

Taiwan: All Politics, All the Time

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Domestic politics in Taiwan—especially attempts to oust President Chen Shui-bian—currently overshadow all else in the U.S.-Taiwan-PRC triangular relationship, and will likely do so for the foreseeable future. Chen’s travails have deepened as investigators continue to probe his actions and those of his wife—questioning both of them at length in August and reportedly set to do so again in October¹—and movements to oust him have gained widespread public support, if not much confidence that they can succeed. Chen has vowed to stay in office through the end of his term in 2008 and to fight for his key agenda items: seeking UN membership as “Taiwan,” enacting constitutional reform, and restoring the KMT’s previously ill-gotten assets to government coffers.

The opposition leader, KMT chairman and Taipei mayor Ma Ying-jeou, has had to struggle with his own competing priorities: maintaining his position as a man of integrity pursuing well-reasoned and effective policies in accordance with law versus responding to pressure from within his own party and the broader “pan-Blue” political alliance to demonstrate that he has what it takes to be a political leader in the rough-and-tumble world of Taiwan politics. This has played out primarily over the issue of how to oust Chen from office.

Beijing has continued to show confidence in the future of cross-Strait relations and has studiously avoided taking sides in the island’s current political maelstrom. Economic relations between the island and the Mainland are burgeoning, expanded cross-Strait charter flights are moving ahead, and a significant increase in Mainland tourists to Taiwan may be in the offing. At the same time, the PRC has expressed concern that Chen’s plans for constitutional reform might challenge PRC “red lines” on Taiwan independence, and Beijing dispatched the minister-level director of the State Council Taiwan Affairs Office (TAO), Chen Yunlin, to Washington in mid-September to enlist U.S. support in forestalling a crisis.

Having given generous interpretations to Chen Shui-bian’s “assurances” about the reliability of his policies for the remainder of his term, the United States tried to put aside the controversies of the first half-year. But Chen began to speak openly of the need to “seriously consider” altering national boundaries in the constitution, and to promote Taipei’s UN application under the name of “Taiwan,” and American patience

began to wear thin. Official statements from Washington once again warned Chen to keep his word. By mid-October, the constitutional issue—the potential trigger for PRC action against Taiwan—appeared to be under control, but Chen stirred the pot again by seeming to endorse consideration of a decade-old DPP fundamentalist proposal to establish a “Second Republic.”

While making clear its impatience with such gamesmanship, and its willingness ultimately to speak out strongly against any serious challenge to the status quo, the United States staked out neutral ground in Taiwan’s complex domestic political situation. Nonetheless, American representatives firmly maintained to all concerned that, whatever the outcome of the political struggle, preservation of overall social stability—and adherence to the rule of law—was critically important.

Washington also expressed increasing frustration with Taipei’s failure to approve sufficient levels of defense spending, leading all sides in Taiwan to promise progress while blaming the delay on their opponents. By mid-October, there were some tentative signs of progress in the offing, but it remained to be seen if statesmanship would replace the all too familiar pattern of one-upmanship.

Taiwan: Politics In Command

As indictments, convictions, and public charges of scandalous behavior mounted against current and former senior officials in the Chen Shui-bian administration, as well as against Chen’s family, it was not surprising that efforts to unseat Taiwan’s president held center stage on the island throughout the summer and early fall of 2006, overshadowing—or at least coloring—most other developments in the triangular U.S.-PRC-Taiwan relationship.

Following the failure of the recall motion against Chen in the Legislative Yuan (LY) in June,² the president’s approval rating sank and thereafter hovered around 18 to 20 percent,³ and polls measuring the “public mood” also showed a general decline.⁴

After months of stonewalling, in early September Chen acknowledged both that he had submitted falsified vouchers to support certain “confidential” but, he insisted, legitimate state expenditures and that his wife had, in fact, received Sogo department store gift vouchers.⁵ While the handling of the vouchers was not fully explained to the satisfaction of the public, in early October the first lady was cleared of involvement in the Sogo bribery case.⁶ The investigation of other charges remained open, however.

Moreover, a second recall motion targeting Chen was taken up in the LY in mid-October, but, like the first one, it fell far short of the necessary two-thirds majority.⁷ In the wake of that vote, various opposition politicians raised the possibility of impeaching

the president or adopting a no-confidence motion against the Cabinet.⁸ But neither approach seemed destined to succeed unless the prosecutors brought charges against the first family.

Just like a recall motion, an impeachment motion required two-thirds support in the LY. This not only was obviously out of reach, but it did not appeal to the KMT because it did not fit with Ma Ying-jeou's argument that the final decision should be made by "the people."⁹

Even a no-confidence motion, which only required a mere majority to pass, was unattractive. In the event it passed, one of Chen Shui-bian's options would be to dissolve the LY and call for a new election. But in accordance with a constitutional amendment adopted in 2005, whenever the next election occurred, half of the LY seats were to be eliminated. Moreover, the new electoral districts based on the smaller LY have not yet been drawn. Thus, the only certainty in a new election is that many LY members would be out of a job. Thus, when James Soong, chairman of the opposition People's First Party (PFP) and a political rival of Ma's for leadership of the pan-Blue coalition, pressed to hold a no-confidence vote on October 20th, Ma opposed it. The KMT legislative caucus subsequently voted not to support it,¹⁰ and six KMT members who had originally sponsored the PFP no-confidence motion withdrew their signatures, thereby depriving it of the minimum number of sponsors necessary even to put in on the LY agenda.¹¹

Most dramatic of the anti-Chen efforts in this period was the "Million Voices Against Corruption" campaign, led by former DPP chairman Shih Ming-teh, who was a political prisoner for over two decades under the previous authoritarian KMT regime and who had once been Chen Shui-bian's political mentor. Shih set a goal of collecting NT\$100 million to finance the effort through donations of NT\$100 per person, a goal he more than met.¹² At times after the campaign began in early September, crowds on the streets of Taipei ranged upwards of 300,000 demonstrators (Shih at one point claimed 750,000), though often they were much smaller.¹³ The largest turnout was probably on 10 October, National Day, when Shih estimated that 1.5 million demonstrators surrounded the presidential palace. Although police estimated the crowd at "only" several hundred thousand, from the demonstrators' point of view it was a major success.

Still, although they maintained a majority, the anti-Chen forces slipped noticeably as the demonstrations dragged on.¹⁴ In light of this (and perhaps also because the police revoked permits for demonstrations in the last half of October), after the National Day demonstration, Shih told most of his supporters to go home and remain in readiness for the next phase, the nature of which would depend on whether the prosecutors charged Chen.¹⁵ Ironically, immediately after the demonstrations eased off, support of their goal—ousting Chen—enjoyed a slight rally. Throughout the period, however, few believed the sit-in would achieve the stated goal of ousting Chen.¹⁶

Despite the waning enthusiasm for the endless demonstrations, despite a sizeable turnout for "pro-Chen" counter-rallies in Taipei and Kaohsiung when Shih took his campaign around the island in late September, and despite the drop in those calling for

Chen to step down, the persistently high level of support for ousting Chen nonetheless registered with many in the DPP, and calls began to emerge from within the party for “self-reflection” about the causes of mass dissatisfaction and the need for appropriate responses to meet the public’s expectations.¹⁷ A number of young DPP members issued a strongly worded statement dissociating themselves from Chen.¹⁸ And the former head of the DPP’s Taichung City branch went so far as to announce a movement to promote the recall of up to forty DPP legislators in order to facilitate passage of a recall motion. “The survival of the indigenous DPP administration is in imminent danger,” he stated. “And the only way to preserve it is to ask President Chen to step down.”¹⁹

Other DPP members, though not calling for immediate action, said that if the prosecutors found Chen involved in wrongdoing the DPP should support an impeachment motion and let the grand justices decide the president’s political future.²⁰ There was also strong support for demanding his resignation if his wife was charged with illegal behavior, even though she had been cleared in the Sogo bribery matter.

As time wore on, Chen’s weight as a political albatross around the party’s neck began to have an effect, and suggestions were heard to choose the DPP’s 2008 presidential candidate sooner rather than later, perhaps shortly after the end-of-year mayoral elections in Taipei and Kaohsiung. This would allow both the party and voters to focus on the new party leader, rather than wallow in—and be burdened by—Chen’s problems.²¹

As the pro- and anti-Chen sides mounted competing street demonstrations, and in some cases clashed,²² concerns grew over the prospect of violence during the mass demonstrations Shih called for outside the presidential offices on “Double Ten” National Day (10 October).²³ Proposals to call off the National Day festivities in Taipei came from various quarters. Some, such as the DPP, worried about humiliation of the president, but they cast their argument in terms of avoiding violence. DPP chairman Yu Shyi-kun went so far as to raise the specter of a PRC hand behind the anti-Chen movement,²⁴ although the National Security Bureau found no such linkage²⁵ and even the president’s office dissociated Chen from the charge.²⁶ Others who suggested cancellation, such as the police and intelligence community, appeared more clearly focused on issues of public safety and social order, for which they were responsible.²⁷

Legislative Yuan president Wang Jin-pyng, head of the celebration organizing committee, was buffeted from all sides, but he eventually decided to proceed with the program.²⁸ Whether the turnout of demonstrators was a million and a half, as the organizers claimed, or “only” several hundred thousand, as the police estimated, television viewers were treated to a sea of red in the area around the presidential offices. While there were some incidents—the most commented-upon being “thumbs down” gestures by opposition politicians seated in the grandstand as Chen Shui-bian spoke—there was no significant violence. Chen could scarcely afford not to attend—or to speak at—the celebration, lest he seem to be caged up by the demonstrators. But he seized the occasion to deliver an angry if well-crafted attack on his detractors and to suggest that National Day celebrations no longer take place at the presidential palace.

Opposition leader Ma Ying-jeou had a major stake in the orderly conduct of the demonstrators. He had put himself on the line by arguing to Wang that both the demonstrations and the celebration should go ahead, and he had promised that, as mayor of Taipei, he would ensure order was maintained.²⁹ The risk he incurred by adopting this stance was magnified by the fact that the former KMT chairman, Lien Chan, had called for cancellation of the celebration.³⁰ And despite the overall orderliness of the event, Ma was criticized from both sides, on the one hand for permitting what disruptions there were and on the other for not giving the demonstrators freer rein. One poll found that those in the public approving his handling of the demonstrations and those disapproving essentially broke even.³¹

In the run-up to the 10 October events, Premier Su Tseng-chang proposed to convene political leaders from all parties, not simply to deal with the National Day issue, but to try to end the overall confrontation. Although there were some complaints in the DPP that Su was implicitly revealing a willingness to see Chen ousted (a charge Su denied), initial responses from some of the opposition were positive. That said, the various parties disagreed over the purposes and terms of such a meeting.³² Moreover, Ma Ying-jeou sought to replace the idea of a broader gathering with a one-on-one meeting between himself, as leader of the largest opposition party, and Su, as head of the cabinet. Su resisted, arguing that it was inappropriate as long as a presidential recall motion was pending in the LY. But another factor presumably was that Ma's proposal ran counter to Su's hope of bringing all of the various factions together under his own aegis to help restore social peace. In the event, despite some preliminary talks about a one-on-one, closed-door meeting between Su and Ma, the premier argued that the "harmonious atmosphere" needed for a meeting with Ma was lacking, and he dropped the idea.³³

Given Ma Ying-jeou's standing not only as leader of the opposition and front-runner for the KMT presidential nomination, but also as the current favorite to win the presidency in 2008, it is worth taking a moment to examine how he has handled himself in this period of turmoil.

The Uncertain Opposition

Having been forced by circumstances within his own party and the pan-Blue alliance to reverse his stance in June and back the predictably unsuccessful recall motion, Ma Ying-jeou saw his approval rating drop.³⁴ While the KMT chairman downplayed the importance of those polls and continued to maintain that Chen should step down, he reverted to his earlier position that the focus should be on steps that could work—and, in fulfilling his obligations as mayor of Taipei, on steps that also accorded with the law—rather than on empty gestures.

Nonetheless, Ma continued to confront conflicting pressures about his role. Some within his party pressed him to abandon his "Teflon-coated" approach and to forcefully demonstrate his commitment to compelling Chen to step down.³⁵ But the public had a

different view, and when Shih Ming-teh put together the “million person” campaign, polls showed that over half—and up to as many as 70 percent—of respondents thought the KMT chairman should not take part in the sit-in.

