative of China to the United Nations addressed to the Secretary-General," *Journal of the United Nations*, No. 2008/208, 24 October 2008, accessed 29 December 2008 at <http://www.un.org/Docs/journal/asp/ws.asp?m=A/63/488>)

¹⁶⁸ Vincent Siew, "Cross-strait peace to bolster regional prosperity," *Taiwan Journal Online*, 19 December 2008 (available at <http://taiwanjournal.nat.gov.tw/ct.asp?xItem=47427&CtNode=122>).

¹⁶⁹ T.C. Jiang, "President urges more creativity in international participation," CNA, 19 September 2008.

¹⁷⁰ Rachel Chan, "Foreign Ministry to focus on entering WHO: foreign minister," CNA, 11 September 2008.

¹⁷¹ As he put it in an interview carried on Mainland television: "I believe that we will exchange views with the mainland on this issue in the future. I hope we will be able to make greater progress than before. This is what I eagerly anticipate." ("Minutes of an exclusive interview with Ma Ying-jeou," Phoenix TV, 3 December 2008, translated by OSC, CPP20081205710012.)

¹⁷² "President Ma meets Tokyo University professor Mr. Masahiro Wakabayashi," Office of the President, 2 September 2008.

¹⁷³ Sofia Wu, "President singles out 'WHA observer status' as priority goal," CNA, 7 November 2008.

¹⁷⁴ In his early December interview with the *Washington Post*, Ma noted that issues like the WHA would soon become the subject of negotiations. "What about Taiwan's proposed status in the WHO?" the Post correspondent asked. "WHA first," Ma tersely responded. ("Transcript of interview," *Washington Post*, 9 December 2008, <http://www.washingtonpost.com/wp-dyn/content/article/2008/12/09/AR2008120902788.html>).

¹⁷⁵ Lai Chin-hung, "Wang Yi says Taiwan's bid to participate in World Health Organization can be discussed," *Lien-ho Pao*, 31 October 2008, translated in summary by OSC, CPP20081031100002.

¹⁷⁶ Interviews in Beijing, October 2008.

¹⁷⁷ Sofia Wu, “No information from China on WHA bid talks; presidential spokesman,” CNA, 3 December 2008. Whether Hu specifically mentioned the WHA or made a more general comment about discussions on “international space” is a bit unclear—probably the latter. In any case, the message Lien took away from his meeting with Hu was that Beijing was ready to discuss the WHA issue.

¹⁷⁸ Sun Yi and Xiong Zhengyan, “Chinese foreign ministry spokesman says: We will uphold the one-China principle to deal with Taiwan-related issues,” Xinhua Asia Pacific Service, 30 December 2008, translated by OSC, CPP20081230172008.

¹⁷⁹ “Taiwan must beware of China’s WHA trap,” Editorial, *Taiwan News*, 22 December 2008.

¹⁸⁰ “胡锦涛：携手推动两岸关系和平发展 同心实现中华民族伟大复兴——

在纪念《告台湾同胞书》发表30周年座谈会上的讲话” [Hu Jintao: Join hands to promote peaceful development of cross-strait relations; strive with unity of purpose for the great rejuvenation of the Chinese nation—speech at the forum marking the 30th anniversary of the issuance of the “Message to Compatriots in Taiwan”], Xinhua, 31 December 2008, http://news.xinhuanet.com/newscenter/2008-12/31/content_10586495_2.htm. (An English translation was provided by OSC, CPP20081231005002.)

The key phrase about international space was rendered in Chinese as

“对于台湾参与国际组织活动问题，在不造成“两个中国”、“一中一台”的前提下，可以通过两岸务实协商作出合情合理安排。”

It is noteworthy that, consistent with statements the author has heard directly from senior PRC officials to the effect that, while Beijing is interested in hearing foreign views, public foreign pressure on this issue “is not a good thing for us,” the above sentence of Hu’s was followed immediately in the same paragraph by a strong statement that is a seeming throwback to language used in earlier years: “Resolution of the Taiwan question and the realization of the complete unification of the country is an internal affair of China that brooks no foreign interference.” [“解决台湾问题、实现国家完全统一是中国内部事务，不受任何外国势力干涉”]. Later in the speech, however, in a seemingly contradictory thought, Hu praised the role of foreign countries in maintaining peace in the Strait and advancing cross-Strait relations:

For many years, the international community has lent active support to the Chinese Government’s and the Chinese people’s cause of safeguarding peace in the Taiwan Strait, advancing the development of cross-Strait relations, and working toward the complete reunification of the country. The Chinese Government would like to express its appreciation and gratitude for this.

