

New Challenges and Opportunities in the Taiwan Strait: Defining America's Role

By Thomas J. Christensen

PREFACE

Nations define their identities in many ways – through language, culture, political ideology, religion, ethnicity, and territory. When one or more of these elements becomes contested either between nations or within them, the potential for conflict and war arises. In the case of the People's Republic of China (PRC) and the Republic of China (ROC) on Taiwan, all six of these elements are now to a greater or lesser degree being contested.

The official view of the PRC is that Taiwan is part of a yet-to-be-defined “one China.” The ROC no longer claims to be the legitimate government of all of China; its official position is that it is a separate, independent state, reunification is only an option, and an option that could only be achieved should both sides of the Strait, as equals, come to a mutually satisfactory agreement. Adding to the complexity of what is known as cross-Strait relations is the deep involvement of the United States, which maintains close but “unofficial” ties with Taiwan and ever-expanding, official relations with the mainland, and whose policies and military support for Taiwan are designed to dissuade both parties from actions that would lead them to violent conflict.

Developments of major historical significance have taken place in the PRC and the ROC since Truman first involved the United States by sending the Seventh Fleet to patrol the Taiwan Strait shortly after the outbreak of the Korean War. The two most relevant to current cross-Strait relations are the PRC's “Reform and Opening” and its resulting economic growth, and the development of multi-party democracy in the ROC. The first has allowed Beijing to significantly improve its coercive capabilities vis-à-vis Taipei. The second has enabled Taiwan president Chen Shui-bian, of the pro-independence Democratic Progressive Party (DPP) and his predecessor Lee Teng-Hui, the island's first “Taiwanese” president, to use rhetoric and take actions that have steadily bolstered the island's identity as an independent state.

At the same time that the two sides have grown politically more estranged, their economic relations are becoming more intimate. Estimates of cumulative Taiwan-sourced investment in the mainland range up to \$100 billion, while the PRC has become the ROC's largest export market.

The election of Chen Shui-bian, Taiwan's first opposition party president, prompted the National Committee on U.S.-China Relations to organize a conference of Americans to take stock of this new element in cross-Strait relations, and to analyze its implications for American policy. A report of that July 2000 conference by Professor Alan Wachman of the Fletcher School of Law & Diplomacy is available on the Committee's website, www.ncuser.org.

Three years later, as Chen Shui-bian faces off for the March 2004 election against a coalition of the two candidates he defeated four years earlier, Lien Chan (Kuomintang) and James Soong (People First Party), the National Committee convened a follow-up conference to examine the latest developments in cross-Strait relations and determine what, if any, adjustments should be made to U.S. policy. The conference, attended by specialists from various disciplines and political perspectives, was designed to encourage open discussion and exchange of ideas and information, not to generate consensus. All discussion was “not for attribution.”

The present volume, expertly written by Professor Thomas Christensen of Princeton University, is designed to provide readers with a faithful reconstitution of the rich and wide-ranging conference discussion. This report does not, in any way, represent the views of any individual participant, nor does it represent the views of the National Committee on U.S.-China Relations.

On behalf of the National Committee on U.S.-China Relations, I would like to thank Professor Christensen for his expert craftsmanship of this report. Thanks are also due to each of the participants for contributing to a lively and collegial discussion, and for making their time available during the balmy days of August.

I would also like to thank my talented colleague, National Committee Vice President Jan Berris, for her many contributions to the success of the conference. Thanks also go to Lige Shao and Yvonne Wang, undergraduates at Stanford University and Boston University respectively, who served as *rapporteurs*, and to Anne Phelan, National Committee Senior Director for Corporate and Public Programs, for her deft editorial work.

The conference on “New Challenges and Opportunities in the Taiwan Strait: Defining America’s Role” and this report were made possible by a generous grant from the Ford Foundation, for which we are very appreciative. We also gratefully acknowledge the assistance of the Rockefeller Brothers Fund, which made available the superb facilities and capable staff of its Pocantico Conference Center in Tarrytown, New York.

John L. Holden
New York, November 2003

**New Challenges and Opportunities in the Taiwan Strait:
Defining America's Role**

**An Executive Summary of the Report of the National Committee on United States-China
Relations Conference on U.S. Policy Toward Relations Across the Taiwan Strait,
Pocantico Conference Center, August 8-10**

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EXECUTIVE SUMMARY

This report reviews the major themes that ran through the presentations and discussions during a conference on U.S. policy toward relations across the Taiwan Strait. The conference was sponsored by the National Committee on United States-China Relations and was attended by former government officials, one active government official, business leaders, congressional staff, leaders of the National Committee, and scholars of the mainland and Taiwan. The conference's three themes, discussed in detail in the report, are:

What has remained the same? Despite major changes such as the normalization of relations with the PRC in the 1970s, there has been some significant continuity in U.S. policy toward cross-Strait relations from the late 1940s to the present. Washington has maintained ambiguity about Taiwan's sovereign status, claiming that it is legally "undetermined," or "unsettled." There has also been consistent and intentional ambiguity about the nature and extent of the U.S. defense commitment to Taipei. It is not entirely clear what actions by either Taipei or Beijing would trigger or preclude U.S. military intervention in a cross-Strait conflict. Moreover, if the United States military were to intervene, no one could be certain of the scope or duration of that intervention. Under the U.S. policy formula of "strategic ambiguity" Beijing could never exclude the possibility of U.S. intervention if it were to use force against the island, and Taipei could not rely comfortably on U.S. protection if its own actions were to provoke a conflict.

Another form of continuity is that the Taiwan issue has been used by U.S. political elites for strategic purposes. On the international stage Washington used its relationship with Taiwan as a tool to influence Beijing. In American domestic politics Taiwan policy has frequently been raised in partisan politics. Congress has also taken advantage of the issue to assert its authority in the foreign policy decision-making process, which is otherwise generally dominated by the executive branch.

What has changed? There have been significant changes in the international security situation and in politics, society, economics, and military affairs across the Strait, particularly since the late 1980s. These changes create challenges and opportunities for the traditional U.S. policy designed to protect U.S. security interests (in both Taiwan and China) while minimizing the chance for military conflict across the Strait. Key changes include the collapse of the Soviet Union, which meant the disappearance of a common enemy for Beijing and Washington, and the democratization of politics in Taiwan and the Taiwanization of the island's society, which has produced leaders who no longer accept the KMT's and CCP's traditionally shared position that there is one China and Taiwan is part of

it. Political divisions and lack of institutional maturity in this new democracy have hampered efficient security and economic policy making on the island. Speakers analyzed the security implications of this paralysis in the context of the PRC's fast-paced and dedicated build-up of coercive military capacity aimed at Taiwan. Another major change in the past decade is the stunning degree of integration of the Taiwan and mainland economies. Participants discussed what potential implications that integration holds for stabilizing cross-Strait security relations and ultimately resolving cross-Strait political differences permanently and peacefully.

What is to be done? With the notable exceptions of people who thought the U.S. policy of ambiguity has always been fundamentally problematic, there was fairly widespread agreement with one participant's assertion that the "one China policy" formula described above had served US national security interests well in past decades. But there was fairly widespread disagreement about whether the same policy approach could continue to be so successful given the many recent changes described above. Participants proposed and debated the pros and cons of maintaining, adjusting, re-orienting, or scrapping the existing U.S. policy framework toward Taiwan and the mainland. As one would expect, views on how much should be changed in U.S. policy depended on views of how appropriate the traditional U.S. policy framework remains for the new realities in international politics and cross-Strait relations. Views ranged from those who believed that cross-Strait relations were at high risk of "spiraling out of control," to those who believed that there was rather a slower but steady "corrosion of the underpinnings" of cross-Strait stability, to those who seemed more sanguine about the robustness and sustainability of cross-Strait stability over time under the current U.S. strategy. Long-term optimists argued that some of the changes above, especially in economic conditions, were new forces for stability and that, in any case, the traditional U.S. policy framework was inherently flexible and could absorb many shocks. What was most striking to this observer was that there was fairly widespread and strongly stated dissatisfaction with suggestions for almost all adjustments, however mild, to U.S. policy toward cross-Strait relations. Moreover, objections to these proposals for change were often raised by those who themselves questioned the long-term stability of cross-Strait relations given current trends in the military and political arenas. In many cases, the cure was seen as more dangerous than the disease.

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**A Report of the National Committee on United States-China Relations Conference on U.S. Policy
Toward Relations Across the Taiwan Strait,
Pocantico Conference Center, August 8-10**

**Thomas J. Christensen
Professor of Politics and International Affairs
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This report reviews three major themes that ran through the very rich and diverse presentations and discussions during a conference on U.S. policy toward relations across the Taiwan Strait. The conference was sponsored by the National Committee on United States-China Relations and was attended by former government officials, one active government official, business leaders, congressional staff, scholars specializing on the mainland and Taiwan, and foreign policy specialists. The following three themes formed the essence of the discussions:

1. **What essentially has remained the same?** Participants discussed:
 - a. The continuity in U.S. policy toward cross-Strait relations from the 1940s to the present and the persistence of intentional ambiguity about Taiwan's legal status and about the nature and extent of the American defense commitment to Taipei.
 - b. How the Taiwan issue has been used by U.S. political elites for strategic purposes on the international stage and in domestic politics.
 - c.
2. **What has changed?** Participants discussed changes in the international security situation and changes in politics, society, economics, and military affairs across the Strait, particularly since the late 1980s, that create challenges and opportunities for U.S. policy.
3. **What is to be done?** Participants debated the pros and cons of maintaining, adjusting, re-orienting, or scrapping existing American policies toward Taiwan and the mainland given the changes since the last years of the Cold War.

The writing of such a report is by its nature an exercise in simplification and interpretation. Not all comments and views expressed over the three days can be captured fully here. Moreover, on many if not all issues, the group reached no consensus, nor was a consensus sought. I have done my best below to reflect the range of opinions expressed on certain issues, particularly those relating to current and future U.S. policy toward cross-Strait relations.

In fact, there may have only been two positions on which everyone agreed. The first is that the topic of U.S. policy toward cross-Strait relations is very important. As one participant put it, the Taiwan issue is perhaps the only imaginable cause of war between two great powers for the next ten to fifteen years. The second is that we were all grateful to John Holden and Jan Berris for organizing such a conference.

I. WHAT REMAINS THE SAME? PERSISTENT AMBIGUITY IN U.S. TAIWAN POLICY

After John Holden's opening comments on the importance of the Taiwan issue for the United States and China, the conference began with a discussion of the history of U.S. policy toward Taiwan

and the mainland since the end of the Cold War. One speaker addressed the intentional lack of clarity in the American position regarding Taiwan's sovereignty. The labeling of Taiwan's status as "undetermined" dates back to the earliest years of the Cold War and, in particular, to the Truman Administration's reaction to the North Korean invasion of South Korea on June 25, 1950. In the months leading up to the 1943 Cairo Declaration, the United States and its WWII allies accepted that, with the defeat of Japan, Taiwan would be returned to the Chinese nation along with other Japanese colonial claims dating back to Japan's victory in the 1894-95 Sino-Japanese war and the Treaty of Shimonoseki that ended the conflict. However, as the Chinese Civil War developed and the U.S. ally, Chiang Kai-shek's KMT, was driven from the mainland, ambiguity about Taiwan's legal status began to grow. After the outbreak of the Korean War, the Truman Administration would declare the status of Taiwan "undetermined," basing its legal argument on the fact that the WWII allies, including the Soviet Union, had not reached a universally accepted peace treaty with Japan. In fact, the Soviets never signed a peace treaty with Japan, thus providing the United States a way to leave untouched its policy regarding Taiwan's sovereign status. The American position of ambiguity on Taiwan's sovereignty created the legal basis for maintaining the somewhat awkward U.S. policy of recognizing the KMT's Republic of China, based on Taiwan, as the sole legitimate government of all of China without ever explicitly agreeing with the position held by the communists and the KMT alike that Taiwan is a geographically inextricable part of China.