Ma initially sought to have it both ways by making—and making known—a NT\$100 contribution to the campaign, on the one hand, but saying, on the other, that he would not “formally” back the sit-in, nor would the KMT “sponsor” it. Ma argued that he did not want the campaign to be characterized as a “pan-Blue versus pan-Green” issue, so while the KMT would lend it support “in the most appropriate way,” he ruled out his own participation and that of other party members in their party status.³⁶ Nonetheless, pressure mounted, and after considerable to-ing and fro-ing, Ma did, in fact, end up attending the opening day demonstration for about 20 minutes, albeit without speaking and without “sitting in,” and not “under the name of the party.”³⁷

Ma was subjected to still further pressure to “declare” himself,³⁸ to the point that, while cautious about actively endorsing any particular course, he had to deny that he was “ruling out” any approach.³⁹ Yet, as a practical matter, both he and LY Speaker Wang Jin-pyng pointed out on a number of occasions that a no-confidence vote against Premier Su was not wise, at least for the time being.⁴⁰ Moreover, Ma later observed, the point of a no-confidence vote was not to “topple the cabinet for the sake of toppling the cabinet.” The point was to bring about a fresh election and seat an LY that would pass a presidential recall bill. If it did not produce that result, it would have no meaning, he said.⁴¹ Ma also pegged his argument to the need for a return to normalcy—including the need to pass numerous pieces of legislation—and to give the people a “breather” after the intense period of demonstrations. Further, Ma expressed the judgment that a workable strategy to unseat Chen could only be decided on after the judicial investigation into the president’s alleged corruption had been concluded.⁴² But when the KMT LY caucus decided not to support a no-confidence vote, a PFP whip retorted angrily: “[T]he KMT will also need the PFP’s collaboration to push bills through the legislature some day in the future,”⁴³ threatening to be “not so cooperative” if the KMT faltered on this occasion.⁴⁴

In any event, Ma sought alternative ways to demonstrate leadership. In addition to focusing on legislative initiatives,⁴⁵ as part of his effort to enhance his and the party’s credibility he had the KMT release a report detailing party assets, a long-standing target of DPP criticism (and, as noted above, the object of one of Chen Shui-bian’s three priority actions for the remainder of his term).⁴⁶ In response to DPP calls for seizure of the KMT’s “illicit” wealth, Ma pledged that, pending a judicial ruling, the party would not seek to liquidate those assets claimed by political opponents to have been illegally obtained.⁴⁷ Unsurprisingly, the DPP found this grossly insufficient and proposed a referendum to force return of all such assets.⁴⁸

Not to be outdone in the tit-for-tat culture of Taiwan politics, the KMT said it would launch an “anti-corruption” referendum drive, seeking to put before Taiwan’s voters the following question:

Do you agree to enacting a law to investigate the president and his key staff regarding their policy errors that have caused great losses to the nation, and authorizing the legislature to form an investigative committee with which all government departments must cooperate in order to maintain public interest and punish responsible officials and demand they return illicit gains to the state?⁴⁹

Although Ma's support rate eventually recovered from the drop after the June recall vote, the perception of an uncertain leadership style plagued him throughout the period. About 10 days into the "million person" campaign, however, he seemed to recover his footing somewhat and to adopt positions based more on principle and effectiveness than expediency. He called for the prosecutors to speed up their work, either charging or clearing the names of any "suspects."⁵⁰ Recognizing that street demonstrations alone would be unlikely to bring Chen down, and also that the likelihood of passing a recall or impeachment motion in the LY was small, Ma argued that only a combination of street movements, legislative work and, crucially, judicial investigations could achieve their goal. While he reiterated support for the demonstrations, he noted that only when (and presumably "if") prosecutors had confirmed the first couple's involvement in corruption could the street demonstrations and LY efforts become truly effective.⁵¹

It was around this time that Ma also firmed up his position behind a second recall motion, even though it realistically had no greater prospect of success than the one in June. He justified his stance on the "principle" that passage of such a motion would send the issue to a referendum, allowing "the people" to make the decision on Chen Shui-bian's fate.⁵²

PFP chairman James Soong Chu-yu announced in mid-October that he would run for mayor of Taipei against the KMT candidate, thus challenging Ma's leadership.⁵³ But this was not Ma's only problem within the pan-Blue camp. His relations with LY speaker Wang Jin-pyng are strained,⁵⁴ as are his ties with KMT honorary chairman Lien Chan. And others within the KMT continue to question whether Ma has the necessary political "moxie" to be their leader. All of this means that Ma will face further challenges to his role as opposition leader, and he needs to factor this into any measures he takes. In fact, although Ma has remained consistent on his policy positions, his less than surefooted handling of the political issues across the summer and early fall caused people to wonder whether the KMT nomination, and the subsequent elections, would be the coronations that many predicted or would instead become scrappier contests.

Meanwhile, the man Ma hopes to replace was not worried about his own election. Rather he was preoccupied, first, about staying in office and, then, about his legacy.

Chen Shui-bian's "Mission"

In frequently reiterating that he would complete his elected term of office in 2008, Chen Shui-bian punctuated his firm insistence that he and his wife had done nothing wrong with a number of statements that revealed him to be in full martyr mode. Concentrating on a theme that can be expected to persist over the next seventeen months, Chen continued to suggest that the KMT and Ma Ying-jeou were seeking to sell Taiwan out to the Mainland.⁵⁵ And he warned that the campaign to unseat him risked creating chaos that would give Beijing an excuse to take over the island.⁵⁶

But he went well beyond that. In a major address in mid-August, Chen talked about the task that lay before him in terms of his "mission":

I will use my life to bear the cross of Taiwan's history throughout my remaining two years in office. I will persist in promoting Taiwan consciousness and upholding fairness and justice. I will do the things I should and take the right paths . . . I feel as though I am guiding each one of you up a towering mountain—one that has never before been climbed or, at least, one of which no one has ever before reached the summit. It is a difficult mountain to climb, for a huge boulder blocks our way and weeds and brambles obscure our path. Nonetheless, I lead the way. I must blaze a trail for you to follow. I endure cuts and I bleed, but I am willing to suffer for the sake of Taiwan.⁵⁷

Once again Chen drew a sharp line between "Taiwan" and "China": "Taiwan is Taiwan, China is China, Taiwan absolutely is not China."⁵⁸

As days passed, Chen went on to raise two issues that caused consternation once again in Washington and Beijing. The first was his suggestion on several occasions that the time was ripe to "seriously consider" applying to the United Nations under the name of "Taiwan."⁵⁹ He called this the "best choice" for UN membership, arguing:

Participating in international affairs under the name "Taiwan" will serve not only to clarify the fact that the two sides of the Taiwan Strait are two different countries, but to indicate that we have no intention to challenge General Assembly Resolution No. 2758 passed in 1971 concerning the right to represent China.⁶⁰

While Chen obviously understood that the proposal had no prospect of success at the UN,⁶¹ with support for the idea on the island reportedly around 70 percent⁶² he might have seen some political advantage in his suggestion of holding a referendum on the question "in order to show our strong determination and to make the international community hear the truest voice of Taiwan's 23 million citizens."⁶³

More problematic, in late September Chen had several occasions to address the issue of constitutional reform, and he took the opportunity to suggest he would support

constitutional changes affecting the extent of the nation's territory, a step that would clearly cross PRC "red lines." Although the PRC worried that Chen could pull some trick out of a hat that would impose the change before an unwary United States could react (discussed further below), it is not realistic to presume that such a proposal would be able to overcome the high hurdles posed by the political climate and legislative process in Taiwan. Nonetheless, Chen obviously saw political advantage to raising the prospect, and in the course of doing so, he once again raised the specter of a rift with the United States.

In this period, the DPP was beginning to focus in on the draft constitution it would eventually present to the LY for consideration. There were sharply different views within the party and, despite Chen's promises not to touch on the "sensitive issues" such as name change or independence in the course of constitutional revision, at least some of the DPP drafts—and reportedly there were four—did precisely that.⁶⁴

During what were evidently heated party debates, Chen addressed the opening ceremony of the DPP's formal 2006 constitutional reform seminar on 24 September.⁶⁵ Although the session was ostensibly on the topic "Enquiries into Choosing the Presidential System or the Cabinet System," Chen used the occasion to raise the issue of other, more delicate issues. He affirmed that Taiwan must approach the democratic transformation process "under the prerequisite of maintaining the status quo," but went on to say that, within that framework, the people needed to seriously address the question of what to do in light of the fact the provisions of the constitution regarding territorial limits were out of alignment with reality.

The media immediately saw in this language a proposal to consider changing the constitutional provisions on territory,⁶⁶ as did the opposition. Both the KMT and PFP predictably stated firm opposition to such changes. And the KMT legislative whip was quick to charge that Chen was purposefully seeking to trigger a crisis between the two sides of the Strait in an effort to justify a crackdown and bolster his presidency.⁶⁷

The president's key aides, of course, defended the remarks on the grounds that "facts are facts," and hiding from them would be like "playing ostrich."⁶⁸ But even within the DPP, support was not universal. While it can be assumed that there was agreement on the idea of someday changing not only the territorial boundaries but all of the other "sensitive" provisions, one legislator no doubt spoke for many when he said he thought the president should have sought a solution to the current political stalemate before making the proposal, since the opposition would predictably oppose it in current circumstances.⁶⁹ (At the other end of the spectrum, some in the TSU were critical because of their skepticism that Chen would do anything serious about the idea.⁷⁰)

The U.S. reaction was swift and pointed. The State Department spokesman, using prepared guidance, first reiterated the American position of not supporting Taiwan independence and of opposing any unilateral changes to the status quo. He went on:

We also take very seriously President Chen's repeated commitments not to permit the constitutional reform process to touch on sovereignty issues,

which includes territorial definition. And the fulfillment of President Chen's commitments is a test of his leadership, as well as his ability to protect Taiwan's interests, its relations with others, and to maintain peace and stability in the straits . . . we expect him to carry out those commitments.⁷¹

In response, spin control moved into high gear in Taipei. However, not everyone was spinning in the same direction. The presidential office seemed to reinforce consideration of a change by arguing that Chen's statement did not violate the "four noes."⁷² Yet on the same day the press reported that the DPP was homing in on a version of the constitution that would define the territory to exclude the Mainland, drop the reference to Sun Yat-sen's "Three Principles of the People," and change the national title to "Republic of Taiwan."⁷³ Premier Su Tseng-chang seemed to reach for a middle ground, telling the LY that constitutional reform is not a simple matter, not only because of the high procedural barriers to amendments but also because one had to take account of the views of Taiwan's diplomatic allies.⁷⁴

In the course of all this, the PRC State Council Taiwan Affairs Office (TAO) held a briefing in which it charged that Chen was clinging to his Taiwan independence ambitions; that his political integrity had "gone completely bankrupt;" and that his "despicable deeds" would come to no good end.⁷⁵ The Mainland Affairs Council (MAC) in Taipei responded in kind, among other things charging that the TAO statement "fully shows that the Chinese authorities lack a basic understanding of the operating principles of representative democracy [and] also exposes the Chinese authorities' fundamental inability to understand the trend of mainstream public opinion in Taiwan."⁷⁶ (Having gotten that off their chests, both resumed cooperation on other, more practical issues, as discussed below.)

A few days later Chen Shui-bian roiled the waters yet again, though less vigorously, when he addressed the 28 September ceremony commemorating the 20th anniversary of the founding of the DPP.⁷⁷ He reiterated his position that "Taiwan is Taiwan, China is China, Taiwan and China are two completely different countries."⁷⁸ Moreover, he assigned high priority to bidding for UN membership under the name of "Taiwan," which he called for as part of an effort to rectify three major mistakes in the past: what he called the issue of "the so-called 'legally constitutional government;'" the issue of Taiwan joining the UN (where he said Chiang Kai-shek had erred by insisting that he represented "China"); and the task of recovering assets that the KMT had "unjustly acquired" when in power.

On the constitutional issue, some analysts defined the "constitutional legitimacy" issue as being the implicit claim in the constitution that the ROC government is the government of "China."⁷⁹ And, at heart, Chen no doubt does believe that is a basic error in need of correction. But in the speech, while he stressed that "all party members, not just the party leader" can have their say, and that "those who have different views or proposals can present them for discussion or even criticism," he seemed to take special

care not to repeat his suggestion regarding “serious consideration” of changing the territorial or any other sensitive provision.

In reaction to this speech, Beijing criticized the UN point on the usual “one China” grounds, but otherwise did not bother to give it a lot of attention. And Washington issued another statement similar to the one issued three days earlier, including a reference to territorial definition (even though Chen had not directly mentioned it), though elevating the tone a bit by stating that maintaining his commitments would test Chen’s “leadership, dependability and statesmanship.”⁸⁰ U.S. officials were somewhat more direct “on background,” however, cautioning that Chen knew where the “red lines” were and that he should not play the game of “lawyer’s language.”

Clearly, concern remained about what changes in the constitution the DPP as a party would propose, and the United States seemed to be trying to make clear to Chen that he could not completely escape responsibility for that, even though he was no longer chairman. That said, although it was apparent the United States would not hesitate to criticize a DPP draft that threatened to disrupt the cross-Strait relationship, it was also clear that Washington would focus primarily on what Chen would say and do about any such draft. As the department’s deputy spokesman put it: “We are looking to see that, when that [DPP] reform package is presented and what changes are eventually made, that they do comply with the promises President Chen has made not only to us but to the rest of the world.”⁸¹

The central executive committee of the party was set to approve a draft on 4 October and pass it on to the legislative caucus. However, on the eve of that “deadline,” word came that there would be a delay. More than that, comments from party and government officials made clear that the U.S. statements had importantly affected the debate, with a number of DPP legislators, in particular, urging the non-LY party members to set aside the troublesome issues at this point.⁸²

Signaling a throttling back of presidential rhetoric, the deputy secretary-general of the president’s office, Liu Shih-fang, said the president would “respect” whatever views anyone wanted to discuss in internal party consideration, and any version of the new constitution the DPP adopted, but the president would make sure he did not compromise the “four noes” pledge. “Should the draft constitution adopted force him to compromise,” she said, “the president would have another central standing committee meeting called to make necessary change. The bottom line is that the United States is not offended.”⁸³ Specifically, she said, “we will not change any wording of the additional articles of the Constitution.”⁸⁴

Yet, less than two weeks later, Chen raised eyebrows again. Having declared only one day earlier that his promises to President Bush remained unchanged, including with regard to maintaining peace and stability in the Taiwan Strait,⁸⁵ at a party for his former senior advisor Koo Kuan-min’s 80th birthday, Chen declared that he was willing “to consider” Koo’s proposal regarding enactment of “another constitution” for a “Second

Republic.” According to press reports, Koo later explained that he had suggested “freezing” the current constitution of the ROC and enacting another constitution for a “Second Republic.”⁸⁶ Many assumed Chen was just playing politics, with no intention or conviction that this was a serious idea. The State Department responded minimally in public,⁸⁷ although one can assume more forceful messages were conveyed in private.