¹⁸¹ This was discussed earlier in Romberg, “Cross-Strait Relations: First the Easy Steps, Then the Difficult Ones,” *China Leadership Monitor*, No. 26, 11ff.

¹⁸² Ruth Wang, “Taiwan aims to be peacemaker: president,” CNA, 2 December 2008.

¹⁸³ “Taiwan reportedly cancels summit with Pacific allies,” Solomon Islands Broadcasting Corporation, 8 October 2008, disseminated by OSC, SEP20081008950013.

According to another report, Taipei is planning to resume the summit, but in the Solomon Islands rather than in Taiwan, perhaps toward the end of 2009. (“Taiwan postpones its ‘Pacific Summit’ to not upset Beijing,” Suva PACNEWS, 9 October 2008, disseminated by OSC.)

¹⁸⁴ Andrew Lee, “China does not deny Taiwan’s sovereignty: MAC,” CNA, 10 November 2008.

¹⁸⁵ In an interview with a Mexican newspaper in late August (published a week later), Ma said that cross-Strait relations were not “state-to-state,” just “special”:

Basically we hold that the two sides’ relationship should not be a relationship between two Chinas, but a special relationship between the two sides of the Straits. This is because our Constitution does not permit any other country in our territory. Likewise, the mainland’s Constitution also does not permit another country in the territory defined by its Constitution. Thus the relationship between our two sides is a special relationship, but not a relationship between countries. This is a very important point. This is why we will not be able to obtain the dual recognition from foreign countries, including Mexico. The thing we will do is to maintain a relationship of peace and prosperity and also a relationship with which both sides can have dignity in the international community. This is our objective. (“Transcript of President Ma Ying Jeou’s recent interview with Mario Vazquez Rana, Chairman of Mexico’s *El Sol de Mexico* newspaper group,” Office of the President, 3 September 2008, translated by OSC, CPP20080903312001; full text of interview available

in Chinese, “總統接受墨西哥「太陽報」系集團董事長瓦斯蓋茲 (Mario Vázquez Raña) 專訪”) on the presidential website <http://www.president.gov.tw/>.)

¹⁸⁶ Y.F. Low, “President clarifies ‘two areas’ concept, reaffirms mutual non-denial,” CNA, 24 October 2008.

The article in the constitutional amendment of 1991 read: “Rights and obligations between the people of the Chinese mainland area and those of the free area, and the disposition of other related affairs may be specified by law.” (“The Additional Articles to the Constitution of the Republic of China (1991),” <http://cns.miis.edu/straittalk/Appendix%2060.htm>.) “The Statute Governing Relations between People of the Taiwan Area and the Mainland Area” (臺灣地區與大陸地區人民關係條例) was then first promulgated in July 1992 (and subsequently revised several times). It defined the “Taiwan area” as “Taiwan, Penghu, Kinmen, Matsu and other areas under the political rule [jurisdiction] of the [ROC] government” (臺灣、澎湖、金門、馬祖及政府統治權所及之其他地區) and the “Mainland area” as “ROC territory outside of the Taiwan area” (大陸地區：指臺灣地區以外之中華民國領土) (<http://law.moj.gov.tw/Scripts/Query4B.asp?FullDoc=所有條文&Lcode=Q0010001>).

¹⁸⁷ “‘Mr. Ma:’ A threat to Taiwan’s sovereignty?” *Democracy & Progress*, monthly newsletter published by the DPP’s International Affairs Department, September 2008.

¹⁸⁸ Rachel Chan, “Taiwan’s bid to interact with ASEAN a test of cross-strait ties: MOFA,” CNA, 28 October 2008.

¹⁸⁹ “Beijing sets conditions on Vatican ties,” Reuters in *China Post*, 20 December 2008.

¹⁹⁰ Fan Cheng-hsiang, “Paraguay to decide within few months whether to establish diplomatic ties with China,” *Tzu-yu Shih-pao*, 10 September 2008, translated in summary by OSC, CPP20080914100001.

¹⁹¹ Ng Tze-Wei, “Beijing plays down visit to ex-Taipei ally,” *South China Morning Post*, 18 November 2008.