Speakers posited that the United States, to this day, has never formally revised this basic formula regarding Taiwan's legal status. During the process of Cold War rapprochement between Beijing and Washington in 1971-72, Premier Zhou Enlai pressed National Security Advisor Henry Kissinger to recognize that Taiwan is part of China. Rather than agreeing to this formula, Dr. Kissinger merely agreed not to discuss the U.S. position on Taiwan's unsettled status in public. This posture did not change during the normalization process under the Carter Administration. Even when Washington transferred diplomatic recognition from Taipei to Beijing in January 1979, the "undetermined" status of Taiwan remained.

Speakers asserted that Taiwan's "unsettled" sovereign status in U.S. policy has allowed the United States the flexibility to accommodate any outcome for the island, including Taiwan independence, reassertion of ROC (KMT) control over Taiwan and the mainland, a two-China outcome similar to contemporary Korea, or unification of Taiwan with the PRC. According to one speaker, the Eisenhower and Kennedy administrations both wanted to use the "unsettled" status of Taiwan to explore the possibility of a two-China policy outcome. Under such a formula, Washington might find a way to increase contacts with the mainland without abandoning the alliance with the ROC on Taiwan.

The undetermined or unsettled legal status of Taiwan is what makes the U.S. "one China policy" different from Beijing's "one China principle." In the former, the American government only recognizes that there is one sole legitimate government in China and, as of January 1, 1979, that that government is the People's Republic of China. Beijing's "one China principle," alternately, states clearly that Taiwan is part of China. American officials finessed this issue in the Shanghai Communique and the normalization communiqué by simply "acknowledging" without dispute that Chinese on both sides of the Taiwan Strait recognize that there is but one China and Taiwan is part of it, while not agreeing with or endorsing this view.

One speaker pointed out that while Taiwan's undetermined status has been a steady aspect of U.S. policy since 1950, the nature of that concept evolved from the 1950s and 1960s to the 1970s from one in which the expectation was that the resolution would be determined by some international body, perhaps the UN, to one in which Washington stated that it would be resolved by the "Chinese themselves," as long, of course, as it was done peacefully. There was widespread agreement in the

group that the U.S. policy toward the two sides of the Strait has not been ambiguous on that last score. From the days of the formal alliance with the ROC on Taiwan to the period following normalization with Beijing, Washington has demanded that the differences across the Taiwan Strait be managed peacefully.

Some conference participants asserted that while it is true that the United States never adjusted its legal position on Taiwan's status in formal public documents, there are reasons that elites in Beijing might have the impression that the United States indeed accepted Beijing's "one China principle" in the past and that subsequent American actions have shown the United States to be untrustworthy. One reason is that the Chinese language version of the 1979 normalization agreement states that the United States "recognizes" (*chengren*) the Chinese position regarding one China and Taiwan as part of it. The Chinese term *chengren*, carries a connotation of recognizing a view as legitimate, not simply acknowledging the existence of the view. A participant offered a second reason why some in the PRC believe that the United States has accepted China's one China principle: according to the participant, high-ranking U.S. officials have said so verbally in meetings with their counterparts.

Other reasons were offered for why Beijing elites might consider the United States less than forthright on its Taiwan policy. In the normalization agreement Washington recognizes Beijing as the sole legitimate government of China. To a Chinese security analyst's eye, this seems to preclude the maintenance of arms sales and an abstract defense commitment to Taiwan. But such sales are called for explicitly in the Taiwan Relations Act of 1979. In August 1982 when the Reagan Administration seemingly agreed to limit and reduce over time the quality and quantity of U.S. arms sales to Taiwan, these promises were undercut by Administration statements to Congress and Taiwan (the so-called "six assurances" to Taiwan), by the TRA itself, and by a secret memorandum that called for the maintenance of Taiwan's defensive capabilities and a "balance of power" across the Taiwan Strait.¹

A few participants pointed out that the sale of weapons to Taiwan, particularly the sale of 150 F-16s in 1992, seemed to many Chinese to violate the agreements made by the United States about how to govern cross-Strait relations. In fact, there was some disagreement about the motivations behind the F-16 sale among the participants of the conference, but many knowledgeable commentators believed that electoral politics in 1992 were an important, if not the driving factor in the Bush Administration's decision to transfer the weapons. Other factors included the PRC's bad reputation after Tiananmen, the sad state of Taiwan's existing fighters, and the PRC purchase of Soviet Su27 Flankers. Some participants went so far as to say that domestic politics was the sole explanation for the sales, and everything else simply looks silly in light of the evidence. If this view of the 1992 policy is accurate and domestic politics could fully trump strategy, there would be little reason to wonder why Beijing sees the United States as untrustworthy on the arms sale issue.

For its part, the Clinton Administration statements of non-support for Taiwan's independent state sovereignty (the "three no's") were supplanted by an important addendum to the "fourth no" ("no

¹ The Six Assurances (1982)

1. The United States will not set a date for termination of arms sales to Taiwan.
2. The United States will not alter the terms of the Taiwan Relations Act.
3. The United States will not consult with China in advance before making decisions about U.S. arms sales to Taiwan.
4. The United States will not mediate between Taiwan and China.
5. The United States will not alter its position about the sovereignty of Taiwan (which is that the question was one to be decided peacefully by the Chinese themselves), and will not pressure Taiwan to enter into negotiations with China.
6. The United States will not formally recognize Chinese sovereignty over Taiwan.

use of force” or the demand for a “peaceful settlement of the two sides’ differences”).² President Clinton added that any settlement must be acceptable to “the people of Taiwan.” One participant stated authoritatively that this addendum was simply a public recognition of Taiwan’s new democracy, not its sovereignty. But this addendum suggested to some elites in Beijing that Washington envisioned a democratic sovereignty for Taiwan’s people separate from any claims made by mainland China. Once again the United States appeared not just ambiguous, but fickle, both “not supporting” and “supporting” Taiwan’s sovereignty at the same time.

Ambiguity in the U.S.-Taiwan Defense Relationship

The ambiguity regarding Taiwan’s sovereignty is only part of what has been called Washington’s policy of “strategic ambiguity” toward Taiwan’s defense. One participant offered an ironically clear definition of what is often described as strategic ambiguity: if it were to attack the island, the PRC would always have to plan for U.S. intervention because it could not exclude that possibility, and Taiwan would always have to think twice before taking provocative diplomatic actions, such as declaring legal independence from China, because Taipei could not assume that the United States would intervene on Taiwan’s behalf under those conditions. This participant praised this policy not only for its historical achievement of keeping the area largely conflict-free, a notion with which the majority of participants seemed to concur, but prescribed its continuation for the present and future, a much more controversial but still fairly widely held view among the group. The provider of this definition described the so-called “ambiguity” strategy as very flexible and able to accommodate many changes on both sides of the Strait. The real ambiguity in U.S. policy lies not in the defense commitment per se but in when, how, and for how long the United States might choose to intervene militarily on Taiwan’s behalf. Others concurred with this point about the severe lack of clarity, even in Washington, regarding how the United States would seek to assist Taiwan in case of a real military conflict across the Strait. One speaker said that following a full PRC frontal assault on Taiwan, it is almost certain that the United States would get involved, but even under those extreme conditions it is not entirely clear how and for how long we would choose to fight.

The very nature of the U.S. defense commitment is somewhat ambiguous, according to one participant. The United States has always demanded “peaceful resolution” of the issue across the Strait, but it seems that Washington has not been nearly as committed to the resolution of the issue as it has been to the “peaceful” handling of cross-Strait relations. This last form of ambiguity causes great angst among many Chinese because they want eventual unification to occur, even if they are patient about how soon it will occur. This is why proposals in the United States for “interim agreements” designed to kick the can down the road for many years are hard to get both sides of the Strait to accept. If such proposals are open-ended in their commitment to what happens after the interim period they tend not to appeal to Beijing. If they assume resolution via some form of unification at the end of the interim period, they alienate many in Taiwan and the United States who are not eager to see unification now or even in the distant future. Because clarity on resolution seems to foreclose options, it has been avoided and ambiguity has reigned in Washington.

Washington’s Alliance Security Dilemma With Taiwan

One speaker discussed how the United States faces an “alliance security dilemma” with Taiwan that is somewhat typical of the conundrums great powers and small powers face when allying with

² President Clinton’s Three No’s:

The United States will not support independence for Taiwan; two China’s or “one Taiwan, one China”; or Taiwan’s membership in any organization for which statehood is a requirement.

each other. The United States has to balance two rather opposing goals: the need to demonstrate resolve and thereby reassure Taiwan that Washington would come to Taiwan's aid if it were attacked, with the opposite fear that an unconditional, "blank check" commitment to Taiwan could encourage Taiwan to take actions that would cause an otherwise avoidable war into which the United States would be dragged. For this reason, the American commitment to Taiwan has always been somewhat ambiguous and, thereby, could be construed as conditional on Taiwan's behavior. From the founding of the U.S.-ROC alliance in 1954-55 to its dissolution in January 1979, Washington conditioned its defense commitment on Taiwan refraining from attacking the mainland without prior consent of the United States. This followed the precedent of President Truman's initial intervention in the Taiwan Strait in late June 1950 after the North Korean invasion of the South. In that instance Washington intervened not only to prevent mainland attacks against Taiwan, but the reverse as well. Although President Eisenhower publicly claimed after assuming office in January 1953 that he was "unleashing" Chiang, in fact a secret addendum to the Mutual Defense Treaty placed Chiang back on the leash. What type of attack on Taiwan and its interests would trigger U.S. intervention and what form that intervention would take was never made clear.

Of course, the dilemma that posed a challenge for the United States, the larger of the two allies, poses a life-or-death issue for the smaller Taiwan. As one participant pointed out, although there are common interests between Taipei and Washington, the two actors' interests have never fully overlapped. Taiwan needs to make sure that it is neither abandoned by its great power protector, nor dragged into a conflict by the United States when relations between Beijing and Washington sour. This latter concern was not particularly great in the period of Chiang Kai-shek, who for most of his rule on the island seemed sincerely wedded to the notion of recovering the mainland with American support. Nothing could have served that goal better than a full-scale U.S.-PRC war. But in more recent years, Taipei has tended to be very ambivalent about sharp improvements or downturns in U.S.-China relations. Given the growing economic interdependence that has developed across the Strait, Taiwan elites had to be nervous that incidents like the EP-3 crisis in spring 2001 could escalate into a Sino-American war. In such a war it is not at all clear that Taiwan could protect its economy, population, and freedoms from significant harm.

From the U.S. point of view, the alliance security dilemma creates the following problems: every time the United States reaches out to Beijing to improve relations, for domestic political reasons and strategic reasons, Washington needs to say or do something reassuring to Taiwan that partially undercuts its improved relations with Beijing. At the same time, the United States must always struggle between reassuring Taiwan that the American defense commitment to the island is sturdy without encouraging diplomatic adventurism on the island and entrapment in an otherwise avoidable war.