At least for now, the United States seems prepared to live with less than certainty about Chen’s intentions on the “Second Republic” on the assumption that it is pure intra-party politics. But Washington remains alert to unanticipated twists and turns because, just as with his raising the issue of “territory,” Chen’s innermost thoughts on these topics remain murky.⁸⁸ Some senior officials in Taipei have noted in private that the president only raised these kinds of issues when others in the DPP complained that the party would be “too constrained” if its constitutional reform initiative failed to deal with, for example, the territorial issue, since the current provision is “absurd, far-fetched and surreal.” Moreover, Chen seemed to have a weather eye on former president Lee Teng-hui, who has not come out against Chen, but who has also refrained from endorsing him, leaving open the possibility of turning against the president if he did not at least “try” to begin to institute some further separateness of Taiwan from the Mainland.

Some of Chen’s aides and DPP leaders once more tried to argue that the “four noes” pledge did not cover the issue of “territorial definition.”⁸⁹ (They don’t in so many words, but Chen’s other pledges do.) Finally, others argued that if one avoids addressing issues merely because it is hard to arrive at a consensus, this undermines democratic vitality. This last argument—perhaps a swipe at Premier Su, who had cautioned against moving ahead without a public consensus—eventually faded away, however, as the potential cost in terms of the U.S. relationship became evident, and Su was joined by other officials in urging care. As Su put it following the DPP central executive committee meeting on 4 October, the party would respect the opinions of the nation’s allies and consider public speeches the president had made in the past. Although Su has proclaimed himself in favor of changing the names of state-owned enterprises with the words “China” or “Chinese” in them, he called for a procedure to be followed “in an orderly manner” rather than being made in haste in ways that did not maximize the national interest.⁹⁰ And asked about Chen’s proposal on a “Second Republic” constitution, Su said that he didn’t know exactly what it meant. “But I can tell you—and my stand has remained the same all the time—Taiwan is a sovereign, independent state that is called the Republic of China, according to the Constitution. The Republic of China is our country. Otherwise, how can there be the premier or the president of the Republic of China?”⁹¹

A potential rival for the DPP presidential nomination in 2008, the current DPP Taipei mayoral candidate, Frank Hsieh Chang-ting, echoed Su’s earlier comments about the need to listen carefully to public opinion.⁹²

Whatever murkiness existed over Chen’s motivation, the U.S. approach was clear. As unnamed government and party sources in Taipei expressed it, U.S. pressure was “three times” stronger than exerted during the controversy over the National Unification

Council and Guidelines in the spring.⁹³ And while the history of the past year suggests the price of peace and stability over Taiwan is eternal American vigilance, the clock may finally have run out on further significant maneuvering, at least by Chen.

Taiwan's Relations with the United States on a Roller Coaster

Having accepted Chen Shui-bian's "commitments" to AIT chairman Raymond Burghardt in June as meeting the American call for assurances he would not upset the status quo,⁹⁴ the United States adopted as much of a "business as usual" pose as it could in the chaotic circumstances that developed over the summer. The AIT representative in Taipei, Stephen M. Young, was widely quoted in the Taiwan press as refusing to take sides but urging that all parties preserve social order as they engaged in their fierce contest of wills.

When Chen Shui-bian sought a transit through Guam during his early September trip to Palau for a "summit" with South Pacific diplomatic partners, the United States acquiesced, although it insisted on strict adherence to the well-established criteria relating to the "safety, comfort, and convenience of the traveler" as well as showing respect for his dignity. In this case, where Chen obviously only wanted to make a point by stepping on American soil, it meant that Washington allowed a transit for several hours, but declined to grant permission for Chen to arrive on his "Air Force One" (insisting he use a civilian plane instead) or to engage in any public activities.⁹⁵ Chairman Burghardt met Chen in Guam, as is customary, and had a cordial conversation with him in which the Taiwan leader reiterated his June pledge to maintain the status quo.

As we have just discussed, however, for whatever reasons, Chen deviated from his pledge, and a certain amount of tension was reintroduced into the relationship.

On other fronts, the Bush administration opposed a bill passed by the House of Representatives to liberalize aspects of how the United States conducts unofficial relations with Taiwan—including provisions to lift restrictions on travel of ranking American military officers to the island and to allow meetings between Taiwan representatives and U.S. officials in the White House and State Department buildings.⁹⁶ The Senate later stripped these provisions out of the defense authorization bill.

Having largely disappeared from the public agenda for some time, the issue of Taiwan's defense budget—and arms procurement—arose again in U.S. and Taiwan media toward the end of August, introducing an uncertain if not entirely discordant note into the bilateral dialogue. On the "positive" side, it was reported that the Pentagon approved a two-stage approach to the possible purchase of submarines (suggested by Representative Rob Simmons, whose Connecticut district includes a submarine manufacturer),⁹⁷ and that the final two (of four) Kidd-class destroyers were turned over to Taiwan.⁹⁸

But there was also considerable grumbling—albeit "on background"—by Pentagon officials over the continuing inability of Taiwan politicians to come together in

support of an augmented defense budget. Many of the reports centered around Taiwan's desire to purchase 66 (upgraded) F-16C/Ds, and Washington's reluctance to approve the sale until the legislature had actually budgeted for it. Some of the stories reported that, although the Pentagon was in favor of the sale, the State Department and National Security Council had recommended against it. Other stories suggested that there was general dissatisfaction throughout Washington with excessive delays in Taiwan's budgeting process for systems approved for sale five years earlier,⁹⁹ especially as the prior approval of those sales by the United States had generated complaints from Beijing, which were then not offset by the benefit of actual purchases by Taipei in the end. Moreover, it was reported that the level of corruption associated with arms sales to Taiwan was a factor in the growing negativity in the Pentagon toward such sales.¹⁰⁰ Legislators denied the allegations of kickbacks, and Taipei officials responded to the issue of follow-through by noting that the defense ministry had "earmarked" funds for the F-16s.¹⁰¹ In any event, in early October, Minister of National Defense Lee Jye reported to the LY that, until an arms purchase plan passed the legislature, the United States would not consider that Taiwan had a "consistent" military procurement plan and for that reason, he said, President Bush had suspended any consideration of the F-16 sale.¹⁰²

A fair amount of confusion revolved around the attitude of the opposition KMT and PFP,¹⁰³ which had blocked consideration of the defense budget for two years. Reports suggested that some sort of defense budget would likely be adopted in the LY session beginning 19 September, and Ma Ying-jeou himself indicated as much after a meeting of the KMT legislative caucus.¹⁰⁴ Nonetheless, political sniping—and maneuvering—between the parties (and assigning blame for past failures) continued apace,¹⁰⁵ and the bill remained stalled in committee. Meanwhile, seeking to demonstrate his own bona fides on this question, Chen Shui-bian announced he would raise defense expenditures by one third, to 2.85 percent of GDP in 2007 and 3 percent in 2008.¹⁰⁶

The director of the State Department's Office of Taiwan Coordination, Clifford A. Hart, gave an important speech to a mid-September defense industry conference in Denver, Colorado.¹⁰⁷ Taking note of the rapidly developing cross-Strait "capabilities gap" as the PRC pushes ahead with military modernization, he argued that the impatience one hears from Taiwan's American friends about Taipei's slow response to this challenge is "not unreasonable." While assuring his listeners that those concerns do not threaten the "traditional friendly ties" between Americans and the people of Taiwan, and that the United States maintains "rock solid support for Taiwan's security," Hart nonetheless sounded an unmistakable warning to all political sides: "Leaders who aspire to represent the Taiwan people in dealings with the American people should appreciate that their positions right now on core national security issues cannot help but inform the sort of relationship they will have with Washington in years to come."

"It's one thing," he went on, "for both coalitions to call for increases in the budget to 2.85 percent of GDP in 2007 and 3 percent in 2008. It's quite another for them to approve the components of a budget that add up to those percentages, especially when there may be sharp differences on some major—and expensive—weapon systems."

Although Hart observed that, from an American perspective, Taiwan's "hardening critical infrastructure and building adequate war reserve stocks to ensure the sustainability of its forces" were high priorities, he acknowledged that there is "no single correct answer" to the question of how Taiwan's defense budget should be allocated. Whatever the answer, there must be one, he said. "Failure to rise above the political fray to arrive at the best possible answer under the circumstances will represent a singular failure in leadership."

Despite Hart's clarion call that "at the end of the day what will be most important to the United States is not that Taiwan has approved funding for any given package of arms—whether homemade or imported—but that Taiwan's leaders engage in a serious deliberation on security and exercise wisdom and political courage in agreeing to fund urgently needed increases in Taiwan's self-defense capabilities," some well-placed observers say it is hard to come up to the 2.85 percent of GDP figure *without* including the big-ticket items. Given the KMT's cool attitude toward purchasing submarines, and its refusal to consider PAC-3 missile defense systems until at least spring 2007, it is not clear how the United States—or Taiwan—will get off the horns of this dilemma. But it did seem that the budget bill might move out of committee, as rumors circulated in Taipei that the executive branch would withdraw the original "special budget" in late October in exchange for consideration of the much smaller "supplemental budget."¹⁰⁸

Beijing's Concerns . . .

Having met in Washington in April, President Bush and President Hu Jintao met again in Russia in July on the margins of the G-8 summit, where China participated in the annual "Outreach" session. Proclaiming that he was "satisfied" with the discussion, Hu noted that, in addition to trade and economic issues, a lot of time was spent on "the Taiwan question":

[W]e . . . believe that we need to respect and properly address each other's concerns and properly handle the sensitive issues in the bilateral relationship, so that we can continue to move forward this relationship.¹⁰⁹

But in the wake of Chen's repeated statements about pushing Taiwanese identity, including through constitutional change, Beijing began to express open concern about desperate measures Chen Shui-bian might take to divert attention from his political woes and to push his independence agenda through constitutional change. Following a pattern that has developed over the past year or more, as the PRC gained confidence in both the U.S. willingness to act against any moves that would seem to upset cross-Strait peace and stability and in the effectiveness of such actions, Beijing dispatched Chen Yunlin, the director of the Taiwan Affairs Office, to Washington in mid-September to lay out the Mainland's apprehensions and urge the United States to remain alert.¹¹⁰

Chen Yunlin reportedly advised Washington that, even if the DPP's new constitutional text did not directly violate Chen Shui-bian's (remaining) "four noes"

pledge, it would include many “desinicization” steps that would force the Mainland to react.¹¹¹ Moreover, one sensed that Beijing feared the Taiwan leader would introduce further amendments during the course of the LY debate that would not simply seek to improve on the “good governance” aspects of the constitution, but that, in essence, would eliminate links to the Mainland and solidify de jure independence. One also heard rumblings of concern that Chen Shui-bian might press for a referendum on these matters—as he had in mind when he first proposed a “brand new constitution” in fall of 2003—perhaps timed to coincide with the LY election scheduled for late 2007. That said, Beijing seems to believe that the period of greatest danger for any such scenario, at least as far as Chen Shui-bian is concerned, will likely be over the next few months as, by mid-2007, Taiwan’s 2008 presidential campaign will be well under way and Chen will, for all intents and purposes, truly be a lame duck.

Premier Wen Jiabao stated clearly that Beijing would not involve itself in the domestic political turmoil on the island—“We should leave the people of Taiwan to solve this problem.”¹¹² And publicly the Mainland continued to disparage Chen’s efforts to change the constitution.¹¹³ But as Chen Yunlin’s visit made clear, any spillover onto cross-Strait issues would be a different matter altogether.¹¹⁴

Most American analysts discount the possibility of the nightmare scenario outlined above, not only because the opposition controls the legislature, but because of the well-documented, widespread public opinion in Taiwan against rocking the cross-Strait boat. Nonetheless, one needs to take seriously that, while it is not in the state of agitation that prevailed in late 2003/early 2004, Beijing apparently does credit that scenario and will look to the United States to ensure it cannot succeed. If nothing else, avoiding a sharp division in U.S. and PRC perceptions—and maintaining the developing sense that Washington and Beijing will both act responsibly to avoid a crisis—calls for continuing consultation.

. . . and Hopes

Despite these concerns, Beijing continues to adhere to a policy under which, as Vice Premier Wu Yi put it, political differences should not interfere with cross-Strait cooperation and exchanges in trade and economy. Speaking even after Chen Yunlin’s visit to Taiwan had been turned down (see below), Wu reiterated a pitch for the “three links” of direct trade, transportation, and postal ties, and she asserted “progress has been made” toward those goals.¹¹⁵

Wu was presumably referring to the fact that, as reported previously,¹¹⁶ agreement was reached in mid-June on four types of “specialized” cross-Strait charter flights.¹¹⁷ The first special cargo charter flight took off on 19 July, reportedly with several tons of equipment for a Shanghai plant belonging to the Taiwan Semiconductor Manufacturing Company.¹¹⁸ The first passenger charters for a holiday other than the Lunar New Year went on for two weeks from 29 September through 13 October.¹¹⁹ And the first medical

emergency flights were also launched.¹²⁰ In all cases, the arrangements seemed to go smoothly.