¹⁹² Xu Shiquan, “The issue of Taiwan’s ‘international space’ in cross-strait relations,” [“處理台灣‘國際空間’問題三大原則：兩岸關係中的台灣‘國際空間’問題”], *Zhongguo Pinglun*, 1-30 September 2008, translated by OSC, CPP20080908624001. (Chinese-language text available at <http://www.chinareviewnews.com/doc/1007/3/4/5/100734519.html?coluid=7&kindid=0&docid=100734519&mdate=0901085217>.)

¹⁹³ Jian Chen, “MOFA to beef up efforts to strengthen relations with non-allies,” CNA, 31 December 2008.

¹⁹⁴ Rachel Chan, “MOFA to set up think tank to promote relations with ASEAN,” CNA, 17 October 2008.

¹⁹⁵ Lien Chan had made a point of promoting the notion of a “Free Trade Area of the Asia Pacific” when at the APEC Leaders Meeting. (Rachel Chan, “Taiwan to promote Asia Pacific free trade area at APEC,” CNA, 14 November 2008.) And the foreign ministry set up a “think tank” to develop strategies to undergird this policy (Rachel Chan, “MOFA to set up think tank to promote relations with ASEAN,” CNA, 17 October 2008) and hoped to have a task force in full operation by early 2009. The ministry argued that how the Mainland responds to these efforts will be a “test” of Beijing’s stance on international space. (Rachel Chan, “Taiwan’s bid to interact with ASEAN a test of cross-strait ties: MOFA,” CNA, 28 October 2008.)

¹⁹⁶ Lilian Wu, “President says national defense building should not be relaxed,” CNA, 2 September 2008.

¹⁹⁷ Sofia Wu, “Troops reduction numbers remains open to discussion: Ma,” CNA, 19 September 2008.

¹⁹⁸ Deborah Kuo, “ROC military to be fully volunteer force by 2014,” CNA, 5 December 2008.

¹⁹⁹ Reuben F. Johnson, “Chinese navy eyes Su-33s for its aircraft carrier programme,” *Jane’s Defence Weekly*, 28 October 2008.

²⁰⁰ Deborah Kuo, “China’s new missile deployment being monitored: defense minister,” CNA, 17 November 2008.

²⁰¹ Sofia Wu, “Negotiations with China must start from strong position: president,” CNA, 24 December 2008.

²⁰² Romberg, “Cross-Strait Relations: First the Easy Steps, Then the Difficult Ones,” *China Leadership Monitor*, No. 26, 14ff.

²⁰³ Yu Tsung-chi, “Taking national defense seriously,” *Taipei Times*, 13 November 2008.

²⁰⁴ Hsu Shao-hsuan, “NSC thinks highly of report by William Murray; military officials think differently,” *Tzu-yu Shih-pao*, 2 December 2008, translated in summary by OSC, CPP20081202100001.

²⁰⁵ Lee Chia-fei and Lee Chian-kuang, “President: Taiwan will persist in its request to the United States for the purchase of F-16s,” CNA (Chinese), 3 December 2008.

²⁰⁶ Ko Shu-ling, “Air, sea defense are indispensable: Ma,” *Taipei Times*, 31 December 2008.

²⁰⁷ “Taiwan’s opposition blames President Ma for missing a U.S. arms package,” *Taiwan News*, 29 September 2008.

²⁰⁸ Chiang Chun-nan, “Consequences of freeze on arms sale,” *P’ing-kuo Jih-pao*, 30 September 2008, translated in summary by OSC, CPP20080930569001.

²⁰⁹ Details of the approvals are available at “36 (b) Arms Sales Notifications,” Department of Defense, Security Cooperation Agency, 3 October 2008, http://www.dsca.mil/PressReleases/36-b/36b_index.htm.

²¹⁰ “U.S.-Taiwan arms deal is warning, not gift,” *Taiwan News* editorial, 6 October 2008.

²¹¹ “Presidential Office statement on US administration’s approval of arms sale to Taiwan,” 4 October 2008, http://www.president.gov.tw/en/prog/news_release/print.php?id=1105499812.