The Domestic Politics of the U.S. Taiwan Policy in the United States

One speaker reviewed another form of continuity from the late 1940s to the present: the way that U.S. policy on Taiwan has been used in electoral combat by domestic actors in the United States and how lobbyists for Taiwan have attempted to influence Congress, the executive branch, and the public to ensure military and diplomatic support. The speaker argued that while U.S. security policy toward the ROC has always been a topic on which opposition parties could criticize the administration in power, the importance of Taiwan lobbying groups may actually have been quite limited. In other words, the hype about Taiwan's effective and skilled lobbying in the United States is not matched by the actual policy results. Even where American policies favored Taiwan's interests there have often been international and domestic political factors other than lobbying that could explain the outcome better. The speaker asserted that U.S. opposition to PRC entrance into the UN had more to do with the killing of American soldiers in Korea by PRC forces than it did with the Taiwan Lobby on Capitol Hill.

Similarly, the granting of a visa to Lee Teng-hui in June 1995 had more to do with Congress flexing its muscles against the executive branch than it did with lobbying efforts by Taipei.

The speaker argued that administrations dating back to that of Harry S Truman ran two opposite risks in Taiwan policy, often at the same time: on the one hand, the administration could be criticized for being insufficiently supportive of Taiwan and thereby insufficiently tough on the Chinese communists. On the other hand, particularly in the early Cold War, administrations could be portrayed as expending excessive resources in assisting the KMT government or taking excessive risks in order to guarantee its protection from communist attack. In fact, sometimes the same people would criticize the administration on both counts, contradicting themselves in the process.

The speaker pointed out that Taiwan's famous (or infamous) efficient and well-funded lobbying effort might not have succeeded nearly as much as popular lore would have it mainly because the "pro-Taiwan" groups in Congress have always been too limited in size to push for a radical alteration of U.S. strategy and because most of the policies that various Administrations did adopt in support of Taiwan were rooted in strategic calculations, in the domestic lobbying efforts of U.S. arms manufacturers, or in the relative attractiveness of Taiwan's economic and political system in comparison to the mainland's. Especially after Tiananmen and democratization on Taiwan, the political gap across the Strait has allowed Taiwan to sell itself even more easily to Americans. This would be true even if Taiwan's lobbying efforts were not as skillful as they are. To underscore the point, the speaker pointed to a series of failures of Taiwan diplomacy in the United States dating back to the 1960s: among them Chiang Kai-shek's inability to get American military backing for an invasion and recovery of the mainland, the inability to avoid the transfer of normal diplomatic relations from Taipei to Washington, and the lack of active U.S. backing for Taiwan's efforts to gain representation in the UN.

This line of reasoning sparked a debate about just how effective Taiwan's lobbying effort has been. Some argued that the speaker's standards for success were too high and that Taiwan's efforts have been a restraint on U.S. policy and have "prevented disaster" for Taiwan even if those efforts never radically altered it. One participant asserted that the Taiwan lobbyists really understand the way Congress works: they know whom to call, when to call, and what to say. This was laid out in fairly sharp contrast to the clumsy efforts by the PRC to influence Congressional opinion, which are improving but are doing so from a very low base. But several people concurred with one of the speaker's main points: particularly since democratization, promoting Taiwan in the United States has not been a hard sell and simply exposing members of Congress, Congressional staffers, and other influential Americans to Taiwan really has gone a long way toward guaranteeing U.S. support for the island against mainland bullying. Moreover, concerns about PRC military build-up and the security of Japan also make Taiwan seem more attractive in Congress. Some participants argued that though the mainland has begun to bring more Congressional representatives and staffers there, the trips are not as frequent and not always handled as well.

There was a lively debate about how much Taiwan's lobbying, as opposed to a combination of strategy and domestic sympathy for Taiwan, led to important outcomes in U.S. policy toward cross-Strait relations. Issues discussed included the April 1979 adoption of the Taiwan Relations Act and the granting of a visa to President Lee Teng-hui to visit Cornell University in Spring 1995. One participant stated that it would be wrong to view the Taiwan Relations Act, the United States' strongest and most binding commitment to Taiwan's security, as something that was thrust upon a resistant Carter Administration by a Congress mobilized by lobbyists. The participant argued that the TRA was drafted by the Administration itself in consultation with Congress, and that it was designed to fit the general American strategy toward Taiwan: to protect the U.S. reputation for resolve as an ally and other interests in Taiwan by maintaining a defense commitment to Taiwan even as the United States

ended the formal alliance with the ROC and transferred diplomatic recognition from Taipei to Beijing as part of the normalization process.

A few participants questioned whether the Carter Administration simply expected that Taiwan would be forced to accommodate itself to the mainland soon after the formal break of diplomatic and alliance ties with the United States and that therefore the Taiwan question would simply “go away,” thus making the TRA a political gesture. Some traced this back to Henry Kissinger’s alleged belief that Washington’s normalization with Beijing would bring resolution to the cross-Strait issue. One participant responded assertively that there was no such near-term expectation in the Carter Administration, so the combination of the normalization of relations with Beijing and the TRA should rightly be seen as a continuation and reformulation of the U.S. policy of recognizing one Chinese government, in this case Beijing, as the sole legitimate government of China, while demanding that cross-Strait differences be handled peacefully. At various points in the conference, this participant argued that even if Taiwan were not a democracy, the United States would need to continue to honor its defense commitment to preserve its reputation for resolve and as guarantor of regional stability.

The other issue discussed along these lines was the Clinton Administration’s granting of a visa to President Lee Teng-hui in 1995 to visit his alma mater. This incident followed an overwhelmingly positive, but non-binding “sense of the Congress” vote asking that such a visa be granted. One participant said that Congressional pressure was all-important and that Congress forced the Administration to do something that was against U.S. national interest. Another participant, rejecting the notion that lobbying was very important in this story, argued that Congress did this because Lee was a hero of democratization on Taiwan, and because democracy appeals to Americans. Again, according to these commentators, Taiwan and President Lee simply sold themselves by what and who they were. Another participant said that the Taiwan lobbying effort was indeed very important in this instance, particularly lobbying inside individual states.

In a later session on Congressional attitudes toward, and role in U.S. policy toward Taiwan and the mainland, participants made several points. First, policy toward cross-Strait relations is seen as a way of gaining leverage over China to behave well on a range of issues. While China’s recent cooperation on the war on terror and North Korea has been viewed as constructive, it is not clear whether this is merely a contrast to the lack of cooperation from our “alleged allies.” One speaker argued that Taiwan policy is seen in part as a lever that helps produce good outcomes in China’s U.S. policy. It was this speaker’s opinion that two recent events helped solidify Congressional support for Taiwan: the EP-3 incident and the visit to Congress in April 2002 by then Vice President Hu Jintao, during which Hu reportedly lectured the assembled representatives and Senators about Taiwan. The latter was described by one participant as “the worst thing” China could have done in terms of trying to limit Congressional support for Taiwan. Speakers emphasized the theme of Taiwan largely selling itself simply by being a democracy and the mainland shooting itself in the foot diplomatically, for example by having one host wear a wire during Congressional visits to China or by beating up a Falun Gong protestor outside a Chinese consulate in the United States.

One of the issues that arose in this discussion was whether Taiwan is more effective on Capitol Hill than in the executive branch. Some argued that to the degree that this is true, it follows from the post-1979 restrictions on high-level executive branch meetings. Another participant pointed out that the President must deal with China because it is so important -- for the obvious military and economic reasons and because China has a say in so many international forums that are crucial to the United States. Speakers and commentators repeatedly returned to the fact that in Congress, Taiwan appears attractive for what it is in contrast to the mainland and that most people in Congress already consider Taiwan a sovereign state, because it has all the trappings of one. There are limits to how attractive the

PRC can look on the Hill given its lack of democracy. For this reason, it is easy for representatives to push arms sales to Taiwan.

One participant asked if U.S. engagement with China also sells on Capitol Hill and whether anyone in Congress has noticed the improvements in China, particularly the fact that 100 million people have been brought directly or indirectly into a form of corporate governance that is not as capricious as the old communist system. A speaker responded that this registers only with those representatives who have experience in China and can make comparisons over time. But on the flip side of the same issue, the shutting down of state-owned enterprises in the absence of a social safety net, and the crack down on protestors is also a negative for many people on Capitol Hill.

One presenter took a middle position in the debate. Not only does Taiwan have a better argument to make on the Hill simply because of what the island has become, but Taiwan lobbyists also make that argument much, much more effectively than the PRC, and that matters. Another participant pointed out that the PRC lobbyists appear to spout the Party line, which turns off listeners, and they do not build up long-term relationships that instill trust. That said, PRC lobbying in Washington is improving. Moreover, China bashing in Congress seems less popular, partially because the Bush Administration has asked for Congressional Republicans to “cool it” on this issue following the end of the EP-3 incident.

It was pointed out that one major factor limiting how well China sells itself is that many talented young people at places like the Foreign Affairs College increasingly eschew public service for business opportunities and the government is no longer able to tap the best and the brightest for its diplomatic service. One participant agreed but suggested that there is still a deeper problem. In difficult times, even experienced PRC representatives in the United States have felt it necessary to adopt highly nationalistic and reactive postures to impress their superiors at home. Sophisticated China specialists understand why they adopt such a posture and generally dismiss the statements as political theater or business as usual. But the participant said that the deeper question we need to ask is why a market for this posturing might exist in China and what that market reflects about the system as a whole? This participant believes that only real political change on the mainland, not simply better salesmanship by the PRC in Washington for its current product, can help the PRC’s image in Washington.

II. WHAT HAS CHANGED IN CROSS-STRAIT RELATIONS?

While there has been significant continuity in fundamental U.S. policy toward cross-Strait relations since the policy framework was first created, there have been very sharp changes in the international security environment, in politics and society on both sides of the Strait, and in the economic relationship across the Strait. Participants wrestled with the implications of these issues for cross-Strait relations and, ultimately, U.S. policy toward Taiwan and the mainland. Some changes were seen as direct challenges to the stability of cross-Strait relations, while others were seen as factors for peace.

International Politics

One of the biggest changes that has occurred since U.S. policy toward cross-Strait relations was created in the 1950s and re-cast in the 1970s is the dissolution of the Soviet Union and the end of the Cold War. Presenters generally did not focus on this in their discussions, but it was raised often in the question and answer periods. Since rapprochement began with Henry Kissinger’s secret visit of July 1971, the compromises on Taiwan in the various communiqués were driven in large part by both sides’ desire to get past their differences in order to present a relatively united front to Moscow, which had

become their mutual enemy as of the 1969 Sino-Soviet border clashes. A few participants kept the group focused on the idea that if the Soviet threat was a major motivator for the United States in allying with Taipei from 1954-79 and in moving from rapprochement to normalization of relations with Beijing in 1971-79, then surely the collapse of the Soviet Union created fundamentally new conditions for U.S. policy toward cross-Strait relations. It is possible that the war on terror and the North Korean nuclear problem will provide a new reason for sustained cooperation between Beijing and Washington on the Taiwan issue and other issues. Participants wondered whether these factors would be sufficiently strong and durable to replace the Soviet threat as an enduring glue between the two sides.

Political and Social Change on Taiwan

There is one change that is arguably even more important than the end of the Cold War for cross-Strait relations and U.S. policy on the Taiwan issue: the massive change in Taiwan domestic politics since the late 1980s in the direction of “democratization” and “Taiwanization.” In the late 1980s, in the waning months of Chiang Ching-kuo’s rule, Taiwan’s central government moved fairly sharply from a Leninist-style single-Party state under the KMT, to the multi-party democracy that it is today. This trend started with the legalization of the traditionally pro-independence DPP, continued with the succession of Chiang Ching-kuo by the Taiwanese Lee Teng-hui, and, most recently, manifested itself in the 2000 election of Chen Shui-bian of the DPP.