Moreover, both Taipei and Beijing expressed optimism regarding talks in the near term on starting large-scale Mainland tourism to Taiwan, though there were some minor glitches and the course ahead became somewhat clouded.¹²¹ In the commercial arena, the PRC Taiwan Affairs Office reassured the Taiwan business community that the political turmoil in Taiwan would not affect Beijing's policy of promoting cross-Strait economic and trade relations and protecting the welfare and legal rights of all Taiwan citizens and business representatives on the Mainland.¹²²

The Conference on Sustaining Taiwan's Economic Development (CSTED) held in Taipei in late July took a number of positions that should help regularize cross-Strait economic relations, including, for example, some easing of restrictions on construction of sophisticated semiconductor facilities on the Mainland. And, in a development that the American Chamber of Commerce in Taipei had long sought, Taipei allowed Microsoft to bring several hundred employees to Taiwan for a corporate meeting, including Mainland personnel. In the process, Premier Su Tseng-chang said the government would approach commercial and tourist exchanges in a "pragmatic" manner, but qualified that by noting that this would be possible only as long as such engagements did not have any adverse impact on Taiwan's national security and sovereignty status.¹²³

The Cabinet also was working on a "more effective" mechanism for managing cross-Strait exchanges. Under the rubric of "active management and effective opening" that Chen Shui-bian had proclaimed earlier in the year, the government pledged to promote more people-to-people exchanges, especially among professionals, and to amend laws and regulations to facilitate tourism from the Mainland and marketing of Taiwan agricultural products in the Mainland. Taipei also promised to gradually promote financial exchanges and improve service to Taiwan investors in the Mainland.¹²⁴

At the same time, Taipei said it would make efforts to attract more investment to the island, offering incentives involving land, capital, and labor acquisition as well as the allocation of special loans.¹²⁵ The fact that many Taiwan business executives have begun to express concern about the effect of new rules being imposed by local tax bureaus and industrial and commercial bureaus in several Mainland cities could provide some help to that effort.¹²⁶ Moreover, not only was Taiwan keeping its edge in certain key high-tech manufacturing sectors,¹²⁷ there were indications that some sizeable new high-tech-related foreign investment in Taiwan was under active consideration.¹²⁸ (On the other hand, no one had yet applied for the special loans as of early October.)¹²⁹

But on the key issue of maintaining a 40 percent cap on investments in the Mainland,¹³⁰ objections from the Taiwan Solidarity Union (TSU) blocked any change at the CSTED. Indications were that the government had not given up on hopes to ease that restriction, but in the process, the TSU got into a verbal fight with the American Chamber of Commerce¹³¹ and also threatened to push for a vote of no confidence in Su if he went ahead with plans to liberalize cross-Strait economic relations. All of these factors

contributed, naturally enough, to Su's decision to curtail, at least temporarily, easing of limits on cross-Strait trade and investment.¹³²

Despite these delays, however, the continued thickening of cross-Strait economic links was evident in record-breaking levels of trade and investment during the first several months of 2006,¹³³ and in plans by major Taiwan companies for further Mainland expansion.¹³⁴

In the most controversial step in cross-Strait exchanges during recent months, the KMT applied for a visa for the PRC's Taiwan Affairs Office director, Chen Yunlin, to travel to Taiwan for a party-to-party (KMT-CCP) agricultural conference in October. The ensuing high-volume, high-visibility, unproductive "dialogue" was predictable, with Taipei insisting on "appropriate" talks between Taiwan and Mainland authorities on the basis of "prior consultation and mutual respect" before a decision could be taken,¹³⁵ and Beijing insisting that Taipei first agree to Chen's visa before any talks could take place. Beijing also underscored that, although conversations on logistical details of Chen's visit could be discussed between relevant authorities under an "appropriate name" once the visa had been approved, in no sense would this constitute resumption of cross-Strait dialogue, which would remain suspended as long as Taipei did not endorse the principle of "one China."¹³⁶

Whether the KMT ever thought issuance of a visa to Chen Yunlin was feasible, or whether they were simply going through the motions to demonstrate their bona fides to Beijing—and there are conflicting accounts regarding this point—the end result was that the conference was rescheduled for Hainan Island on 17–18 October, and fingers of blame were pointed in all directions across the Strait and within Taiwan. However, one has to assume that Lien Chan was not displeased with the outcome, as he arranged to meet once again with Hu Jintao at the conference, their third meeting.¹³⁷ Also coming out of that Hainan conference was a series of "new policies" aimed at promoting cross-Strait agricultural trade,¹³⁸ although the Mainland reportedly withheld the financing assistance that Taiwan farmers strongly wanted.¹³⁹ Beyond that, in entirely predictable fashion, the government in Taipei, and the DPP, saw in the KMT-CCP negotiations potentially disastrous consequences.¹⁴⁰ They saw them as a lure by the Mainland for the transfer of manpower, money, and competitive technology from Taiwan,¹⁴¹ rather than something benefiting Taiwan's farmers and fishermen.

Despite the various problems, including that of a visa for Chen Yunlin, on the eve of Taiwan's national day, Sun Yafu, deputy director of the Taiwan Affairs Office, repeated a line that State Councilor Tang Jiaxuan had used two weeks earlier: "positive factors" in the cross-Strait situation that were conducive to checking Taiwan independence activities were growing, and the development of cross-Strait relations in the direction of peace and stability was "gaining strength."¹⁴² The Chinese news agency report of Sun's remarks did not contain a repeat of Tang's warning that the danger of "Taiwan independence" had not been eliminated: "We should, in particular, maintain a sharp vigilance against attempts by the leader of the Taiwan authorities to seek 'de jure Taiwan independence' through 'constitutional reform.'"¹⁴³ One can hope that the failure

to repeat this warning means Beijing's angst has subsided somewhat since Tang made his statement and Chen Yunlin visited Washington.

Coda

The fate of all these issues—most especially regarding Chen Shui-bian's tenure in office and the course of the public demonstrations and legislative maneuvering to bring him down—was hard to discern through the smoke of Taiwan's political battles. Some people expressed fears about social turmoil throughout the island, and they pointed to clashes that have already taken place between pro- and anti-Chen demonstrators, bringing on police intervention. Even so, the likelihood of a breakdown of social order seems remote.

As to Chen's fate, unless persuasive evidence emerges about his or his wife's legal culpability, his determination to remain in office seems likely to carry him through. That said, the name of the game for Chen, and the DPP, will be to put Ma Ying-jeou and the KMT on the defensive, splitting their ranks if possible. Still, some eyewitnesses to the demonstrations noted the intensity of the scene in Taipei and argued that any weakness in Chen's defensive armor could be politically fatal to the president.

The United States, always alert to constitutional maneuvering in Taiwan, will need to show that it is paying particular attention to Beijing's concerns in order to remain on a steady course with the PRC. So, even though most American observers do not credit the likelihood of Chen pulling off a feat of legislative legerdemain that would produce a constitutional change that would breach PRC "red lines," keeping up with the political games in Taiwan will be a full-time occupation for Washington.

We will examine the results in the next CLM, as Taiwan heads to the polls to elect the mayors of Taipei and Kaohsiung.

Notes

¹ Accounts varied as to whether prosecutors "would" question Chen and his wife again (Rich Chang, "Chen to be questioned a second time," *Taipei Times*, 24 September 2006) or "didn't rule out the possibility" of doing so (Zhuang Pinghui, "Another Blow for Chen's Credibility," *South China Morning Post*, 6 October 2006), but in any event it remained a live possibility. At the same time, prosecutors indicated that they hoped to bring the investigation of possible misuse of funds to a close by the end of October. (Rich Chang, "Chen investigation to wrap up this month," *Taipei Times*, 2 October 2006.) Typifying the "high-toned" nature of the LY debate, in a committee hearing on this matter, one DPP Chen defender tagged an opponent as "shameless," which gave rise to the countercharge that the DPP member was "vulgar." (Ko Shu-king, "Chen Must Give Receipts for Fund Reimbursement," *Taipei Times*, 3 October 2006.)

² "The Taiwan Tangle," *China Leadership Monitor* 18 (summer 2006).

³ Polls differ to some degree, but between mid-August and late September, the results were reasonably consistent across a number of polling organizations. ("Support for Chen, DPP Nose-Diving, Poll Shows," *Taiwan News*, 19 August 2006; Sofia Wu, "President's Approval Rating Remains Low at 18%: Poll," CNA, 8 September 2006.) A *United Daily News* poll in mid-September showed the 18 percent figure holding steady as against 66 percent expressing dissatisfaction with Chen's performance. ("Chen Pushing Projects to Retain Power Base," *China Post*, 18 September 2006), although the picture improved slightly

over the following week to 20 percent approval and 62 percent disapproval (UDN poll on 25 September 2006 as translated and disseminated by the KMT-affiliated National Policy Foundation in Taipei). An ERA Survey Research Center poll on 11 October showed that by more than 2:1 (57.54 percent vs. 25.2 percent) the public saw the president as “unfit” (vs. “fit”) for office (http://survey.era.com.tw/prog_pic/survey/061011-02.pdf).

⁴ “Taiwan Public Mood Index,” September 2006, Global Views Survey Research Center (<http://www.gvm.com.tw/gvsrc/tpmi/index.htm>). A number of September indicators were up slightly from August, but still down substantially since June.

⁵ Sofia Wu, “President Admits Role in Controversial State Fund Reimbursement,” CNA, 8 September 2006.

⁶ Maubo Chang, “Taiwan First Lady Wu Shu-jeu Cleared of Wrongdoing in Sogo Ownership Battle,” CNA, 2 October 2006. An ERA Survey Center poll of 5 October 2006 showed 51.22 percent of respondents dissatisfied (vs. 16.75 percent satisfied) with the investigation conclusion that, although the first lady and her family did receive—and use—gift vouchers distributed as part of a public relations campaign, there was “insufficient evidence” to indict her in the bribery case (http://survey.era.com.tw/prog_pic/Survey/061005-01.pdf).

⁷ The Presidential Office magnanimously said it “respected” the result of the vote. (Lilian Wu, “President Respects Legislature’s Rejection of Second Recall Motion,” CNA, 13 October 2006.)

⁸ Flor Wang, “PPF to Propose No-Confidence Motion Next Week,” CNA, 13 October 2006.

⁹ As noted elsewhere, Ma Ying-jeou explained his position in favor of the second recall motion as adopting a course that would allow “the people” to decide Chen’s fate, since a national referendum would be called on the issue if the motion passed the LY with a two-thirds vote. By way of contrast, while Ma acknowledged that “impeachment” was “one of the institutionalized means” of ousting Chen, if it passed, the next step would be to refer it to the grand justices, not to “the people,” thus making it an inferior approach. (Flor Wang, “KMT Chairman Favors Using Recall Motion to Unseat President,” CNA, 21 September 2006.)

¹⁰ Flor Wang, “Wrong Time to Call No-Confidence Vote: KMT Caucus,” CNA, 16 October 2006.

¹¹ Han Nai-kuo, “PPF Lambastes KMT for Not Supporting Motion to Topple Premier,” CNA, 19 October 2006.

¹² NT\$100 = about US\$3. As of mid-October, the campaign had spent about NT\$50 million (US\$1.5 million) and still had NT\$62 million left over. (S.C. Chang, “Anti-Corruption Campaign Account Book Boasts Large Surplus,” CNA, 13 October 2006.) Among the prominent contributors was Koo Yen Chuo-yun, widow of the late C.F. Koo, Taiwan’s representative in the cross-strait “Koo-Wang Dialogue.” (Chiu Yen-ling, “Koo Chen-fu’s Wife Supports Anti-Chen Campaign,” *Tzu-yu Shih-pao*, 5 September 2006, translated by Open Source Center [OSC], CPP20060905365002.)

Earlier in the summer, Chen was challenged to step down by a group of several dozen “pro-Green” academics. In underscoring the importance of this step, one DPP legislator observed: “When blue supporters protest, the president can shut his eyes. When light greens speak out, he can ignore them. But when deep green scholars get into the fray, he has to take them seriously.” (“Academics urge Chen to quit over scandals,” *China Post*, 14 July 2006.)

¹³ A DPP-sponsored counter-demonstration on 16 September was noteworthy for, among other things, the absence of three key party leaders: Vice President Annette Lu, Premier Su Tseng-chang, and former premier and DPP candidate for mayor of Taipei, Frank Hsieh Chang-ting. Although Su and Hsieh sent “personal representatives,” rumors swirled about whether this was the beginning of efforts by potential DPP presidential candidates to distance themselves from Chen. (Shih Hsiu-chuan, “Anti-Chen camp to stick to Taipei,” *Taipei Times*, 18 September 2006.)

¹⁴ The rate of support for Chen’s ouster dropped across the month of September from 73 percent to 65.4 percent according to one poll, but then rose again to 66.9 percent after the demonstrations were halted in mid-October. Over this same period, those calling for him to stay on rose from 26 percent to 30.7 percent. Tellingly, support for indefinite continuation of the demonstrations dropped from 50.8 percent to 35.9 percent, while opposition to their continuing rose from 47.5 percent to 62.9 percent.

(倒扁總部喊暫時休兵， 倒扁比例小幅提昇 [“After the oust-Chen Shui-bian central headquarters calls for a temporary rest, the support rate for the oust-Chen movement rises slightly”], *China Times*, 16 October 2006) (<http://survey.chinatimes.com/9510b/index.htm>).