The Ma administration had continued to express optimism about a sale going forward even after the presumed “last minute” had already passed with the ending of the regular session of Congress on 26 September (Ko Shu-ling and Flora Wang, “President Office still hopeful on arms deal,” *Taipei Times*, 29 September 2008). But the defense minister vented his frustration when he told Taiwan correspondents covering the annual U.S.-Taiwan Defense Industry Conference in Florida that U.S. credibility was at stake (Chieh-yu Lin and Sofia Wu, “U.S. credibility to be at stake if arms sales fail: minister,” CNA, 29 September 2008) and that failure to approve the procurement package would not only affect Taiwan’s defense capability but would also lead other democratic countries to have doubts about U.S. pledges and its ability to promote democracy.” (Nadia Tsao, “MND chief urges weapons sales,” *Taipei Times*, 1 October 2008).

²¹² Yang Chi-yu, Cheng Hui-hung, and Wu Ming-chang, “Build up comprehensive national defense power, safeguard national security,” Interview with defense minister, *Ch’ing-nien Jih-pao*, 29 October 2008, translated by OSC, CPP20081128108002.

²¹³ “President Ma Ying-jeou’s address to the ‘Double Tenth’ rally,” Office of the President, 10 October 2008, http://www.president.gov.tw/en/prog/news_release/print.php?id=1105499817.

²¹⁴ “Ma Ying-jeou gives interview to *P’ing-kuo Jih-pao*, hopes to sign cross-Strait peace accord as soon as possible,” *P’ing-kuo Jih-pao*, 1–2 November 2008, translated in summary by OSC, CPP20081102569001. KMT chairman Wu Poh-hsiung also said that securing a peace accord with the Mainland and greater “international space” remained the party’s top goals, which “will not change under any circumstances.” (Chang Ming-kun and Deborah Kuo, “Peace accord, greater international space remain top goals: KMT,” CNA, 22 December 2008.)

²¹⁵ Ma Ying-jeou, “Ma: Peace plan,” Op-ed article, *Washington Times*, 12 December 2008.

²¹⁶ “胡锦涛：携手推动两岸关系和平发展 同心实现中华民族伟大复兴——

在纪念《告台湾同胞书》发表30周年座谈会上的讲话” (“Hu Jintao: Join hands to promote peaceful development of cross-strait relations; strive with unity of purpose for the great rejuvenation of the Chinese nation—speech at the forum marking the 30th anniversary of the issuance of the “Message to Compatriots in Taiwan”), Xinhua, 31 December 2008, http://news.xinhuanet.com/newscenter/2008-12/31/content_10586495_2.htm. An English translation was provided by OSC, CPP20081231005002.

Ma’s office issued a statement in response that endorsed the peaceful development of cross-Strait relations and a pragmatic approach to promoting dialogue and mutually beneficial exchanges so that they could end the state of hostility, foster mutual understanding, and create new opportunities for both sides. It also underscored that this had been the approach of the government since Ma’s inauguration on 20 May. (Han Nai-kuo, “Sincere cross-strait cooperation will win people’s trust: president,” CNA, 31 December 2008.)

The ministry of national defense let it be known that it had completed the outline of a paper on a “cross-strait military confidence-building mechanism” and was ready to negotiate with Beijing at any time. (Wu Ming-chieh, “Taiwan making preparations for negotiation with China on military confidence-building measures,” (軍事互信機制 我已有談判準備,) *Chung-kuo Shih-pao*, 2 January 2009, <http://news.chinatimes.com/2007Cti/2007Cti-News/2007Cti-News-Content/0,4521,110504+112009010100302,00.html>).

The DPP, on the other hand, focused on a different portion of Hu’s speech, one that reiterated a willingness to talk with anyone, even previous advocates of Taiwan independence, if they would only give up their advocacy of such an outcome. The DPP issued a statement observing that Taiwan is a sovereign state, whose sovereignty belongs to the 23 million people. Hence, it said, Taiwan’s future must be decided by the people, which is a fundamental position not only of the DPP but of mainstream public opinion in

Taiwan. (Rich Chang and Ko Shu-ling, "DPP rejects Hu Jintao's 'olive branch'," *Taipei Times*, 1 January 2009.)

²¹⁷ Chiehyu Lin and Y.F. Low, "U.S. welcomes continuation of cross-strait dialogue," CNA, 28 October 2008.

²¹⁸ Chiehyu Lin and Deborah Kuo, "U.S. welcomes signing of cross-strait pacts," CNA, 4 November 2008.

²¹⁹ Andrew Lee, "AIT welcomes direct links between Taiwan and China," CNA, 16 December 2008.