Democracy is celebrated by most Americans, including those at this conference, but many participants viewed the related processes of democratization and Taiwanization as a major strategic headache for the United States. Democratization has given voice to the many people on Taiwan who either fully reject the notion of Taiwan ever unifying politically or would opt for independence, and to those who simply would like the status quo to last indefinitely with no clear prospect for unification. As generations have passed on Taiwan from 1949 to the present, younger Taiwanese have fewer emotional ties to the mainland than their elders, many of whom escaped from the mainland and came to Taiwan with Chiang Kai-shek’s forces in the late 1940s.

The Taiwan identity movement has also been fostered by politicians on the island who portray China as a foreign country and the KMT as more of an invading force than a local government. This causes strategic problems for Washington because its “one China policy” was much easier to manage when the governments of both Taiwan and the mainland held a “one China principle”: that there is but one China and Taiwan is part of it. As a result, before the late 1980s, the CCP on the mainland did not need to worry much about the possibility of Taiwan’s moves toward independence and the effects this prospect might have on CCP regime legitimacy or on Beijing’s long-term mission of promoting reunification. The biggest difference for the United States is that in the 1980s both sides of the Strait still adhered to a “one China principle,” thus rendering the U.S. “one China policy,” however ambiguous, relatively uncontroversial.

There was sharp disagreement at the conference on how defensive Beijing’s incentives are on Taiwan and how revisionist the PRC is in its ambitions toward Taiwan and the region more generally. The majority of participants argued that Beijing is sincerely worried about the prospect of Taiwanese independence and would be willing to fight a war to prevent it, even if the United States provided a strong security guarantee to Taiwan. A smaller number of participants argued that the mainland’s posture on Taiwan is more revisionist and opportunist than defensive. One participant consistently argued that mainland pressure on Taiwan is not so much an effort to preserve or restore China’s national sovereignty as it is the first step in China’s desire for regional hegemony. Moreover, this participant believes that China would likely not fight if the United States simply formally recognized the reality of two Chinas or an independent Taiwan and threatened China with severe military and

economic consequences if it were to challenge this outcome. But no one, including this dissenting participant, seemed to dispute the fact that the move beginning in the late 1980s in Taiwan from one Party, KMT rule to a more pluralistic democratic polity, however imperfect, fundamentally changed the dynamics of cross-Strait relations.

Several participants stated that concerns regarding a formal declaration of Taiwan independence are misplaced, since Taiwan electoral politics are relatively conservative on the issue and public opinion greatly favors the status quo over either formal independence or unification with the mainland any time in the foreseeable future. As one participant pointed out, some polls on Taiwan suggest that 70 percent of Taiwan's citizens prefer the status quo in cross-Strait relations. One speaker laid out the persistent divisions in Taiwan politics not just between parties but within the "Blue Camp" (the Kuomintang and People's First Party) and, to a lesser degree within the "Green Camp" (Democratic People's Party and Taiwan Solidarity Union). These divisions are between those who especially fear the mainland and those who do not. The divisions then are not so much about the desire for immediate unification or independence, but a judgment about how serious the mainland is in pushing for reunification (rather than simply accepting the status quo) and how resolute the United States is in its commitment to defend Taiwan.

The speaker also argued that cross-Strait relations constitute only one of two centrally important issues in Taiwan politics. The second – governance and the desire for a deeper, more institutionalized, democracy – also divides the parties fairly evenly, with the KMT being seen as more corrupt, but somewhat more competent than the DPP, while the DPP is seen as more likely to push fundamental domestic reforms over time. Reform is difficult because Taiwan politics is deadlocked between the Executive and Legislative branches. The idea of holding referenda has not become more popular simply so that Taiwan citizens can express their views on sovereignty but because referenda provide the executive a way to appeal directly to the public and thus go around the obstacles put up by the legislature.

One participant stressed that mainland analysts are indeed worried about Taiwan independence, even if many outside observers consider it hard to imagine. Mainland analysts look at long-term trend lines going back to the late 1980s and realize how often events defied their expectations and moved Taiwan in the direction of independence. According to this analysis, their concern about "creeping independence" is in part a function of their poor and rather embarrassing track record of failing to anticipate or respond effectively to changes in Taiwan politics toward cross-Strait relations over the past 15 years. Even if Taiwan referenda are held on other policy issues in the near term, the PRC will worry that eventually there will be a referendum on sovereignty.

Political and Social Change on the Mainland

One speaker addressed changes in the Chinese political system during the post-Deng era and how they have influenced cross-Strait relations. On the positive side of the equation, decision-making appears to be more consensual. Politics is not a "winner-take-all" game, so not only do we no longer see leadership purges, but we also see more people willing to express different views on policy in the safe knowledge that they are not risking their entire careers by doing so. On the negative side, the rise of nationalism as a powerful legitimating force for the party within society has created a situation where the leadership as a whole feels the need to jealously protect the Party's reputation as defenders of Chinese nationalism. This makes the Party quite sensitive on the Taiwan issue. They need to keep nationalism contained because of fear of what the speaker labeled "roaring nationalism," which could consume the Party.

The speaker expected that the new leadership under President Hu Jintao will continue the current emphasis on maintaining the status quo: CCP leaders do not want to fight over Taiwan. The speaker believes that Beijing regrets not accepting a proposal, originally drafted by Professor Kenneth Lieberthal before he joined the Clinton Administration, for pushing contestation over the Taiwan issue out for 50 years. During that interim period neither Taiwan nor the mainland would be subjected to what they feared most: forced reunification and Taiwan independence, respectively. After 50 years, the two sides would negotiate, but there would be no fixed expectation regarding the outcome of that negotiation. From Beijing's perspective, the speaker asserted, the main problem is that the 50-year process is too "open-ended" and does not imply that unification would necessarily follow the interim period. Another participant claimed that, at the time the proposal was raised, the mainland seemed interested but Taiwan rejected it; later Taiwan seemed more interested. Unfortunately, the timing never meshed.

One more recent change in PRC political attitudes about Taiwan is the confidence over the past couple of years that time is on the mainland's side. Economic trends are a big source of this confidence, as is the in-fighting between and within political parties in Taiwan. This has led to more patience in Beijing on the Taiwan issue.

This presentation precipitated a discussion on the various factors that might or might not upset this apple cart. One participant questioned whether the Taiwan issue really is related to CCP legitimacy on the mainland, pointing out that one rarely, if ever, hears of Taiwan-related protests, while unpaid workers and victims of corrupt officials seem to protest all the time. Is it really the case that CCP leaders have their legitimacy wrapped up in their handling of Taiwan? Another participant wondered if the CCP leadership actually would be threatened at home if it did not respond to a provocation such as a Chen Shui-bian visit to Washington, D.C.

One participant asserted that many in D.C. expect such a visit while Chen is still President, a notion others questioned. Several participants thought that Beijing would likely take some dramatic steps in response to such a visit. Others felt that we should expect the CCP to prevent public protests about Taiwan because the issue is too volatile. We should, however, also expect a harsh response by Beijing to such a visit, since the lack of protest does not equate to a lack of nationalist sentiment. The participant believes that nationalist sentiment is particularly high among the younger generations in China and the CCP will want to buttress itself against that sentiment even as it prevents protest. This position was then challenged by a participant who had heard of an unpublished internal poll in China that showed that only 16 percent of young people would be willing to fight a war over Taiwan. Along the same lines, another participant asked and answered in the negative the following question: "Is fighting for Taiwan worth the cost of the modernization program?"

Someone pointed out that it is very difficult to locate China's actual red lines. Representatives of the Taiwan Affairs Office will say that they are very concerned about Taiwan referendum laws being passed even if they are not about independence because they are a slippery slope toward a referendum vote on independence. But it is not clear how slippery Beijing believes the slope is and what actions Beijing would take if it felt it was only beginning to slide down such a slope.

Economic Trends Across the Strait

Economic trends across the Strait have changed radically with the rise of the Chinese economy as a regional and global player and with the slowdown of the Taiwan economy, a former standard bearer of the "Asian miracle." But perhaps more impressive than the relative growth of the Chinese economy in comparison to Taiwan's in the 1990s, is the remarkably fast-paced integration that is occurring across the Taiwan Strait. While politics have moved in the opposite direction, away from

cross-Strait consensus on “the one China principle,” trade and investment patterns have moved Taiwan and the mainland rapidly toward economic integration. This has happened despite the many hurdles to trade and travel across the Strait still in place (because of those unresolved political differences). One speaker offered a comprehensive overview of cross-Strait economic trends and finished with an argument that full-scale economic integration basically already exists by most standards and is deepening fast in any case. Another argued that these economic trends could be a major stabilizing force in cross-Strait relations, especially if the United States were to encourage their smooth progress. This view was fairly widely held in the group as a whole.

This is not the place to repeat all of the statistics offered by the speakers and it was pointed out that exact economic figures are often hard to pin down. That said, the upward trends in cross-Strait integration seem very, very clear. The mainland has become Taiwan’s largest export market, while Taiwan remains relatively unimportant as an export market for mainland products because of regulations on the island. Moreover, the growth of Taiwan’s exports to the mainland is outstripping Taiwan’s general export growth by as much as 500-600 percent. This means that if 25 percent of Taiwan’s exports are now going to the mainland, as some sources suggest, then next year the figure will likely reach 30 percent. On investment, it was stated that Taiwan might have invested as much as \$100 billion (U.S.) dollars on the mainland, although somewhere in the neighborhood of \$68 billion seemed more likely to the speaker. In either case, this is an astounding amount of capital investment for an economy Taiwan’s size. Most of that investment is going to process goods on the mainland by Taiwan firms, as is evidenced by the fact that two-thirds of Taiwan exports to the mainland are parts and components sent there to be assembled into finished products. These Taiwan-owned PRC firms are an important part of the mainland’s export portfolio, accounting for 10-15 percent of its exports. This pattern has moved from lower tech manufacturing into the Information Technologies (IT) arena, where it has added greatly to Taiwan firms’ competitiveness.

In terms of the balance of leverage in the interdependent relations across the Taiwan Strait, it might appear from the trade figures alone that the relationship is rather one-sided -- with all the leverage on the mainland side. But from a broader perspective, the speaker asserted, one can see that the PRC is also increasingly reliant on smooth relations with Taiwan. Taiwan companies have been leaders in electronics and IT production on the mainland: these sectors have been responsible for one-half of all export growth in the past eight years and one-fifth of all growth in manufacturing, and have provided many jobs during a period of economic restructuring and potential social instability in China. Taiwan is a big driver of economic growth on the mainland, and economic growth is both a goal in its own right as well as a political necessity for the CCP if it wants to sustain its rule. So Beijing cannot afford to harm the stability of cross-Strait relations much more than Taiwan can.

Other speakers agreed that it would be wrong to view cross-Strait economics as unilaterally supplying leverage to the mainland, particularly in much discussed fields like IT, where the situation can better be seen as a cooperative division of labor across the Strait rather than the wholesale move of industries from Taiwan to the mainland. This analysis, it was asserted, runs directly against the commonly held belief on both sides of the Strait that time is very much on the mainland’s side and that Taiwan will lose all of its economic advantages in the next five years. Despite many political obstacles, Taiwan’s economy is doing something impressive -- creating efficiencies through timeliness and logistics quality in a global supply chain rather than simply focusing on cutting prices. Taiwan companies are also still innovating on Taiwan, even as they move production capacity of current or older technologies to the mainland. Taiwan businesses are not doing what many other countries’ firms do: rather than sending highly trained MBAs to China to gain human capital even as they lose money in the early years, Taiwan companies have shorter-term horizons, seeking profits almost right away and hitting the ground running.