¹⁵ Flor Wang, “Anti-President Sit-In Protest Scaled Down,” CNA, 13 October 2006. Shih and others believed that Chen was guilty of the misdeeds being investigated, and it was very uncertain how they would react to a prosecutors’ finding that no crimes had been committed. Shih even said that if the prosecution concluded its investigation without charging any first family members, he would convene a crowd to “besiege the prosecution authorities.” This led, naturally enough, to a sharp response from the prosecutor in charge that “evidence, not public opinion” decides the fate of judicial cases. (Sofia Wu, “Judicial Case Depends on Evidence, Not Public Opinion: Prosecutor,” CNA, 13 October 2006.) Nonetheless, polls showed deep public skepticism about the prosecutors’ ability to “find out the truth.” (50.56 percent of respondents did not believe the prosecutors could find out the truth behind the “state affairs fund” case, as against 27.99 percent who did so believe. ERA poll, 5 October 2006, http://survey.era.com.com.tw/prog_pic/survey/061005-01.pdf.)

¹⁶ Although most polls at the time reflected somewhat greater support for the demonstrations, an ERA poll on 11 September was fairly typical: 44.57 percent of respondents supported the sit-in (vs. 38.54 percent who did not), but only 12.69 percent thought it would cause Chen to step down (vs. 69.41 percent who thought it would not). (“Public Opinion Poll on Sit-in Movement to Topple Chen Shui-bian,” ERA Survey Research Center, 11 September 2006, http://survey.era.com.com.tw/prog_pic/survey/060911-03.pdf.)

As noted elsewhere, over the succeeding weeks opinion in favor of the sit-in ebbed. Views seemed equally divided about Shih Ming-teh’s plan to gather as many as 2 million demonstrators to surround the presidential offices on National Day (10 October). A *China Times* poll of 23 September, translated and disseminated by the National Policy Foundation, rated those in favor of the 10 October demonstration at 37.3 percent vs. 34.3 percent against. ERA also found opinion evenly divided (26.66 percent to 26.62 percent). (http://survey.era.com.com.tw/prog_pic/survey/060927-06.pdf.)

Although the public’s evident tiring of the constant demonstrations was probably the largest factor in the decline in support for them, another important reason seems to have been that it was just at this time that Premier Su Tseng-chang offered to host a meeting with other political leaders to try to bring order to Taiwan’s political scene. The idea of some kind of political solution clearly appealed to the public, as the 23 September *China Times* poll showed 57 percent of respondents favored finding a solution through the LY, vs. only 7.7 percent through “mass movement” (and 9.1 percent in favor of using both methods together). When the question of Su’s proposed political talks was put into the questionnaire, a similar preference for a “political” approach was seen. A 27 September *China Times* poll showed, for example, that respondents supported political talks by 48.0 percent to 15.8 percent. That this was not a vote of confidence in Chen is seen in the fact that, by a 51.9 vs. 26.3 percent margin, respondents thought the talks should include discussion of Chen Shui-bian’s resignation.

Nor was it a vote of confidence that political talks would succeed in ending the stalemate, as seen in the 27 September *China Times* poll showing that, by a large margin (59.4 percent vs. 14.7 percent), respondents thought the talks Su wanted to convene would not, in fact, resolve the political deadlock.

¹⁷ One such reaction came from DPP legislative caucus whip, Chen Chin-jun, who said that, when the middle class comes out in droves and the “anti-Chen” campaign goes “mainstream,” the DPP “should cool down and listen to the people’s voice.” (Lilian Wu, “DPP Needs Self-Reflection After ‘Besiege the City’ March: Caucus Whip,” CNA, 18 September 2006.)

¹⁸ On the eve of the DPP’s 20th anniversary (28 September), this group of junior DPP members, some quite prominent in the party, announced the formation of a “generational forum.” Their statement, which condemned the president, said in part: “We have already entered the post-Chen Shui-bian period, an era that does not require President Chen’s leadership.” Proclaiming their love for the DPP, they said they had already started planning for its political program for the next decade, which absolutely did not need Chen’s guidance. They said that even if he remained in his position, though he would still be the president under the constitution, he was not their political leader, and the president’s future political course and their own would diverge quite sharply:

“世代論壇」的成立，其實已表明立場，我們已進入後扁時代，一個不需要陳總統領導的新世代。我們已開始規劃未來十年的政治綱領，完全不需要陳總統的指導。如果陳總統繼續留任，他仍是憲法上的總統，但我們已不接受他做為我們政治上的領導者。陳總統近來的政治路線和我們有重大歧異。” (Fan Zhengxiang, “Generational Forum is Established: Entering the Post-Chen Shui-bian Era,” *Liberty Times*, 28 September 2006, available at <http://www.libertytimes.com.tw/2006/new/sep/28/today-p4.htm> in Chinese.) Reaction within the DPP to

this development was severely split, some condemning the junior members, others welcoming their candor. (Shih Hsiu-chuan, “Young Turks’ statement causes stir within DPP,” *Taipei Times*, 29 September 2006.)

¹⁹ Han Nai-kuo, “Former Head of DPP’s Taichung Office to Push for Recall of DPP Lawmakers,” CNA, 22 September 2006.

²⁰ Flor Wang, “KMT Chairman Favors Using Recall Motion to Unseat President,” CNA, 21 September 2006.

²¹ “Hold Presidential Primaries Early? DPP: As Long as Regulations Are Followed, It Could be Carried Out as Soon as Possible,” *Chin-jih Wan-pao*, 25 September 2006. An important target of this refocusing was young voters, according to DPP LY (Taipei) member Cheng Yun-peng. The importance of this was evident in another report that, in the course of losing 40 percent of all supporters between 2000 and 2006, DPP support among 20–29-year-olds had slipped from 33 percent to 18 percent, and support among 30–39-year-olds had dropped from 25 percent to 13 percent. (“DPP Losing the Support of Young Voters,” *Lien-ho Pao*, 25 September 2006, reporting a poll by the paper’s Public Opinion Polling Center.) (Both articles reported in summary translation by OSC, CPP20060926365002.)

²² Rich Chang, “Chen loyalists, detractors, clash in Kaohsiung, Tainan,” *Taipei Times*, 20 September 2006.

²³ Having earlier spoken of modest numbers—5,000 was mentioned (Mo Yan-chih, “Angry anti-Chen protestors threaten to overstay permit,” *Taipei Times*, 25 September 2006)—as the day approached, the organizers said they hoped for 2 million participants, though they consistently said the demonstration would be nonviolent. (Elizabeth Hsu, “‘Siege’ of Presidential Office to Begin Double Ten Nation [sic] Day,” CNA, 7 October 2006.)

²⁴ Su Yang-yao, “Yu, China is the Shadow Force Behind the Oust Chen Campaign,” *Tzu-yu Shih-pao* (in Chinese), 20 September 2006, <http://www.libertytimes.com.tw/2006/new/sep/20/today-p4.htm>.

²⁵ Shih Hsiu-chuan, “NSB finds no proof of Beijing’s hand in anti-Chen campaign,” *Taipei Times*, 23 September 2006.

²⁶ Jenny W. Hsu, “Presidential office says Chen never claimed rally backed by PRC,” *Taiwan News*, 22 September 2006.

²⁷ Shih Hsiu-chuan, “Security agencies want Double Ten celebrations cut,” *Taipei Times*, 29 September 2006.

²⁸ Flor Wang, “National Day Celebrations to Proceed as Scheduled: Legislative Chief,” CNA, 5 October 2006.

²⁹ Flor Wang, “KMT Head Meets Legislative Head over National Day Celebrations,” CNA, 29 September 2006.

³⁰ “Legislative Speaker Considering Lien Chan’s Proposal to Cancel Double Ten Day Celebration,” CNA (in Chinese), 27 September 2006 (translated by OSC, CPP20060927365002).

³¹ In the same poll reported in endnote 14 above, those satisfied with the mayor’s behavior registered at 48 percent, those dissatisfied at 46 percent, with the difference within the margin of error. (*China Times*, 16 October 2006.)

³² For example, PFP chairman James Soong said he would only attend a meeting convened with the purpose of bringing about Chen Shui-bian’s resignation, a position the DPP naturally rejected.

³³ Jimmy Chuang, “Su says atmosphere not conducive for meeting with Ma,” *Taipei Times*, 4 October 2006. Ma continued to express hope for the meeting with Su, but he acknowledged that there was little he could do and he said he understood the “internal pressure” Su was facing from the DPP to avoid anything that could be seen as contributing to Chen’s downfall. (Shih Shao-kuang and Chen Shao-yi, “Su Tseng-chang, Ma Ying-jeou Point Fingers at One Another Over Failed Meeting,” *Tzu-yu Shih-pao*, 4 October 2006, translated in summary by OSC, CPP20061004365002). LY Speaker and central KMT figure Wang Jin-pyng had said he would attend if invited (Lu Chi-ying, “Ma agrees to discussions with premier,” *Taiwan News*, 26 September 2006), but he resisted calls to jump in as a mediator (“Wang unwilling to play mediation role yet,” *China Post*, 25 September 2006).

³⁴ Mo Yan-chih, “Ma’s approval rate drops: polls,” *Taipei Times*, 29 June 2006.

³⁵ The criticism was a general one, but in this instance focused on limitations Ma imposed as mayor on hours of the sit-in. (Shih Hsiu-chuan and Mo Yan-chih, “Scheme to oust Chen backfires on Ma,” *Taipei Times*, 31 August 2006.) On the other hand, at the time of the competing pro- and anti-Chen rallies in mid-September, DPP Chairman, Yu Shyi-kun, accused Ma of “dereliction of duty” and charged that he and “City Hall” had allowed “endless protests” and were the “main cause of restlessness in Taiwan” in recent

years. (Maubo Chang, “Pro-President Rally Staged in Taipei, People Chase TV Reporters,” CNA, 16 September 2006.)

³⁶ Y.L. Kao, “Taipei Mayor Will Not Take Part in Anti-Corruption Sit-In,” CNA, 8 September 2006.

³⁷ Han Nai-kuo, “Street Protests Alone Cannot Make Chen Resign: KMT Head,” CNA, 17 September 2006.

³⁸ Lin Yu-lin, Hsiao Hsu-tsen, and Tseng Hui-ping, “Nonpartisan Solidarity Union to Initiate Vote of No Confidence Next Week, to Force Ma Ying-jeou to Make Position Clear,” *Chung-kuo Shih-pao*, 6 September 2006 (translated in summary by OSC, CPP20060906365001).

³⁹ Han Nai-kuo, “KMT Does Not Rule Out Possibility of Toppling Cabinet: Chairman,” CNA, 5 September 2006.

⁴⁰ Mo Yan-chih, “Ma and Wang don’t want to topple cabinet just yet,” *Taipei Times*, 8 September 2006. Moreover, as explained earlier, in light of the constitutional amendment halving the size of the LY, the KMT caucus in mid-October finally came down against trying to topple the premier.

While this concern was not going to go away, the argument that a new LY election *could not* be called before the new election districts had been drawn was disputed by the chairman of the Central Election Commission. In answering questions in the LY, Chairman Chang Cheng-hsiung said “snap elections” could, in fact, be held within the constitutionally mandated 60 days if the LY were dissolved following a successful no-confidence vote against the cabinet. This could be achieved, he said, through a combination of administrative orders to make up for certain legal deficiencies and consultations between the LY speaker and the premier, in accordance with the Public Officials Election and Recall Law. (Elizabeth Hsu, “Snap Legislative Election Could Be Accomplished: CEC Head,” CNA, 2 October 2006.)

⁴¹ “Ma Ying-jeou: Do Not Topple Cabinet for Toppling Cabinet’s Sake,” CNA in Chinese, 14 October 2006, summary translation by OSC (CPP20061016102001).

⁴² Chang Ling-yin, “KMT will wait for judicial probe result, says Ma,” *Taiwan News*, 16 October 2006.

⁴³ Flor Wang, “Wrong Time to Call No-Confidence Vote: KMT Caucus,” CNA, 16 October 2006.

⁴⁴ George Liao, “KMT decides not to back no-confidence proposal,” *Taiwan News*, 17 October 2006.

⁴⁵ Ma was reported to be planning to “aggressively” promote four so-called “sunshine laws” during the upcoming LY session—a lobby law, a political party law, a public functionaries assets disclosure law, and a political contributions law—plus some two dozen other pieces of legislation. (“Ma Ying-jeou Creates Second Battle Ground in Legislative Yuan: Promotes Numerous Items of Legislation,” *Chung-yang T’ung-hsun She*, 5 September 2006, translated in summary by OSC, CPP20060905365003.) For his part, Su Tseng-chang was also urging passage of various “sunshine laws,” reflecting the fact that both leaders not only favored more-open government, but also perceived the political salience of backing good governance in appealing to the electorate. (Dennis Engbarth, “Su urges passage of ‘sunshine’ bills,” *Taiwan News*, 21 September 2006.)

⁴⁶ Mo Yan-chih, “KMT unveils particulars of party assets,” *Taipei Times*, 24 August 2006.

⁴⁷ Elizabeth Hsu, “KMT Chief Explains Principles of Dealing with Party Assets,” CNA, 4 September 2006. At least one observer, a former Control Yuan member, found the KMT assets report “open and honest,” even if only a first step. (Huang Huang-hsiung, “KMT assets report just the first step,” *Taipei Times*, 6 September 2006.)

⁴⁸ DPP officials, including Premier Su in his official capacity, called for a further accounting (Jimmy Chuang and Ko Shu-ling, “Premier Su demands more details on KMT’s assets,” *Taipei Times*, 24 August 2006) and Su indicated he would personally accept a petition for a referendum designed to force the KMT to return its “ill-gotten gains.” (Sofia Wu, “Referendum Proposal to Be Produced to Force KMT to Return Assets,” CNA, 4 September 2006.)