²²⁰ Alan D. Romberg, "Applying to the UN 'in the name of 'Taiwan'," *China Leadership Monitor*, No. 22, endnote 32.

²²¹ "Statement on Taiwan's meaningful participation in UN specialized agencies," United States Mission to the United Nations, 17 September 2008, http://www.usunewyork.usmission.gov/press_releases/20080917_239.html.

²²² Text available at <http://michaelturton.blogspot.com/2008/05/obamas-letter-to-ma.html>.

²²³ "Obama Statement on Arms Sales," *The View from Taiwan: Archives*, 8 October 2008 at <http://michaelturton.wordpress.com/2008/10/08/obama-statement-on-arms-sales/>.

²²⁴ The Ma administration had already made probes, as had its predecessors, at getting the United States to loosen up the restrictions on contacts, high-level visits, and other guidelines. (Jorge Liu and Y.F. Low, "Taiwan urges U.S. to review 'outdated' guidelines," CNA, 12 September 2008.)

²²⁵ "President Ma's congratulatory message to US President-elect Barack Obama," Office of the President, 5 November 2008, <http://www.president.gov.tw/en/>.

²²⁶ Rachel Chan, "President Ma congratulates Obama on winning U.S. presidency," CNA, 5 November 2008.

²²⁷ Steve Bercic, "Obama's election will change Taiwan-U.S. relations: DPP lawmakers," CNA, 5 November 2008.

²²⁸ Charles Snyder, "DPP legislators say US uninformed about Taiwan," *Taipei Times*, 23 November 2008.

²²⁹ "Full text of Chinese premier's speech at welcoming luncheon hosted by US friendly organizations," Xinhua, 25 September 2008, disseminated by OSC, CPP20080926052003.

²³⁰ Interestingly, not only did Beijing not disrupt the dialogue with Taipei, but among a number of articles published in a journal sponsored by the foreign ministry, one issued two weeks after the arms sale announcement praised Ma's "defensive defense" strategy. The article said that strategy "carries positive meaning to the peaceful and steady development of cross-strait relations over the long run." (Wang Shushen, "Ma Ying-jeou's new 'static defense' strategy," *Shijie Zhishi*, 16 October 2008, translated by OSC, CPP20081030671003.) Another article by the same author in an earlier edition of the same journal treated Ma's "flexible diplomacy" in a similarly positive fashion. (Wang Shushen, "'Flexible Diplomacy': Ma Ying-jeou's new line of thought," *Shijie Zhishi*, 1 October 2008, translated by OSC, CPP20081030671002)

²³¹ "Foreign Ministry spokesman Liu Jianchao's remarks on the US Government's decision to sell weapons to Taiwan," 6 October 2008, <http://www.fmprc.gov.cn/eng/xwfw/s2510/2535/t516660.htm>. (The statement was originally issued in Chinese on 4 October [<http://www.fmprc.gov.cn/chn/xwfw/fyrth/t471786.htm>], but the translation was not posted until two days later.)

²³² "Transcript of PRC FM Spokesman News Conference on 09 Oct 08," Ministry of Foreign Affairs, 9 October 2008, translated by OSC, CPP20081009364001. (Original Chinese transcript at <http://www.fmprc.gov.cn/chn/xwfw/fyrth/1032/t471921.htm>.)

²³³ "Chinese defense ministry condemns U.S. for Taiwan arms sales," Xinhua, 9 October 2008; Christopher Bodeen, "China defense minister raps US arms sale to Taiwan," AP in *Washington Post*, 14 October 2008.

²³⁴ "China's Defense Minister urges US to cancel arms sale to Taiwan," Xinhua, 8 December 2008, disseminated by OSC, CPP20081208968106.

²³⁵ Mure Dickie, "Beijing pressures US over Taiwan arms deal," *Financial Times*, 16 November 2008.

²³⁶ "President Hu congratulates Obama," *China Daily*, 5 November 2008.

²³⁷ "Chinese President Hu Jintao and US President-Elect Barack Obama have a telephone conversation," Xinhua, 8 November 2008, translated by OSC, CPP20081109138002.

²³⁸ Dai Bingguo, "Address at the Dinner Marking the 30th Anniversary of the Establishment of China-US Diplomatic Relations Hosted by the Brookings Institution," Washington, D.C., 11 December 2008, translation available at http://www.brookings.edu/~media/Files/events/2008/1211_china/1211_china_dai.pdf.