Speakers discussed the ways in which politics are indeed affecting economic trends in ways that prevent Taiwan's economy from remaining as vibrant as it otherwise could be. One speaker emphasized that the mainland has become a major magnet for younger, talented Taiwanese looking for a combination of business opportunities and a fun lifestyle in places like the Shanghai area, where some 300-400,000 Taiwan citizens now live. Taiwan had a plan to be "a regional hub and a global player" but has marginalized itself by providing smaller and smaller value added for international firms that need to be involved in Asia.

One major problem is the difficulty that mainland business partners and engineers have in visiting the island, due to Taiwan's security regulations. The mainland provides an increasingly more attractive place for U.S. businesses to set up operations than Taiwan, even if they are dealing often with Taiwan-owned IT companies. Moreover, IT is not everything in Taiwan; service industries are quite important. But the lack of full human mobility across borders in that industry is also very damaging for Taiwan.

This speaker argued that decision-making in Taiwan is also hurt by the immature development of Taiwan's new democracy, and the lack of institutions that provide apolitical, objective data. Even key committees in the Legislative Yuan lack staffs. Anticipating the sessions on what needs to be done in American policy, this speaker asserted that the United States could help Taiwan deepen its democracy so that it becomes more functional. Otherwise, far from being a role model, Taiwan's democracy might be seen in the region as something to avoid.

In terms of politics, the Taiwanese OEMs (original equipment manufacturers) cannot control all processes as they form alliances with others that market goods. This reduces the control that the Taiwan government has over the pace and direction of cross-Strait IT cooperation. But it is not clear how much Beijing has control of these processes either, and effective control over cross-Strait relations may simply be moving from politicians to business leaders, none of whom would want to see conflict.

A fascinating discussion followed the presentations on the economy in which people addressed the question of how economic integration might lead to political integration or at least foster stability. Some asserted that the mainland clearly has an intentional strategy of using economics to promote its political goals. In other words, the fast-pace of Taiwan's integration with the mainland is not an accident. But some participants also pointed out that, whether this is true or not, the mainland lacks a theory about how to translate the economic integration into a force for political integration.

One participant insisted that this is the wrong question to ask. A better question would revolve around whether economic integration increases the likelihood that the two sides will be able to cut a deal under which they learn to co-exist and stop threatening each other. Along these lines, a few speakers saw cross-Strait economic integration as more of a mutual restraint rather than as a force for mainland leverage that would encourage political integration. If the mainland's goal is really to maintain the status quo, then it might have achieved a lot through its strategy of preferential business deals for Taiwan investors.

Observers in Beijing are hopeful that a failed bid by Chen Shui-bian in the 2004 elections could lead to a Taiwan that is much more open to the easing of trade and travel restrictions. In their minds, this would serve to deepen Taiwan's dependence on the mainland and reduce the prospect of Taiwan independence. According to one speaker's comprehensive analysis of Taiwan politics in the lead-up to the election, the Beijing analysts are right to anticipate Chen's defeat. Chen, however, is a tenacious campaigner, and will likely try to play on Taiwan's fears of the mainland in the months before the election to improve his position vis-à-vis the Blue camp.

Changes in the Cross-Strait Military Situation

Speakers on this panel described how recent developments in the Chinese military have greatly increased the PLA's ability to coerce Taiwan, while recent political and bureaucratic developments in Taiwan have prevented an effective response. The panel as a whole left the impression that Taiwan faces major security challenges to which it is responding only anemically.

One speaker described the changes in the PRC's general security problem from fear of an overland invasion by the Soviet Union to the need to protect the newly vibrant "maritime frontier." Most of China's security concerns are maritime in nature: Taiwan, the Spratlys, the protection of Sea Lines of Communication (SLOCS), and the potential for great power rivalry with Japan. Even China's nuclear posture now has a maritime dimension. China is trying to develop a submarine based nuclear capability and is also preparing to counter future enemy attacks on its land-based nuclear weapons or command and control that are increasingly likely to come from stealthy sea-based platforms.

This new trend poses big challenges for the PRC in that its military strength has traditionally been land-based. The solutions to these problems also pose big problems for Taiwan, because anything the PRC does to solve its general security problems will have relevance for Taiwan. The speaker asserted that currently, China has a "silver bullet" deterrent against Taiwan independence, mainly in the form of missiles, but that China could lose that silver bullet if the United States finds ways to counter it. So, Beijing believes it needs more robust and sophisticated options and needs to think about what would happen if Taiwan did not quit after it received an attack by the PLA's most potent coercive weapons.

From a similar perspective, another speaker painted a very pessimistic picture of trends in Taiwan's security, portraying the military modernization program on the mainland as focused and impressive. The speaker claimed that it is widely believed that the PLA has been tasked to come up with viable military options directed against Taiwan and any intervention by the United States. Modernization is focused on targeting Taiwan's vulnerabilities in command and control and associated sensors and includes the development of a ballistic missile force and greater naval and air assets for the PLA. The speaker emphasized the role of increasingly accurate ballistic missiles, the development of cruise missiles, and acquisition of submarines designed to bottle up Taiwan's naval ports. Taiwan has no notable defense against ballistic missiles and will not for several years and is incapable of tracking and engaging mainland submarines effectively. Taiwan will therefore find it increasingly difficult to sustain operations against a dedicated mainland attack. It is fair then to say that Taiwan's defense capabilities are deteriorating.

Two speakers claimed that one place where the PLA has real advantages over the Taiwan military is in its institutional reform effort. The PLA is undergoing a massive transformation in training, organization, doctrine, etc. and is trying to learn lessons from other countries, especially lessons from U.S. military efforts like Operation Desert Storm in 1991, Kosovo, and the more recent Iraq war. Taiwan is not innovating nearly as quickly. While there is much recognition of a growing military threat from the mainland in senior Taiwan military and civilian circles in the ROC government, that realization is not shared by many further down in the military and civilian ranks. While many speak of fundamental reforms and adoption of new strategies, Taiwan's defense establishment is still fraught with internal divisions.

There are several causes of relative stasis in Taiwan's defense planning. One of the core questions is what "national security" really means for Taiwan. Can a consensus be built on this across parties in Taiwan? If Taiwan continues to make claims on the Spratlys, is Taipei stating that it is part of China? If Taiwan drops the claims, will this alienate the mainland? A second cause of stasis is the

alienation of the ruling party, the DPP, from the military as an institution. The DPP was previously outlawed by the KMT regime, to which the military pledged loyalty until very recently. In many cases DPP members view the military as enemy territory. Since it is assumed that the military will not vote for the DPP, some of the normal political dynamics that allow for increased defense spending do not apply to Taiwan. It is not at all clear, for example, that even a \$20 billion defense spending package would be sufficient to get military people to start voting for President Chen, so he has less incentive to attempt to buy the military's loyalty with limited funds. A third cause of stagnation is the Byzantine rules of the Legislative Yuan (LY) that would make defense reform difficult even if the LY members were relatively informed about defense affairs (which the speaker claimed they are not). Finally, internal service rivalries and disputes make significant change difficult and retard efforts to integrate defense planning.

The speaker addressed key security-related debates in Taiwan. What is the expected role of the United States in a cross-Strait war and should the answer to that question influence the way Taiwan plans to fight? Should Taiwan concentrate forces in order to defeat the enemy alone or disperse forces so as to increase survivability while Taiwan waits for U.S. assistance? If the United States does get involved, then how can Taiwan's military help the civilian elites maintain some influence in the situation either to prevent America from cutting a deal at Taiwan's expense or escalating in ways that do not necessarily serve Taiwan's goals? In deterring an attack from the mainland, should Taiwan have only relatively passive defenses of counterstrike capability? What is the proper mix of ground forces and naval and air forces?

III. WHAT IS TO BE DONE?

A third theme of the conference was a discussion of what the United States can and should do to maintain stability and peace in cross-Strait relations while still protecting its national interests, avoiding damage to Taiwan's democracy and economy, and fulfilling its commitments in ways that will protect the American reputation for resolve with others and discourage the use of force by the PRC in future disputes elsewhere.

As one would expect, views on how much should be changed depended on how "broken" the status quo appeared to the observer. There was fairly widespread agreement with one participant's assertion that the "one China policy" formula has served U.S. national security interests and has accommodated changes in cross-Strait relations well in past decades. (There was at least one strong voice of dissent on this point. This participant suggested that the policy has always been problematic and should have been scrapped long ago.) However, there was also fairly widespread disagreement about whether the same policy approach could continue to be so successful given the many recent changes described above. Views ranged from those who believed that cross-Strait relations are at high risk of "spiraling out of control," to those who believed that there is rather a slower but steady "corrosion of the underpinnings" of cross-Strait stability, to those who seemed more sanguine about the robustness and sustainability of cross-Strait stability over time under the current U.S. strategy.

In summing up the questions on the table, one speaker stated that the relations between Beijing and the United States are very good now because there is cooperation following 9-11. However, in the future there might not be as much immediate need to cooperate and the relationship might be harder to manage and more contingent on leaders' correct perceptions of the current situation and the historical context of U.S. policy toward cross-Strait relations. On the other hand, changing the U.S. approach is potentially fraught with dangers, as will be discussed further below. The speaker guided the discussion by asking, "Is the system broke? Should it be fixed? And what should be done? Should we create a Fourth Communiqué? If so, what would be in such a communiqué?"

What was most interesting to this observer was that there was widespread dissatisfaction with almost any adjustment to U.S. policy toward cross-Strait relations, often even by those who believe that things are going awry across the Strait or could quickly begin to go awry following a change in the international security environment or a change in Taiwan politics. Summing up the lack of comfort with most revisions to U.S. policy, one participant said that even if we accept that the underpinnings of the relationship might be corroding, any effort to adjust the framework would move us into a worse position. So the basic U.S. policy framework should be left alone.

Some participants were more confident that the policy framework would remain effective in maintaining stability across the Strait. Perhaps the most optimistic view was that over the past 20 to 30 years the formula has developed into one in which the United States fairly clearly opposes both Taiwan independence and the PRC use of force; the PRC has become more flexible about how it addresses cross-Strait relations, including acceptance of formulae like “cross-Strait” to suggest more equality for Taiwan in negotiations; and Taiwan has become more dependent on the mainland economically. The key in this participant’s mind is to educate the American public and policy elites about what our strategy is and why, rather than making any serious adjustments to that strategy.

In most cases, the critics of reform see the cure -- a change in the now traditional “one China” approach outlined above -- as more dangerous than the disease, potentially increasing instability flowing from changes in the current international and domestic conditions. One participant made the most positive argument for maintaining the status quo in U.S. China policy, stating that the “one China” approach is inherently flexible and has sufficiently robust shock absorbers to accommodate many changes across the Taiwan Strait. This is why the policy has been so successful and should continue to be successful into the future. Efforts to change it would cause backlashes in Taiwan, the United States, and in the mainland that could prove dangerously counterproductive. Although it was hardly the case that everyone in the room shared this view regarding the future effectiveness of the same formula, on the participant’s second point, there was a broader consensus: even prescribed changes in tone or emphasis within the same general policy framework or changes in the political justifications for maintaining an inherently conditional commitment to Taiwan’s security were critiqued strongly and fairly widely within the group as potentially sparking counterproductive reactions in Washington, Taipei, or Beijing.