⁴⁹ S.C. Chang, “KMT to Launch Anti-Corruption Referendum,” CNA, 15 September 2006. A week later the KMT announced it had completed the signature drive necessary to submit the proposal to the Central Election Commission. (Y.F. Low, “KMT Completes First-Stage Signature Drive for Anti-Graft Referendum,” CNA, 22 September 2006.)

In early October, the Executive Yuan announced it was planning to establish a Referendum Review Committee to review both the DPP proposal regarding KMT party assets and the KMT anti-corruption referendum aimed at the DPP government. A preparatory meeting, with a pan-Blue majority (reflecting the make-up of the LY), was scheduled for 13 October, the same day as the presidential recall vote. (Fan Cheng-hsiang, “Referendum Review Committee to Be Established Soon,” *Tzu-yu Shih-pao*, 4 October 2006, summary translation by OSC, CPP20061004365001.)

Within the legislature, itself, however, no action was taken throughout this period until, as this edition of *China Leadership Monitor* was about to be issued, the LY Procedures Committee reported out two somewhat different versions of the bill to handle the KMT's "ill-gotten" assets. This was ironic because the pan-Blue controlled the committee. However, PFP support for the DPP bill allowed it to emerge from committee, perhaps an act of PFP retaliation for KMT abandonment of the no-confidence motion. In any event, all other major bills—including the KMT's proposal for a "political party law" containing its own ideas for dealing with corruption cases, the military weapons procurement bill, and a special request to add new money to the government's fiscal year 2006 budget—remained bottled up in the Procedures Committee. (S.C. Chang, "Party Assets Bill Clears Legislature's Procedure Committee," CNA, 24 October 2006.)

⁵⁰ S.C. Chang, "Taipei Mayor Calls for Speedy Probe into 'State Affairs Fund' Case," CNA, 15 September 2006.

⁵¹ "Ma Ying-jeou: Combination of Three Forces Can Bring Down Chen," *Tung-sen Hsin-wen Pao*, 17 September 2006, translated in summary by OSC, CPP20060918102001. Some observers questioned how Ma would react if the prosecutors failed to bring charges, since he seemed so personally convinced of the first couple's culpability.

⁵² "Ma urges referendum to recall Chen," *China Post*, 24 September 2006.

⁵³ Soong announced that he would run as an "independent" so as not to split the pan-Blue. (Mo Yan-chih, "Soong declares candidacy for mayor," *Taipei Times*, 18 October 2006.) Nonetheless, Ma said he would do his best to ensure that the pan-Blue fielded only one candidate to maximize the prospects for victory. (Flor Wang, "KMT Chief Vows to Avoid 'Pan-Blue' Split in Taipei Mayor Election," CNA, 17 October 2006.) Ma also revealed, however, that Soong had offered a deal: If Ma demanded that the KMT candidate for mayor of Taipei, Hau Lung-bin, unconditionally drop out of the race, Song would abstain from participating in the 2008 presidential race and would fully back Ma. (Flor Wang, "PFP Attacks KMT Chief Over 'Condition' Rhetoric," CNA, 20 October 2006.)

⁵⁴ Wang even showed up at James Soong's mayoral campaign kick-off, seeming both to be backing Soong's candidacy (against the candidate from his own—and Ma's—KMT) and taking a backhanded slap at Ma's management of the city: "Chairman Soong has put all his effort into understanding Taipei City's issues . . . Given an opportunity, I believe that he will transform Taipei into a brand new city." (Mo Yan-chih, "Soong declares candidacy for mayor," *Taipei Times*, 18 October 2006.)

⁵⁵ "These days, some people want to unite with China to control Taiwan, while others oppose China in order to protect Taiwan." ("President Chen Makes a Televised Report to the People of Taiwan," Office of the President, 20 June 2006, http://www.president.gov.tw/en/prog/news_release/print.php?id=1105499101 and 1105499105.)

⁵⁶ Crystal Hsu, "President Vows to Forge on With His Own Agenda," *Taiwan News*, 20 August 2006.

⁵⁷ "President Chen lectures at the 7th Class of the National Leadership and Development Strategy Program and the 7th Class of the Indigenous Affairs Program at the Ketagalan Institute," 12 August 2006 (<http://www.gio.gov.tw/taiwan-website/4-oa/20060812/2006081201.html>).

⁵⁸ Reminiscent of how Chen handled the National Unification Council and Guidelines issue (see "The Taiwan Tangle," *China Leadership Monitor* 18, summer 2006), in the English version on the presidential website, the language was softened ("Taiwan is Taiwan, and China is China—they are different." *Ibid.*) In Chinese, however, the language was much more adamant:

“台灣是台灣，中國是中國，台灣絕對不是中國” (http://www.president.gov.tw/index_c.html).

⁵⁹ Lilian Wu, "President Vows 'Not to Fall No Matter What Difficulties Lie Ahead,'" CNA, 19 August 2006. This statement takes on special importance when it is recalled that Chen's action on the National Unification Council and Guidelines was kicked off by his statement that the question of doing away with them merited "serious consideration." Although the Foreign Ministry dutifully indicated it was "seriously considering" pushing for UN membership under the name of "Taiwan" (Deborah Kuo, "Taiwan Foreign Ministry 'Seriously Considering' UN Bid using 'Taiwan,'" CNA, 28 August 2006), Foreign Minister James Huang Chih-fang expressed reservations about this strategy, noting it could upset the United States and others as a political ploy (Charles Snyder and Jewel Huang, "Taiwanese-American groups join forces for UN bid," *Taipei Times*, 31 August 2006). The visit by the Chairman of the Standing Committee of the PRC National People's Congress to Latin America at this same juncture was seen in important part as aimed at reducing support for Taiwan even from countries with which it still maintains diplomatic

relations. (Fei Yi, "Wu Bangguo's Visit to Latin America Is Meant to Reduce Space for 'Taiwan Independence,'" *Zhongguo Tongxun She*, 1 September 2006, translated by OSC, CPP20060901072001.)

⁶⁰ "The President Attends a Counseling Meeting for the Promotion of Taiwan's UN Membership Bid This Year," 13 September 2006, Taipei Office of the President, translated by OSC, CPP20060913312001.

⁶¹ He pointed out that the PRC would not allow such a proposal to be carried out in practice at the UN. (Edith M. Lederer, "Taiwan fails for 14th year to win approval from key committee for U.N. bid," AP, 13 September 2006.)

⁶² Chen cited the support rate at 79 percent. It is not clear where he got that figure. In any event, between 15 and 17 September, the Election Studies Center of National Chengchi University conducted a poll on behalf of the Mainland Affairs Council that yielded the 70 percent support rate. (Deborah Kuo, "Majority of Taiwan People Opt for U.N. Bid using 'Taiwan' as Title," CNA, 22 September 2006.)

⁶³ "President Chen Speaks for Taiwan's Bid to the UN," 13 September 2006 (http://www.president.gov.tw/en/prog/news_release/print.php?id=1105499239). In the next several days it was confirmed that Chen had asked Vice President Annette Lu to review a plan for Taiwan to apply for UN membership in the name of "Taiwan," though it was said that no decision had been made whether to launch a referendum on the subject.

⁶⁴ Lee Hsiu-chuan, "DPP raises constitutional revision, discussion arrives at no conclusion," *Lien Ho Pao* (in Chinese), 21 September 2006 (<http://udn.com/NASApp/rightprt/prtnews?newsid=3526744>).

⁶⁵ The Chinese language text is available at <http://www.president.gov.tw/php-bin/prez/shownews.php4?Rid=12192>. An English translation was made available by OSC (CPP20060924319001). The following quotes come from these texts.

⁶⁶ CNA ran a story by Deborah Kuo headlined "President Chen Calls for Consideration of Redefining Taiwan Territory." Even the normally pro-Green *Taipei Times* ran a story by staff reporter Ko Shu-ling headlined "Chen proposes change of Constitution" (25 September 2006), which began: "Seeking to draw attention away from the protests seeking his ouster, President Chen Shui-bian yesterday went on the offensive and said that the Constitution needed to be amended or changed altogether."

⁶⁷ Han Hai-kuo, "KMT Vows to Oppose Further Amendment to Constitution," CNA, 24 September 2006.

⁶⁸ Hsu Shao-chien, Huang Chung-jung, Huang Wei-chu, and Chiu Yen-ling, "Presidential Office Defends President's Remarks on Constitutional Reform; Denies His Comments Violate Four No's, One Without," *Tzu-yu Shih-pao*, 26 September 2006 (summary translation by OSC CPP20060926365003).

⁶⁹ George Liao, "Chen's constitution revision pledge gets mixed reaction," *Taiwan News*, 25 September 2006.

⁷⁰ Lee Teng-hui, who has become an outspoken Taiwan independence advocate since leaving office in 2000, recently was in Tokyo urging that Japan take the lead in ending the "absurd story of one China." ("Lee Teng-hui Calls on Japan to Take Lead in Ending Absurd 'One China,'" CNA in Chinese, 17 September 2006, summarized in translation by OSC, CPP20060918102002.) By way of contrast, the TSU saw Chen simply playing with words, not revealing a genuine intention to act.

⁷¹ Daily Press Briefing, 25 September 2006 (<http://www.state.gov/r/pa/prs/dpb/2006/73101.htm>).

⁷² Hsu Shao-chien, Huang Chung-jung, Huang Wei-chu, and Chiu Yen-ling, "Presidential Office Defends President's Remarks on Constitutional Reform; Denies His Comments Violate Four No's, One Without," *Tzu-yu Shih-pao*, 26 September 2006 (translated summary from OSC, CPP20060926365003).

⁷³ Lee Hsin-fang, "DPP's Draft Version of Constitutional Amendments Suggests that National Title Be Changed to Republic of Taiwan," *Tzu-yu Shih-pao*, 26 September 2006 (<http://www.libertytimes.com.tw/2006/new/sep/26/today-fo5.htm>, translated summary from OSC CPP-20060926365003).

⁷⁴ Peng Hsien-chun and Ch'en Shih-t'ing, "Premier Says Changing Taiwan's National Boundaries No Simple Task," *Tzu-yu Shih-pao*, 27 September 2006 (summary translated by OSC, CPP20060927365002).

⁷⁵ Transcript of State Council Taiwan Affairs Office Spokesman Li Weiyi's News Conference on 27 September 2006, translated by OSC (CPP20060927071001).

⁷⁶ Mainland Affairs Council—Press Release, No. 110, 27 September 2006, <http://www.mac.gov.tw/english/english/news/06110.htm>.

⁷⁷ The Chinese text of Chen's remarks is on the presidential website at <http://www.president.gov.tw/php-bin/prez/shownews.php4?Rid=12209>. An English translation was disseminated by OSC (CPP20060928071001).

⁷⁸ 台灣是台灣、中國是中國，台灣與中國是兩個完全不同的國家。

⁷⁹ Dennis Engbarth, "Chen urges ruling party to redress past mistakes," *Taiwan News*, 29 October 2006.

⁸⁰ Daily Press Briefing, 28 September 2006 (<http://www.state.gov/r/pa/prs/dpb/2006/73326.htm>).

⁸¹ "US hopes reform will not alter status quo," *Taipei Times*, 5 October 2006. Deputy spokesman Tom Casey was addressing correspondents at the foreign press center on 4 October. The focus on changes to any draft introduced to the LY reflected known PRC concerns that, while the first draft presented to the LY, even by the DPP, might avoid the "sensitive" issues, subsequent amendments in the LY could introduce problematic formulations on those questions.

⁸² Ch'en Shih-t'ing, Shih Shao-kuang, and Tsou Ching-wen, "Taking United States' Views Into Consideration, DPP Caucus Suggests Party Hold Off on Constitutional Reforms," *Tzu-yu Shih-pao*, 4 October 2006, and Lin Chu-yi, "Does DPP Have Willpower to Amend Constitution's Charter? DPP Lawmakers Urge Party to Be Pragmatic," *Chin-jih Wan-pao*, 4 October 2006. Both summarized in translation by OSC, CPP20061004365001.

⁸³ "Chen not to offend U.S. with new constitution," *China Post*, 4 October 2006.

⁸⁴ Ko Shu-ling and Flora Wang, "DPP's constitutional amendments to not break 'four noes,'" *Taipei Times*, 4 October 2006. Yet almost two weeks later, and despite all of these assurances, DPP chairman Yu Shyi-kun told reporters there were still six versions of the reform package under study and that the final version would reflect the party's "basic value" that "Taiwan is an independent and sovereign country." ("President seen as unlikely to realize new constitution," *Taiwan News*, 17 October 2006.)

As to the "additional articles" (text available at <http://www.taiwandocuments.org/constitution04.htm>), Article 1 specifies that the National Assembly has as one of its powers "To vote, in accordance with Article 4, Paragraph 5 of the Additional Articles, on Legislative Yuan proposals to alter the national territory."

Article 4 specifies: "The territory of the Republic of China, defined by its existing national boundaries, shall not be altered unless initiated upon the proposal of one-fourth of all members of the Legislative Yuan, passed by three-fourths of the members of the Legislative Yuan present at a meeting requiring a quorum of three-fourths of all the members, and approved by three-fourths of the delegates to the National Assembly present at a meeting requiring a quorum of two-thirds of all the delegates."

Now that the National Assembly no longer exists, a proposal to change the provisions of Article 4, like any other constitutional amendment, would be subjected to a high-bar referendum (i.e., requiring approval by over half of all eligible voters). But clearly, any attempt to redefine national territory would be extremely provocative, and would precipitate a crisis for Taiwan not only with the Mainland but also with the United States.

⁸⁵ "President Chen Meets with the Republican Youths," Office of the President, 13 October 2006 (http://www.president.gov.tw/en//prog/news_release/print.php?id=1105499268).

⁸⁶ Shih Hsiu-chuan, "President urges consideration of 'Second Republic,'" *Taipei Times*, 16 October 2006.

⁸⁷ "The United States does not support Taiwan independence. We oppose unilateral changes to the status quo by either side," Taken Question, 2006/938, 17 October 2006 (at <http://www.state.gov/r/pa/prs/ps/2006/74660.htm>).

⁸⁸ Observers in Taipei remain on alert as well. The *China Post* editorialized that Chen might not abolish or amend the constitution, but, as Koo described it, he might "freeze" it, thus suspending all government institutions without declaring "independence." The *Post* warns against underestimating the capabilities of Chen and his colleagues: "Angels, be prepared for the worst." (Editorial, "U.S., beware of Chen's tricks," 18 October 2006.)

⁸⁹ "Chen still wants to touch on territory issue," *China Post*, 2 October 2006, quoting DPP deputy secretary-general Tsai Huang-liang. Even so, the DPP continued to try to cast its position in terms of preserving the "status quo." (Sofia Wu, "Status Quo Remains Pitch of DPP Constitutional Reform Initiative," CNA, 2 October 2006.)

⁹⁰ Lilian Wu, "Name Change of State Firms Should Proceed in Orderly Manner: Premier," CNA, 17 October 2006.

⁹¹ David Young, "Premier Su Reaffirms Name of 'Republic of China,'" *China Post*, 18 October 2006.

⁹² Flora Wang, "DPP postpones decision-making on constitutional reform," *Taipei Times*, 5 October 2006.

⁹³ "Bian Wants to Change Territorial Definition; US Exerts Three Times More Pressure Since End of NUC," *Chung-shih Tien-tzu Pao*, 8 October 2006 (summary translated by OSC, CPP20061009102004).

⁹⁴ “The Taiwan Tangle,” *China Leadership Monitor* 18 (summer 2006).

⁹⁵ Chen’s use for his trip to Palau of a specially designated military aircraft (“Air Force One”) with the official ROC emblem emblazoned on the tail was seen as a major breakthrough by Taipei. Terming “Taiwan’s status as a sovereign state” an “undeniable fact that we should not forgo any chance to display,” Chen said use of “Air Force One” for a “state visit” was “one giant leap for the head of state diplomacy.” (“President Chen Takes Air Force One to Palau,” 3 September 2006 (http://www.president.gov.tw/en/prog/news_release/print.php?id=1105499218)).

On the other hand, landing it on American soil would clearly have exceeded American tolerance. Technically, Taipei never requested that “Air Force One” be allowed to land in Guam, but only because it had sounded out Washington and been told it would be inadvisable to make such a request, and that a civilian aircraft without the national symbol should be used instead. In a refreshing exercise of candor, not only did Presidential Office Deputy Secretary-General Liu Shih-fang make clear ahead of the trip that the United States had made this recommendation (Lin Chieh-yu and Y.F. Low, “Transit Approval for Chen Consistent with U.S. Policy: U.S. Official,” CNA, 1 September 2006), but Chen himself also directly acknowledged it when in Palau. He said the U.S. position was “no surprise” and, with perhaps a little less candor, said he went along with it to avoid “unnecessary discussion” of the state of Taiwan-U.S. relations.

More to the point, which is the importance he attaches to landing on American soil, Chen also said that he anticipated returning to Guam in 2007 when the second leadership summit with South Pacific nations was scheduled to take place in the Marshall Islands. In so doing he implicitly expressed confidence both that he would remain in office and that the United States would again act favorably on his transit request. It also suggested confidence that, despite fears prior to the trip that Beijing would “steal” some of Taipei’s South Pacific diplomatic partners, Taiwan would be able to hold its own. (Wen Kuei-hsiang and Lilian Wu, “President to Promote Arms Procurement Package,” CNA, 6 September 2006.)

Despite Chen’s confidence, it is obvious that Beijing has, in fact, not given up on its campaign to seize every possible opportunity to limit Taiwan’s international persona, official or otherwise. It was reported in mid-September that, on the eve of the annual congress of the International Association of Horticultural Producers (AIPH), slated to take place this year in Shenyang, Beijing had demanded that the AIPH change the name of Taiwan’s representative organization from the “Taiwan Floriculture Development Association” to the “Floriculture Development Association of Taiwan, China.” The AIPH declined to comply, and Beijing withheld its aid for the meeting, leading to its cancellation. (Sofia Wu, “AIPH Cancels China Congress over Taiwan’s Name,” CNA, 17 September 2006.)

⁹⁶ Charles Snyder, “Bush opposes ease on Taiwan contact,” *Taipei Times*, 1 July 2006.

⁹⁷ Jim Wolf, “US Clears Two-stage Path to Submarine Deal,” Reuters, 14 July 2006. Many in Taiwan hailed this as a practical path to eventual procurement, but some knowledgeable Americans saw it as the death knell of the project.

⁹⁸ Jorge Liu and Y.F. Low, “Sale of Destroyers An Example of U.S. Commitment to Taiwan: Pentagon,” CNA, 25 August 2006.

⁹⁹ “U.S. downgrades arms sales to Taiwan over budget delays,” DPA, 28 August 2006; Wendell Minnick, “U.S. Debates Taiwan Request for 66 F-16s,” *Defense News*, 28 August 2006.

¹⁰⁰ Wendell Minnick, “U.S. Warns Taiwan: Clean Up Defense Procurement,” *Defense News*, 11 September 2006.

¹⁰¹ S.C. Chang, “Defense Ministry Earmarks Budget for Purchasing F-16s Next Year,” CNA, 29 August 2006.

¹⁰² Reports said that this meant the United States was focusing on Taiwan’s purchase of the three big-ticket items long stalled, first within the Chen Administration and then in the LY. (Lilian Wu, “Taiwan Defense Minister Says Plan to Buy 66 F16C/D from US Suspended by Bush,” CNA, 2 October 2006.) But other statements by U.S. officials cast doubt on this claim, emphasizing more the overall level of Taiwan’s defense budget and efforts to bolster its defense capabilities, as is discussed below.

¹⁰³ Su Sheng-yi, “KMT to Let Budget Pass, People First Party [PPF] to Carefully Guard Against its Passage,” *Chin-jih Wan-pao*, 4 September 2006, translated in summary by OSC, CPP20060904365001. Presumably representing the official party position, KMT legislator Su Chi reported in mid-September to the Denver defense industry conference that the KMT would examine four factors in considering the defense budget: public opinion, defense needs, financial ability, and cross-Strait relations. He also said that the attitude of the United States was important. The KMT believed, he said, that top priority had to be

assigned to defending Taiwan against PRC coercion, a priority that required Taiwan to improve itself in terms of readiness, hardening, survivability, morale, and internal unity. This requires going beyond the current three items, Su said, and rethinking procurement needs. As to the three big-ticket items that have been on the table for such a long time, Su indicated support for P-3C anti-submarine aircraft, opposition to PAC-3 anti-missile defenses (because they had been vetoed in the March 2004 referendum) and what he termed a “yellow light” for diesel-powered submarines, which he noted confronted great uncertainties in the United States and even greater controversies within Taiwan. As to F-16C/Ds, Su argued that the KMT would have to wait to consider the proposal until it received a formal report from the Ministry of National Defense. (“Taiwan Security: A KMT’s Perspective,” US-Taiwan Business Council, 11 September 2006, made available by *Taiwan Security Research* (<http://www.taiwansecurity.org/News/2006/Su-110906.htm>). Perhaps reflecting an understanding that it was advisable to respond to American frustration, this last position seemed something of a change for the KMT from arguments made by the party several days earlier questioning why the LY should pass a budget for F-16s when the United States had not made clear whether it would approve the deal. (Shih Hsiu-chuan and Jimmy Chuang, “Cabinet earmarks NT\$16bn for F-16s,” *Taipei Times*, 1 September 2006.)

¹⁰⁴ Mo Yan-chih, “Ma and Wang don’t want to topple cabinet just yet,” *Taipei Times*, 8 September 2006.

¹⁰⁵ “Opposition Lawmakers Criticize Increase in Defense Budget, Accuse Government of Ignoring People’s Livelihood and Economy,” *Chin-jih Wan-pao*, 24 August 2006, translated in summary by OSC, CPP20060825365001. Even as late as early October, the executive director of the KMT policy coordination department, Tseng Yung-chuan, was reported to have said that, until the administration formally withdrew the previous arms procurement bill (some NT\$480 billion in a “special budget” for PAC-3 missile batteries, eight diesel-electric submarines, and twelve P3-C anti-submarine aircraft), the KMT would not allow the current bill (a “supplementary budget” of some NT\$6.2 billion, or US\$193 million, for upgrade of PAC-2 missile batteries, evaluation fee for eight submarines, and twelve P3-C antisubmarine aircraft) to pass through the Procedures Committee for consideration in the LY. (Ko Shu-ling and Shih Hsiu-chuan, “Chen spurns recall drive,” *Taipei Times*, 4 October 2006.) So, every week the same result is seen in the committee, where the pan-Blue has a majority and hence the power to control what bills make it onto the LY agenda. (“KMT, PFP Maintain Upper Hand in Legislative Yuan Procedures Committee,” *Chin-jih Wan-pao*, 25 September 2006, summary translated by OSC, CPP20060926365001.)

Whether the weekly Procedures Committee ballet “dashes” the hopes of the DPP, as one account recently suggested, or whether the DPP is just as happy to have the KMT the butt of U.S. anger, is a matter for speculation. (Lilian Wu, “Legislature Blocks Review of Arms Procurement Package Again,” CNA, 17 October 2006.)

¹⁰⁶ “President Chen’s Remarks at the Banquet in Honor of the Overseas Taiwanese Community in Guam,” 6 September 2006 (http://www.president.gov.tw/en/prog/news_release/print.php?id=1105499226). He repeated that pledge directly to AIT chairman Raymond Burghardt. (Sofia Wu, “President Chen Meets with AIT Chief in Guam,” CNA, 6 September 2006.)

¹⁰⁷ Clifford A. Hart, Jr., “Remarks to U.S.-Taiwan Business Council Defense Industry Conference, Denver, Colorado,” 12 September 2006 (<http://www.state.gov/p/eap/rls/rm/72100.htm>).

¹⁰⁸ See endnote 107.

¹⁰⁹ “President Bush Meets with President Hu of China at the G-8 Summit,” White House Press Release, 16 July 2006 (<http://www.whitehouse.gov/news/releases/2006/07/20060716-3.html>).

¹¹⁰ Chen Yunlin himself refrained from significant public comment on his missions, but the former TAO deputy director, Wang Zaixi, now vice president of the “quasi-official” Association for Relations Across the Taiwan Straits (ARATS), discussed Chen’s focus on constitutional change in a meeting with Hong Kong and Taiwan media. Although he proclaimed that “The mainland side is concerned but will not intervene,” he could not refrain from noting that the campaign to oust Chen Shui-bian was “righteous” and commanded the support of the “vast majority” of Taiwan’s people. (Chang Lin and Shih Bing, “Wang Zaixi Claims the Campaign to Oust Chen Shui-bian is Righteous,” *Hong Kong Ta Kung Pao*, 16 September 2006, translated by OSC, CPP20060916702004.)

¹¹¹ Ts’ao Yu-fen, “Chen Yunlin Lodges Complaint in United States, Says President Chen Likely to Take Risk in Desperation,” *Tzu-yu Shih-pao*, 15 September 2006 (<http://www.libertytimes.com.tw/2006/new/sep/15/today-p15.htm>, translated summary by OSC CPP20060915100001). The “fifth no” (or one “will not”), maintaining the National Unification Council

and Guidelines, was of course set aside by Chen in February. (See “The Taiwan Tangle,” *China Leadership Monitor* 18, summer 2006.)

¹¹² Kristine Kwok and Lawrence Chung, “Protests are Taiwan’s Business, Wen Says,” *South China Morning Post*, 13 September 2006.

¹¹³ In response to Chen’s 28 September remarks about Taiwan and China being “two different countries,” PRC foreign minister Li Zhaoxing reportedly retorted: “Who is Chen Shui-bian? Who is he? I have no time to listen to his nonsense.” The PRC foreign ministry spokesman was cited as having disparaged Chen on 29 September by quoting a poem by Mao Zedong: “On this tiny globe, a few flies dash themselves against the wall, humming without cease, sometimes shrilling, sometimes moaning.” (“China’s New Expression to Denounce Bian: A Fly Dashing Against Wall,” *Chung-shih Tien-tzu Pao*, 30 September 2006, translated summary by OSC (CPP20061001102002.) The official PRC Foreign Ministry website transcript of that day’s briefing omits any such reference.

¹¹⁴ Following Chen Shui-bian’s comments on a “Second Republic,” Jia Qinglin, chairman of the National Committee of the Chinese People’s Political Consultative Congress and the most senior official to comment regularly on Taiwan issues, noted that the “fight against ‘Taiwan independence’ is still grave and complicated.” He called on visiting KMT honorary chairman Lien Chan to promote closer unity “among compatriots across the Straits” to curb “Taiwan independence” and promote cross-Straits peace and stability. (Xing Zhigang, “Chen’s Secessionist Push Poses Serious Threat, Jia Warns,” *China Daily*, 17 October 2006.)