The following are various policy proposals suggested by speakers of what the United States might do vis-à-vis cross-Strait issues and the reactions those proposals sparked.

Improving Taiwan’s Defense

It was posited by one speaker that the defense challenges for Taiwan are real but surmountable, and that recent U.S. policy initiatives toward Taiwan under the Bush Administration are designed to address the problems. The speaker proposed that the United States should continue to increase its arms sales to Taiwan and improve U.S. military coordination with Taiwan’s armed forces. Some of the Bush Administration’s policy initiatives include urging Taiwan to increase its defense budgets; improve bureaucratic processes; improve command, control, communications and surveillance; invest in passive and active missile defenses, antisubmarine warfare, readiness, personnel, and logistics capability; improve force planning; increase “commonality” between U.S. and Taiwan forces; and improve control of military intelligence to prevent leaks. If these efforts prove very successful, then Taiwan leaders would be more able to fight on their own and more able to determine the island’s future from a position of strength. The speaker insisted that these efforts to strengthen Taiwan are not only consistent with the TRA, but also with the three communiqués, as the PRC’s military modernization calls into question its commitment to a peaceful solution to the Taiwan question and thereby its commitment to the communiqués.

Participants in the audience raised issues of their own regarding how central these questions of military balance are to the real security of Taiwan and whether or not new efforts to bolster Taiwan's military power might prove counterproductive. One commentator stated that the "real strength" of Taiwan lay in its economy and its ability to establish good relations with the mainland, not in its ability to acquire weapons that, in the end, would "do no good." The participant asserted that as soon as force is used, Taiwan has already lost: the real source of Taiwan's security problem is political, as was demonstrated by President Lee's visit to the United States, which resulted in the mainland remilitarizing the problem. The same commentator argued that Washington does a disservice to Taiwan by offering large weapons packages because the process seduces people in Taiwan into believing that the United States can fix the security problem merely by providing weapons. The participant also argued that Taiwan does have a military strategy based in politics: it is trying to buy weapons from the United States so as to demonstrate the close ties between Taipei and Washington. Taking a different angle on the issue, another participant added that some in Taiwan do not think they should buy the new weapons offered because economic ties across the Strait will prevent conflict and, if they do not, the Bush Administration has pledged to do "whatever it takes" to help Taiwan. So, why spend money on weapons?

One participant posited that much of the discussion about prescriptions for Taiwan are rather divorced from the political reality on the island, given Taiwan's inability or unwillingness to follow those prescriptions. Others argued along the same lines, stating that the American frustration with Taiwan is typical because Taiwan is trying to rely on its stronger ally, just like all small allies. The United States has often been forced to "twist arms" in order to get allies to provide for their own defense, and this relationship might be no exception. One speaker responded that this problem may not be quite so severe because Taiwan wants to have some independent control over its fate, even if a war breaks out, and does not want the United States to dictate the peace and its political future. Therefore, some in Taiwan want not only "show" weapons and greater integration with the United States, but more military capability independent of the United States.

One participant stated that the problem of deterring Taiwan on a political level had become harder for the PRC, so we cannot judge the acquisition of military hardware on its part as a necessary sign of increased belligerence. By not taking seriously the political implications of our military policies toward Taiwan, we might be contributing to a security problem for Taiwan rather than solving it. On the other side of the debate, a participant took issue with the claim that Taiwan's political decisions, such as President Lee's visit, drive cross-Strait military tensions. Rather, the PRC has a choice of how to respond and uses Taiwan as an excuse to build up its military for other goals.

There was a vigorous debate about whether the formal restatement by the United States of the "one China policy" could help solve the problem. One critic of this idea stated that it would show weakness in the face of PRC bullying and that it would endanger Taiwan for the United States to appear too accommodating by restating that formula under duress. Another commentator said that a problem with the "one China policy" is that it was designed for a world in which both sides of the Strait have their own version of a "one China principle." That has disappeared with Taiwan democracy and now the military approach does not supply a solution for a situation that is "spiraling out of control." In response to concerns expressed about an arms race across the Strait, one speaker stated that there has been an arms race across the Strait since 1992, but the problem for Taiwan is that only the PLA has been running the race.

It was emphasized that as important as how many weapons the United States sells to Taiwan is the type of weapons involved. The United States should be sure that weapons systems it transfers to Taiwan are defensive in nature because 60-70 percent of China's population and wealth is near the

coastline and would be vulnerable to offensive weapons. The PRC will not tolerate a Taiwan that can punish China from Dalian in the north to Guangzhou in the South. Offensive weapons transfers would be very provocative and could hasten rather than deter conflict.

One speaker responded to critics of bolstering Taiwan's defense by saying that the development of new capabilities by the PRC could increase the likelihood of miscalculation by Beijing if leaders there thought they had a relatively easy way in which to compel Taiwan's capitulation. The speaker asserted that it is wrong to claim that Taiwan's military deterrent is not important. Military power is important to deter mainland aggression in the short- to medium-term, but deterrent threats should be coupled with reassurances to the mainland that whatever military strength will be created will not be used to create independence. Along the same lines, a participant added that we cannot just make Taiwan realize that there is no military solution to cross-Strait relations, but we need to be sure that the mainland also knows that there is no military solution. The PRC will then have to handle its differences with Taiwan through peaceful means: economic carrots and political reform. Another speaker said that there is still some hope that Taiwan can contribute to such an effort. Taiwan has been asked to do a lot by the United States and has actually achieved some of the goals set for the island's defenses. Taiwan has not been entirely passive.

Insuring Deterrence and Reassurance Across the Taiwan Strait

Along the same general line of reasoning, one speaker laid out what he believed was the basic problem for U.S. deterrence policy toward the mainland looking into the future. Given the increase in PLA capabilities and the push for greater sovereign autonomy by Taiwan, it is very difficult for the United States to balance the two necessary elements of deterrence: credible threats of intervention if the PRC attacks Taiwan and credible assurances that U.S. military superiority will not be used for supporting Taiwan's independence even if the PRC complies with American demands that Beijing not bully Taiwan. The speaker proposed combining a tough U.S. military posture along the lines advocated above with a diplomatic posture designed to reassure Beijing that the United States would not now or in the future use its military superiority to support Taiwan's independence.

The speaker argued that the PRC strategy toward Taiwan is a coercive strategy, not a strategy of domination and, therefore, mainland leaders might need much less military power at their disposal to convince themselves that they can coerce Taiwan than they would need to convince themselves that they could invade and occupy the island. From a U.S. perspective, coercion is harder to deter than domination because the deterring nation requires not just a balance of power but significant military superiority so that defense would cost so little that the attacking side would not want to risk a coercive strike. The problem is that most of the best ways to maintain such superiority -- a combination of new U.S. capabilities in the region, increased arms transfers to Taiwan, and greater coordination with the Taiwan military -- cut into reassurances to the mainland that the United States is not moving toward supporting Taiwan unconditionally, even in circumstances in which the island has provoked Beijing by pursuing permanent legal separation from the mainland.

According to the speaker, the danger of ignoring the reassurance part of the equation is that, in PRC strategic history, force was used not only when there was a bright-line provocation by the PRC's enemies or when CCP leaders believed they could solve a problem once and for all, but also when PRC leaders saw long-term trend lines running against the country's strategic interests. In such instances, the PRC frequently used force before an expected provocation in order to slow, halt, or reverse those perceived trend lines. This phenomenon, combined with a strategy of coercion, makes cross-Strait relations and the U.S. role in it more potentially dangerous than they might appear. The speaker was not arguing that deterrence is impossible, but that it is complex.

The speaker also argued that the Bush Administration has the best relations with China in recent memory largely because it has successfully combined credible threats and credible reassurances in its policy toward the Strait. The Administration has stated clearly that the United States will do “whatever it takes” to defend Taiwan. Washington has also offered a large package of arms to Taiwan. Many of these weapons are well designed to counter coercion. Moreover, the United States has increased its coordination with Taiwan’s military. Combined with the assertiveness of the Administration in Afghanistan and Iraq, the Administration has built well, the speaker believes, on the foundation of credibility created by the dispatch of two carriers in March 1996 by the Clinton Administration. Yet the Administration has been equally credible, especially since spring and summer 2002, in effectively convincing Beijing that it does not support or, perhaps, even opposes Taiwan independence. These statements are believable in China largely because of the global war on terror and the North Korea problem. Under these international circumstances, Beijing elites have concluded that President Bush does not want a Taiwan Strait crisis added to his agenda at this time and understands that the United States needs PRC cooperation, or at least acquiescence, to achieve its goals.

The speaker thought that the ability to mix assurances with threats so successfully might not be easily sustainable if, in a few years, Beijing were no longer as confident about cross-Strait trends as it is now and if the international situation seems more relaxed for the United States. Under those circumstances Beijing may no longer believe that the United States will restrain Taiwan because Washington will not be as needy of PRC cooperation in or acquiescence to U.S.-led efforts in the war on terror. The speaker did not believe arms control would likely work to stabilize cross-Strait relations, because the mainland would almost certainly continue to increase its coercive capacity against Taiwan just as a natural byproduct of increasing its overall national military power. The United States and Taiwan will have to respond in ways that will make Beijing nervous in the absence of political stabilization of the situation.

The speaker suggested that such a political spiral of tensions could be avoided if the United States shored up the foundation of a clear, but clearly conditional commitment to Taiwan’s security. Washington might do so by stating more explicitly why the United States does not want to see Taipei bullied and why it has no stake in using its military to support Taiwan independence. The speaker suggested rooting the conditional commitment to Taiwan that dates back to the 1950s in the theme of protecting Taiwan’s democracy, rather than its sovereignty, and in the theme of spreading democracy to the mainland.

The stated position would be that the United States would oppose coerced unification because it would hurt Taiwan’s democracy and hurt the mainland’s political development by demonstrating that coercion, rather than persuasion, rules the day. On the other hand, Washington would refuse to fight for a Taiwan that declared permanent legal independence from the Chinese nation because a Taiwan that holds out the possibility of eventual unification under the right conditions is a force for democratization on the mainland, a major national security goal of the United States. If peaceful unification is at least possible, mainland political reformers can use the nationalist mission of unification to promote their cause of political liberalization. On the other hand, a Taiwan that would seek independence would lead many mainlanders to associate democracy with national break-up and weakness, pitting democracy and nationalism against each other in PRC domestic politics. The speaker asserted that this formula would likely be appealing in Congress (which is already focused on Taiwan’s democracy and the PRC’s non-democracy), would reassure Taiwan that the United States would intervene to prevent forced reunification, and would reassure the mainland that the United States had no intention of backing Taiwan independence with force. The speaker believes that Beijing would find this policy reasoning annoying but believable because it fits the CCP image of the United States as trying to transform non-democratic polities around the world. The initial goals of this strategy are not to spread democracy actively but to create a lasting domestic consensus in the United

States around the conditional commitment to Taiwan's security implied by the ambiguity strategy, and to convince all actors involved that we are committed to Taiwan's security but that our commitment is conditional on Taiwan's behavior.

Several commentators agreed about the difficulties of balancing threats and assurances, and one said that the notion of this "security dilemma" must be brought back into our analysis. But there was widespread criticism of the speaker's policy prescriptions ranging from doubts to outright rejection. The reasons differed quite significantly and seemed to cover the full spectrum of possible problems in the cross-Strait relationship. Some believed that Beijing would find the formula unacceptable and provocative because it would be using the Taiwan issue to undermine the regime. Others argued that it would be unacceptable in Taipei because it forecloses the option of independence. Still others believed it is too controversial for U.S. domestic politics and would lead to a backlash in Congress and elsewhere that would leave the United States more unconditionally tied to Taiwan and more likely to come to blows with the mainland.

One commentator stated that it remains unclear what the optimum level of military deterrence is for the United States and Taiwan and how much deterrence should be based on American military power and how much on Taiwan's own. Moreover, there are no clear boundaries on what would constitute a provocation by Taiwan that would preclude U.S. intervention. The current referendum controversy demonstrates this problem well. Others argued along the same line, stating that the formula provided too much leeway for Taiwan to provoke the mainland diplomatically short of a formal declaration of independence. It would be easy for Taiwan to do this, one participant pointed out, as people there already consider themselves independent of the PRC.

The speaker responded to these critiques by pointing out that the ambiguity about what constitutes a Taiwan diplomatic provocation or how the United States would respond militarily to a mainland provocation already exists in U.S. strategy and would be nothing new under the formula presented here. One advantage would be that the mainland would be less likely to believe that Taiwan's gradual diplomatic salami tactics would end in formal independence, and Beijing might therefore be more tolerant of them than it is under the current framework.

Several commentators said that many elements of this strategy are already in place but that it is a step back from current U.S. policy in one key regard. The United States is now agnostic about the eventual outcome in cross-Strait relations, but under this formula the United States seems committed to reunification and appears to be closing off the option of independence. This is a problem because Taiwan would not just oppose the formula but would successfully lobby in Congress along these lines, undercutting the domestic legitimacy of such a strategy in the United States.

The speaker responded that the formula does not require unification nor does it actively oppose independence, it just states that the United States will not fight for independence, which is another matter. If Taiwan can afford the punishment or can achieve unification peacefully, the United States would not oppose it actively. The speaker agreed with the logic, if not necessarily the interpretations, of the commentators who raised domestic concerns about the proposal. The speaker said that if the proposal would not fly domestically in the United States, then it would be a failure, since the policy is designed first and foremost to create a sustainable domestic consensus among Americans about conditionality, and then to project that policy of conditionality credibly abroad, especially to both sides of the Strait.

One participant wondered whether Taiwan could really be a role model for mainland democratization if its own democracy is running as poorly as many say. Why would Singapore not be a role model instead? Two other participants added that the notion of Taiwan as a beacon for the

mainland goes back to the 1950s, but one stated that that role for the island is not viewed as a particularly positive one on Taiwan today. Along the same lines, another participant worried about the ability of the United States to foster democracy in China, stating that the key is not to promote democracy but to find a way to maintain the old strategic rationale in a new setting. Someone else added that the United States needs to be on the side of democratic evolution but cannot actively promote it on the mainland. There is a lot of talk of encouraging dialogue between a democratic Taiwan and an undemocratic PRC, but even this is unlikely to produce much. No democratic entity will agree to unification with an undemocratic one until it sees the prospect of significant political reform in the other. So, under current conditions the problem is not the lack of talks, but the lack of anything to talk about. The U.S. goal should be to stabilize the situation so that enough time passes for the mainland to choose the path of democratization on its own.

The speaker responded that his goal was not to force democracy down the mainland's throat but to create sufficiently stable conditions so that force is taken off the table as an option and so that the Taiwan model, and the need to be more attractive to Taiwan, can give energy to the forces for political reform that already exist in the PRC. The speaker agreed with the participant's point that China would choose democracy when it is ready and that a big hurdle to cross-Strait relations is the unattractiveness of the mainland regime. The question is whether a revised U.S. stance could help encourage China to choose political reform.

One participant agreed that the United States needs to balance deterrent threats with reassurances. While not fully endorsing the speaker's approach, this participant agreed that the old balance between deterrent threats and assurance is becoming hard to find given the changing strategic environment as described above. A U.S. president's statement that "we do not support Taiwan independence," cannot stand up to the simple question: "why?" Along the same lines, one commentator said that the value-added of the democracy-centered proposal is not so much in Beijing or Taipei, but in the United States as it would help the President answer why we don't simply back Taiwan independence. Whether it would be useful in Taipei or Beijing, however, is questionable.

One participant disagreed most fundamentally with the logic behind the speaker's proposal, labeling it "appeasement" of the PRC. This participant believes that the United States only invites PRC aggression by concerning itself with reassuring Beijing about such things as the one China policy and arms sales to Taiwan. By adopting an explicit "two China policy," recognizing Taiwan's sovereignty, establishing formal diplomatic relations with Taipei, and backing that with a strong show of military and economic coercion, the United States could both maintain peace and assert its national security and moral interests. The participant rejected the notion that this would cause a war, but also added that avoidance of war can not be a sound basis for U.S. national security policy, otherwise the United States would simply appease aggressors in order to maintain peace and would never be willing to fight for its national interests. U.S. accommodation of Beijing on Taiwan threatens American national security interests because Taiwan will be the first step in Beijing's drive for regional hegemony. If pressure were to be applied by the United States in cross-Strait relations, it is clear to this participant that it should be applied to the PRC to abandon its military threats against Taiwan and to open discussions with Taiwan as a sovereign equal partner in trade talks and other negotiations.

The same participant also rejected notions widely held in the group as a whole that the United States would put major economic, political, and security assets at risk by alienating Beijing on the Taiwan issue. The participant assailed the notion that China had cooperated in the war on terror and in North Korea in ways that are important to U.S. national security, at one point asserting that the PRC has done nothing but assist the North Koreans. Moreover, the participant questioned in the strongest terms whether Taiwan really is a core political issue on the mainland, dismissing the notion that CCP legitimacy is related to its handling of the Taiwan issue. Although these views were not widely held at

the conference, another participant did offer partial support for one of these positions by comparing unfavorably the PRC's contribution to the war on terror to that of Taiwan.

One commentator argued from a nearly opposite angle that the group was much closer to the speaker's original ideal of balance than it might seem. It is getting easier to convince Chinese elites that the United States wants a friendly, cooperative, and successful China. We have been saying it for a long time and they know that Americans see democracy and capitalism as foundations of success. We have largely won out on capitalism though not yet on democracy. But we might not be that far off. It should not be hard to sell the notion that we would like to see democracy in China and we probably have for now already assured China that we have no stake in Taiwan independence. On Taiwan, the speaker's emphasis on democracy and its spread to the mainland might be more acceptable than other participants have allowed. Both President Lee and President Chen have said that they see Taiwan as playing a role of fostering democracy on the mainland and they might accept the role if it were attached to security guarantees that Taiwan does not currently enjoy. Finally, if we want to be credible about fostering democracy in China, we should work harder at supporting such things as legal reforms. The commentator stated that we are currently doing more on this score than we were under the Clinton Administration but that the program lacks a political construct that would allow everyone to understand what we are trying to do.

The speaker responded that most of the contradictions and difficulties in U.S. policy that had been raised in the Q&A seem present in existing policy and are no worse in this approach than in others being offered. The speaker agreed with the notion that the United States does not need to make any radical adjustment in its existing policy, but rather needs to frame existing policies in a principled and sturdy manner instead of appealing merely to temporary strategic interest or fear of conflict. The details of what constitutes a diplomatic provocation by Taipei or bullying by Beijing, and how exactly to react to such provocations, would still be there, but this would not be a change from where we are today.

Save the Foundation, Adjust the Details

One speaker said that the problem in China policy is not in the original ambiguity strategy discussed above, but in the lack of clear thinking that has gone into managing that strategy in practice. Of course the United States needs to "do the right thing" but it also must "do the thing right." For example, President Bush's threat to "do whatever it takes" was unhelpful as the PLA already expects our intervention in case of a conflict. There is no point in making us look like an enemy by using such rhetoric. It would be better simply to maintain capabilities to give the U.S. President options than it is to guarantee explicitly that we would get involved. On arms sales, we need to worry about PLA capabilities but we also need to view the sales in a broader political context, concerning ourselves with the potential reactions of the PRC to our increased defense coordination with Taiwan.

The speaker asserted that the United States also needs a "tough love" message to Taiwan. We should be more clear and proactive in our opposition to statements such as President Chen Shui-bian's "*yi bian yi guo*" (one country on each side of the Strait). The Clinton Administration was more effective in taking a tough stand on Taiwan's "two state theory" and helped reassure the mainland in the process. The United States should also urge Taiwan to accept dialogue with the mainland without violating the six assurances by pushing Taiwan to negotiate reunification.³ Finally, we need to

³ The Six Assurances (1982)

1. The United States will not set a date for termination of arms sales to Taiwan.
2. The United States will not alter the terms of the Taiwan Relations Act.

educate the top leaders from the President on down what our policy is. Wisdom and competence are required to manage this complex issue well.

One participant challenged the notion of careful management and increased pressure on Taiwan, pointing out that in the war on terror the President has emphasized democracy as one of the solutions to the problem. Yet, when democratic Taiwan suggests it might choose independence, the United States is supposed to take an even harsher stand than it currently does. This will not sit well with the Congress or public as it makes the United States look hypocritical. This is especially true since the mainland is not a democracy. Along the same lines, another participant stated that for the American public “doing the thing right” will always smack up against “doing the right thing,” especially given the fact that the PRC is authoritarian and is pressuring a democratic government to give up its sovereignty. There is simply no moral clarity to the ambiguity strategy no matter how desirable it is on realpolitik grounds. It runs against the American “psyche.” Another participant emphatically stated that Americans do not just value democracy as rooted in the U.S. Constitution, but also value “The Declaration of Independence,” and would have difficulty understanding why the United States was putting pressure on Taiwan, which is by most measures already independent, to keep it from declaring that independence. Americans, like all people, are victims of their own history.

A participant responded by stating that the “independence” vs. “reunification” debate in Congress is an artifact of Taiwan lobbying, which represents Taiwanese- American groups more than real voices in Taiwan. The participant asserted that Taiwanese do not want a declaration of independence, because many believe they are independent already, and most also oppose unification. Another participant interjected that it is not clear how deeply seated such public attitudes are. Many in Taiwan do not want to challenge the mainland because of fear of mainland strength. In the future they may decide that democracy should lead to sovereignty. We do not know what the future will bring and that is one reason why the United States should not close off any options by precluding either independence or unification.

Suggesting that this very well might be the case, another participant strongly emphasized that the “grand bargain” with the PRC on which the old ambiguity strategy was based is now frayed for a fundamental reason not sufficiently addressed in the presentations: the ambiguity strategy was created in the early 1970s and perpetuated throughout the 1980s without any consultation with Taiwan. Especially as a new democracy, Taiwan now demands a voice in the process and a new grand bargain will have to be struck for the 21st century.

In defense of the “grand bargain” and as a caution against excessive moralizing in foreign policy, a participant pointed out that the United States went into Somalia with a moral mission and then people demanded we get out when a price had to be paid. The same would be true in Taiwan. Everyone would support the “moral” position until the real-world constraints of costs and risks kicked in, and then people would want to return to a more realist policy. People who supported backing Taiwan would cry: “you didn’t tell us it would be dangerous.” Others supported this view by questioning whether Congress would allow American service people to die because Taiwan could not control itself on the issue of independence. Another participant stated that if a more clearly moral posture led to war, the United States would immorally leave the 23 million people of Taiwan on the

3. The United States will not consult with China in advance before making decisions about U.S. arms sales to Taiwan.

4. The United States will not mediate between Taiwan and China.

5. The United States will not alter its position about the sovereignty of Taiwan (which is that the question was one to be decided peacefully by the Chinese themselves), and will not pressure Taiwan to enter into negotiations with China.