¹¹⁵ Wang Zhenghua, “Wu urges cross-Straits links,” *China Daily*, 9 September 2006.

¹¹⁶ “The Taiwan Tangle,” *China Leadership Monitor* 18 (summer 2006).

¹¹⁷ These included: case-by-case specialized cargo flights (for machinery, equipment, and components for Taiwan-invested companies on the Mainland, and shipment of such equipment and machinery back to Taiwan), institutionalization of holiday passenger charter flights for four specified holidays, charter flights for emergency medical treatment, and special humanitarian charter flights for emergency relief and persons with disabilities or illness. (Press Release No. 58, Mainland Affairs Council [Taipei], 14 June 2006.)

¹¹⁸ “First Cargo Plane to Fly from Taiwan to China,” AFP, 19 July 2006.

¹¹⁹ “Cross-Straits Charter Flight for Mid-Autumn Festival Takes Off,” Xinhua, 29 September 2006, disseminated by OSC (CPP20060929053020).

¹²⁰ “First emergency direct flight travels from Chinese mainland to Taiwan,” Xinhua, 14 September 2006 (carried in *PLA Daily*, 15 September 2006). A second medical emergency flight followed shortly thereafter. (Sofia Wu, “Taiwanese Tourists Injured in China to Return Via Charter Flight,” CNA, 18 September 2006.)

¹²¹ In late summer, statements from Taipei were particularly hopeful, (Sofia Wu, “Cross-Straits Talks on Tourist Opening Slated for Mid-September,” CNA, 25 August 2006), and this positive evaluation was reaffirmed in discussions with senior MAC officials in early September. Largely parallel PRC views were also reported. (Ch’en Yen-chun, “China Says to Negotiate with Taiwan on Tourism Issues As Soon As Taiwan’s Non-Government Counterpart Organization in Operation,” CNA in Chinese, translated by OSC, CPP20060908100001.) But talks had not yet started by mid-September, and a TAO spokesman said that the Mainland would propose consultations “as soon as a suitable non-governmental tourist organization has been set up on the island.” (“Chinese Mainland Urges Early Cross-Straits Consultations on Tourists’ Visits to Taiwan,” Xinhua, 13 September 2006, disseminated by OSC, CPP20060913052011.) Senior MAC officials privately explained that the issue was a mere technicality, that, although a counterpart organization had been established in Taiwan, it had not yet been fully accredited. MAC chairman Joseph Wu Jauhsieh said on 20 September that he anticipated good progress in getting negotiations going by mid-October, with the first tourists from China traveling to Taiwan before the end of the year. (Lin Cheng-chung, “Joseph Wu Expects Cross-Straits Tourism Negotiations To Be Launched in October,” *Lien-ho Pao*, 22 September 2006, summary translated by OSC, CPP20060922100001.)

On 29 September, MAC vice chairman Liu Te-hsun affirmed that the Taiwan Strait Tourism Association (TSTA) had at last been “duly registered” and would begin operations in early October. Without amplifying what issues are being discussed, he said that the two sides were in frequent contact “on the progress of setting up the organization” and “once there is some kind of consensus” then formal negotiations would start. Taking a somewhat less forward-leaning position than his chairman, he said that MAC was optimistic that there would be a bilateral agreement by the end of the year. (“MAC: Talks on Cross-Straits Tourism to Begin in Early October,” CNA [in Chinese], 30 September 2006, translated by OSC, CPP20061001102002.)

But it was another 10 days before it was reported that the Taiwan Strait Tourism Association had been formally established on 10 October and that it “will contact” its Mainland counterpart “immediately after its inauguration” on the schedule for bilateral negotiations. (Deborah Kuo, “Group Established to Serve as Cross-Strait Travel Negotiation Window,” CNA, 11 October 2006.) Two days later, MAC chairman Joseph Wu complained that the PRC’s response was “slow” (K’ang Tzu-jen, “Joseph Wu Says Beijing’s Response to Opening Taiwan to Tourists from China Not Fast Enough,” *Chung-kuang Hsin-wen-wang*, 13 October 2006), and another report that same day said that Beijing wanted to negotiate cross-strait passenger charter flights together with the opening of Taiwan to Mainland tourists, thus complicating the process; Taiwan wanted to talk about the tourism issues first. (He Ching-p’ing, “China Insists on Tying up Tourism Negotiations With Charter Flight Negotiations; Plans to Open Taiwan to Tourists From China Likely To Be Affected,” 13 October 2006, summary translation by OSC, CPP20061013100001.)

The PRC minister of transportation, Ts’ai Tui, who passed through Taiwan on his way to an APEC tourism ministers’ meeting in Vietnam, noted that both sides had now set up relevant bodies and that, if everything went well, there could be “good news” as early as November. (“Attending APEC Meeting in Vietnam, Ts’ai Tui: Soon To Allow Mainland Tourists To Come to Taiwan,” CNA in Chinese, summary translation by OSC, CDPP20061016102004.) One can hope for smooth sailing from here on out, but given the history of this negotiating, it seems likely that this will not happen without some tough bargaining.

¹²² “Zheng Lizhong: Solemn Promises to Taiwan Compatriots Will Not Change Because of Temporary Turbulence,” Xinhua Domestic Service, 23 September 2006, translated by OSC (CPP20060923029008).

¹²³ Sofia Wu, “Premier Reaffirms Key Role of Pragmatism in Cross-Strait Exchanges,” CNA, 2 August 2006.

¹²⁴ S.C. Chang, “Government to Set Up ‘More Effective’ Cross-Strait Exchange Mechanism,” CNA, 30 August 2006.

¹²⁵ Flor Wang, “MOEA Mulling Ways to Lure ‘Taishang’ Back from China,” CNA, 30 August 2006. The challenge in doing so, however, was evident in the results of a survey by the Taiwan Electric and Electronic Manufacturers’ Association. Having polled over 2,100 Taiwan-based companies with operations in the Mainland, the survey revealed that over 57 percent of respondents planned to invest more capital in the Mainland (up from 36 percent a year earlier), but only 35 percent planned to continue operation in Taiwan (down from 41 percent over the same period) and less than 2 percent planned to invest back in Taiwan. Factors cited for such attitudes included the 40 percent investment ceiling and the lack of direct transportation links. (Elisa Kao, “40% Ceiling on Investment in China Not Too Harsh: Economics Minister,” CNA, 29 August 2006; Shawn Chen and Celia Lin, Taipei, Adam Hwang, DigiTimes.com, “Taiwan companies in China less willing to invest back in Taiwan,” *Tien-Tzu Shih-Pao* [*DigiTimes*], 1 September 2006, translated summary by OSC, CPP20060901427002; and “Taiwanese to Invest More in China: Survey,” AFP, 2 September 2006, carried by Taiwan Security Research.)

¹²⁶ Ch’en Hui-min, “China Tightens Trade, Economic Laws; Taiwan Businessmen in China Concerned,” *Ching-chi Jih-pao*, 4 October 2006 (summary translated by OSC, CPP20061004100001).

¹²⁷ “Taiwan world leader in 12-inch wafer foundries,” *China Post*, 26 September 2006.

¹²⁸ ASML, a Dutch semiconductor equipment maker and the leading provider of lithography systems for the semiconductor industry (controlling 60 percent of the world market) was reported to be considering a NT\$10 billion (US\$303.58 million) Asia-Pacific regional research and development center in Taiwan. (“ASML mulls establishing an R&D center in Taiwan,” *Taipei Times*, 23 September 2006.)

¹²⁹ He Ching-p’ing, “Taiwan Businessmen in China Not Enthusiastic About Investing in Taiwan,” *Chung-kuo Shih-pao*, 6 October 2006 (summary translation by OSC, CPP20061006100001); and Patty Lu, “Taiwan’s MOEA provides incentives to draw global investors,” *Taiwan News*, 4 October 2006.

¹³⁰ That is, the investments in the Mainland by any Taiwan-based company may not exceed 40 percent of that company’s overall net value.

¹³¹ The Chamber issued an editorial criticizing the TSU for holding the Conference “hostage” to “the party’s ideological bias,” (“Conferences Don’t Lead,” *TOPICS*, Vol. 36, No. 8, August 2006), to which the TSU, unsurprisingly, took strong exception (S.C. Chang, “TSU Urges AmCham to ‘Care More’ About Taiwan Strait Security,” CNA, 4 September 2006).

¹³² Su defended maintaining the 40 percent limit, but on the eve of the conference, reports indicated that the Executive Yuan was considering flexible ceilings, depending on the industry involved (“Gov’t Will Lift 40 Percent China Investment Ceiling Flexibly,” *The Taiwan Economic News*, 27 July 2006, disseminated by

OSC, CPP20060727968037). Moreover, Vice Premier Tsai Ing-wen noted immediately after the conference that “although controversial, the Executive Yuan cannot avoid this issue and will carry out a more objective, comprehensive and deep review” (Dennis Engbarth, “Premier Vows to Push Conference Consensus,” *Taiwan News*, 29 July 2006).

¹³³ According to Taiwan government statistics, Taiwan’s trade with the Mainland in the seven months of 2006 grew by 15.7 percent (year over year) to \$489.61 billion, 20.1 percent of Taiwan’s total trade. Taiwan’s exports accounted for \$34.98 billion (up 13.6 percent), and imports \$13.63 billion (up 21.2 percent). Taiwan’s \$21.35 billion trade surplus with the Mainland was up 9.3 percent and stood at a record high. (“Taiwan-China trade increased 15.7 percent for January–July period,” *Taiwan News*, 29 September 2006.) As measured by the Mainland, the increase was even greater. According to PRC statistics, cross-strait trade reached \$68.65 billion in the first eight months of the year, up almost 22 percent from a year earlier. (“Cross-strait trade up 22% in first 8 months,” Xinhua, 17 September 16, 2006) (http://news.xinhuanet.com/english/2006-09/17/content_5100633.htm). A trade surplus of \$40 billion with the Mainland was expected for the entire year, with most items being exported from Taiwan being semiconductor and liquid crystal display devices. (Yu Kuo-ch’ing, “Bureau of Foreign Trade Says Trade Surplus With China to Exceed \$40 Billion in 2006,” *Kung-shang Shih-pao*, 29 September 2006, translated in summary by OSC, CPP20060929100001.)

Taiwan investment in the Mainland also grew rapidly, by over 27 percent in the first eight months of 2006, according to statistics released by the Investment Commission of the Ministry of Economic Affairs. (Lin An-ni, “Taiwan’s Investment in China Increases 27% in First Eight Months of 2006,” *Lien-ho Pao*, 21 September 2006, summary translation by OSC, CPP20060921100001.)

¹³⁴ The Taiwan Electrical and Electronic Manufacturers Association reported that in a recent survey, about 60 percent of enterprises operating in China said they planned to increase their companies’ investment there in the future. This was up from 36 percent in a similar survey in 2005. (Hsu Han-k’ang, “60% of Taiwan Businesses in China Plan to Increase Investment in China,” *Lien-ho Pao*, 25 September 2006, summary translated by OSC, CPP20060925100001.) One example was Chi Mei Optoelectronics Corporation, Taiwan’s second largest maker of flat-panel displays, which announced plans to invest heavily in two Mainland units. If approved by Taipei, this would raise Chi Mei’s total investment in the Mainland by about 50 percent. (“Chi Mei plans to invest US\$90m in two Chinese plants,” *Taipei Times*, 19 August 2006.)

¹³⁵ The MAC sent several messages to Beijing, one of them “clarifying” that MAC was not calling for SEF-ARATS dialogue, but merely dialogue between relevant authorities. At one point, MAC chairman Joseph Wu Jaushieh said agreement to Chen’s visa would depend on Beijing apologizing for having stolen Chad from Taiwan’s list of diplomatic partners, but that demand seemed to evaporate over time.

¹³⁶ “ARATS Spokesman Issues Statement Regarding Chen Yunlin and his Entourage’s Visit to Taiwan to Hold Cross-Strait Agricultural Cooperation Forum,” Xinhua Domestic Service, 28 August 2006, translated by OCS, CPP20060828005002.

¹³⁷ Fan Ling-chia, “Lien Chan Leaves for China on 4 October, To Meet Hu Jintao in Mid-October,” *Lien-ho Pao*, 4 October 2006 (summary translated by OSC, CPP20061004100001).

¹³⁸ “New Policies To Boost Cross-Strait Agricultural Cooperation,” Xinhua, 17 October 2006 (distributed by OSC, CPP20061017052066).

¹³⁹ Lawrence Chung, “Sweeteners’ Disappoint Taiwan’s Farmers,” *South China Morning Post*, 18 October 2006.

¹⁴⁰ Deborah Kuo, “MAC Warns Against Negative Impact on Taiwan Farm Sector,” CNA, 16 October 2006. Also, “KMT, CCP seek farm cooperation,” *China Post*, 18 October 2006.

¹⁴¹ Hermia Lin, “DPP And MAC See Little Value in Cross-Strait Farming Consensus,” *Taiwan News*, 18 October 2006.

¹⁴² Xu Jinbo, “Sun Yafu: ‘The Development of Cross-Straits Relations in the Direction of Peace and Stability Is Gaining Strength,’” *Zhongguo Xinwen She*, 8 October 2006 (translated by OSC, CPP20061008004005).

¹⁴³ Mao Leilei, “Tang Jiakuan Meets Chiang Ping-kun, vice chairman of the Chinese Kuomintang,” Xinhua Asia-Pacific Service in Chinese, 19 September 2006 (translated by OSC, CPP20060919063005).