6. The United States will not formally recognize Chinese sovereignty over Taiwan.

front line. The suggestion was that pragmatism is moral when one considers the human costs of instability that would be caused by American idealism.

One participant pointed out that unless someone makes a strong case about the risks inherent in an unconditional backing of Taiwan, the American public will not understand. In the post- 9-11 world, the notion that we should accommodate a dictatorship at the expense of a democracy will not fly.

Another participant strongly diverged from this view point stating that the Somalia policy was noble and moral; that the United States botched the effort by backing down, not by initiating the policy; and we are doing the same thing in our Taiwan policy. The United States always pays lip service to China in its claims on Taiwan and reads Taipei the riot act every time it hints at independence. The reason 70 percent of Taiwan citizens oppose independence is that they fear war, not because they want to be part of China. The more the United States accepts Taiwan as a member of the international community, the less likely would be Chinese use of force. The PRC would fear economic devastation if it attacked. In this participant's view there would be no added risk of war if the United States were to adopt an explicit "two China policy."

This intervention sparked strong reactions. One participant asked rhetorically what the second major power to recognize Taiwan would be after the United States? Someone else said that it is not accidental that Taiwan does not get such support because it is a small island near a major country. If the situation were reversed, then the outcome would be very different.

Another participant adopted a different approach by saying the case for the grand bargain is actually easy to make because the American public should be able to understand three basic facts: 1) China is an important country to the United States and we cannot just ignore its interests; 2) Taiwan is rich and democratic and doing fine; and 3) Taiwan itself is choosing to invest and trade with the mainland and is therefore quite clearly not terribly oppressed. It was emphatically pointed out that this argument might be easy to make, but someone has to actually make it, particularly on Capitol Hill! A third participant suggested that this might be a task for the National Committee if the Administration is unwilling to make the case on Capitol Hill.

Should the United States Play the Role of Mediator between the Two Sides?

Speaking out of concern that the status quo is unstable and relations could spiral out of control in the future, two participants asserted that the United States should break with the Reagan Administration's "six assurances" to Taiwan by encouraging cross-Strait dialogue and, perhaps, by playing the role of facilitator or mediator between the two sides, as Washington has done in other past conflicts. Another participant said we should not talk about preferred outcomes, but need to get more involved in cross-Strait relations if the United States is to protect its core interest of preventing a conflict from erupting. We should be more active in working to reduce the chance of a Taiwan declaration of independence and the risk of mainland impatience and the use of force. Concurring, another participant said that absent consultation, Taiwan might do something drastic out of weakness, rather than strength.

Others had severe reservations about the United States playing a more active role in cross-Strait dialogue. A participant wondered whether one of the six assurances to Taiwan could be removed without compromising all of them, including the ones related to Taiwan's security. We might not get what we want if we ask China and Taiwan to clarify their positions. Another participant offered three "big reservations" about the United States promoting dialogue across the Strait:

- 1) The only valuable dialogue is between those who sincerely want to cut a deal. Moreover, when the PRC and Taiwan really want to talk to each other, we have found that they do not need the United States as a facilitator.
- 2) Even with 60 years of American experience as facilitator in conflict resolution around the world what usually happens is that the United States gets manipulated by the two sides. In negotiations we want them to manipulate each other, but we have found that when we insert ourselves, both sides start manipulating us.
- 3) Pushing dialogue comes close to taking a position on “one China,” which the United States should not do since it shows a commitment to a certain outcome and we lose our neutrality.

The participant concluded by stating that the United States should create the conditions for dialogue, but not push for dialogue. Without endorsing a full-fledged American role as facilitator, another participant said that we could urge both sides of the Strait, especially Taiwan, to abide by its WTO obligations and deepen cross-Strait economic ties. The United States should not seek a facilitator role, but rather should make its services available if both sides want us to play such a role.

What Role Should the United States Play in Cross-Strait Economic Trends?

Two participants offered an alternative to playing an increased role in political dialogue: investing more U.S. government resources in encouraging economic interaction across the Strait. This would be good for American businesses and for cross-Strait stability. In the course of discussions, participants questioned whether the United States should pressure Taiwan, the mainland, or both to further open up trade between the two sides. Since most restrictions appeared to be raised by Taipei, such as restrictions on air travel and mainland citizens’ visits to Taiwan, there was an open question about whether the lifting of such restrictions would help U.S. national interests in cross-Strait relations. It seemed clear to one participant that, at a minimum, such an easing would be good for Taiwan’s economy and for U.S. businesses operating in Taiwan. One participant said that we should blame the mainland for the limits on cross-Strait economic interaction because it refuses to deal with Taiwan as a sovereign country and allow real government-to-government negotiations on issues like commercial flights, without Taiwan first accepting the “one China principle.”

Participants did not see PRC and Taiwan accession to the WTO providing much help in the near term in easing restrictions across the Strait, as it is unclear whether Taiwan would open up to the mainland as a result. The PRC was viewed as unlikely to complain formally about Taiwan to the WTO, because that would bring an international organization into cross-Strait relations, thereby suggesting Taiwan’s sovereignty.

There was also a discussion and debate about the easing of technology transfer restrictions both from Taiwan to the mainland and from the United States to the mainland. Some participants asserted that American and Taiwan businesses are hurt more than Chinese businesses by these restrictions, as the PRC in many cases is able to get technologies from third parties. Moreover in an increasingly globalized economy, the pressures for sharing technologies across borders will only grow. Since China is now not only a major manufacturer in low end products, but also in computers and IT, it will be increasingly difficult to restrict what U.S. companies can share with Chinese counterparts if they are to stay globally competitive. One participant described in detail how IT companies simply lack alternatives to China because places like Taiwan and Hong Kong have failed to offer the same business environment as places like Shanghai. In a global economy, companies will find ways (through offshore investment companies and other loopholes) to invest heavily in the PRC to create IT industries that can exploit the business conditions there. China’s comparative advantages include both low-cost unskilled and skilled workers. Finally, for the sake of U.S. businesses in Taiwan, one participant suggested that Taiwan’s government should be urged to ease the national security restrictions on mainland visitors so that human capital can flow in both directions across the Taiwan

Strait. With the movement of production to the mainland, U.S. businesses now have to contemplate abandoning their headquarters in Taiwan for the PRC so that mainland and Taiwanese engineers, workers, and entrepreneurs can more easily hold useful meetings.

A participant described in some detail how a Taiwan-based semiconductor plant using U.S. technologies is being created in Shanghai. The founders of the plant are apparently circumventing, though not violating, U.S. restrictions on technology transfer. This proved greatly worrying to one participant who believes that both Taiwan and the United States have become too lax in transferring technology to the mainland. In general this participant did not seem to view cross-Strait economic activity as necessarily in the U.S. interest and, in some cases, seemed to believe it is clearly counter to those interests. An example is the Shanghai plant described above, that he believes undercuts the spirit of U.S. regulations designed to prevent the fast-paced growth of PRC technological and military power.

CONCLUSION

From this one observer's perspective, there were surprisingly few pieces of new policy advice on which many people could fully agree. To be sure, conference participants reached a fairly broad consensus (with only a few dissident voices) that U.S. policy toward cross-Strait relations has, to date, been highly successful in protecting American interests in Taiwan and the mainland and in maintaining stability in cross-Strait relations. Within this majority view, however, there was somewhat less agreement about whether the same framework for U.S. policy is still appropriate today and whether it will remain so into the future, given political, economic, military and social changes in both the PRC and Taiwan and their potential effect on cross-Strait relations.

Sharper differences emerged in discussions about the sustainability of the current policy's effectiveness, particularly when predicated on a future scenario in which the PLA build-up continues, U.S. arms sales and defense coordination with Taiwan deepens, the mainland remains authoritarian, Taiwan's democratic politics might move further in the direction of de-Sinification, and two immediate reasons for current Sino-American cooperation – the war on terror and North Korea – might fade in importance. Some forecast a gradual corrosion of cross-Strait stability and believed that the United States should be starting the foundational restructuring necessary to shore up stability in the region before a crisis breaks out. One speaker asserted that, in the long run, neither Taiwan nor the PRC believes that time is on its side; Taiwan sees increasing economic interdependence and growing PRC military strength and the mainland sees the continuing growth of Taiwan identity politics and a deepening of the U.S.-Taiwan defense and political relationship. This means that the relationship will always be subject to shocks and crises; when these occur will be hard to predict.

Quite a few participants believed that the original U.S. policy framework has built-in "shock absorbers" that are still in good shape and can handle change as long as they are left to do so. Some added that changes have indeed been dramatic in the region but that many of these changes, particularly economic integration, are major new forces for stability, not instability. It is unclear whether economic integration will lead to a final peaceful settlement of cross-Strait differences, but most participants think it is a deterrent to provocation on both sides of the Strait. Those worried about excessive intervention by the United States in cross-Strait affairs often view economics as an area where the United States might assert itself more vigorously, such as by asking Taiwan to abide by its WTO obligations.

Few really saw much hope of settling the military security tension over the long run without some reduction in political tensions through a new cooperative framework across the Taiwan Strait. The process of debate on the military and political issues provided consensus building among some of the participants who initially argued from different sides. It is not entirely clear whether this resulted from a process of mutual persuasion or simply mutual clarification of the two sides' positions. Some

commentators who appeared to others early in the conference to be saying that military deterrent capabilities are relatively unimportant for Taiwan, pointed out later that they agreed with their counterparts in the debate that arms sales, U.S. military preparations, and Taiwan military improvements are an appropriate part of the equation for American policy. They just do not believe they represent the entire equation or even the most important part. Others who had earlier emphasized the challenges posed by PLA improvements and Taiwan's military problems then agreed that politics also are important and that deterrence without accompanying political efforts to calm tensions across the Strait would not stabilize relations.

There were a few individuals who argued for more unconditional support for Taiwan and for challenging the mainland's claim that the Taiwan issue is a core issue of war or peace for the PRC. They questioned whether Beijing is using Taiwan as an excuse for building up its military and expanding its influence in the region. These participants believe that U.S. application of unalloyed toughness toward the mainland on the Taiwan issue is not only the right thing to do morally but the smart thing to do strategically. For those participants, assuring the mainland would only be rewarding China's aggression. They warned that we might be falling prey to cynical arguments in Beijing about the centrality of the Taiwan issue for the PRC's domestic political and foreign policy development and, thereby, encouraging dangerous external behavior in Beijing.

Demonstrating the complexity of the issues addressed, the conference concluded with the following basic questions, about which there were still no clear, consensus answers:

- How robust and stable is the current peace across the Taiwan Strait and how appropriate is the traditional U.S. strategy toward cross-Strait relations for preserving the peace?
- Can the United States increase its weapons sales and defense coordination with Taiwan in response to the mainland's coercive build-up without undercutting the traditional policy framework and, thereby, provoking the mainland?
- Whether based on principle, practicality or both, can a clear and compelling case be made to the American Congress and public for maintaining conditionality and ambiguity in the U.S. policy toward the two sides of the Strait, despite Taiwan's democratization, the mainland's continued authoritarianism, and the obsolescence of the Cold War justification for compromises with Beijing?
- Can the global war on terror and North Korea replace the Soviet Union on this score, and if so, for how long?
- What alterations to U.S. policy are worth the candle and in which cases are the cures more dangerous than the disease?
- Just how effective will cross-Strait and trans-Pacific economic integration be in preventing conflict and encouraging a permanent settlement across the Taiwan Strait?

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New Challenges and Opportunities in the Taiwan Strait: Defining America's Role August 8-10, 2003

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