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## **Living with ‘One Country, Two Systems’?**

### *The Future of Beijing’s Taiwan Policy*

Christopher R Hughes

*The election of Chen Shui-bian as president of the Republic of China on Taiwan (ROCT) is probably the biggest setback for Beijing’s policy of ‘peaceful unification’ under ‘one country, two systems’ since it began to be developed in the late 1970s. This impression was fostered by the clumsy way in which the PRC tried to manipulate voting in Taiwan through a propaganda war that started in January and culminated in the televised scene of Premier Zhu Rongji waving his fist at the assembled world’s press as he warned the island’s voters, ‘We trust that our Taiwan compatriots will make a sensible choice’, adding that if they did not, they might not ‘get another opportunity’.*

*When the results of the election came in, both sides of the Taiwan Strait seemed to be looking into the abyss. For the PRC, the propaganda war had been a serious miscalculation that almost certainly contributed to Chen’s victory by stimulating defiance among the island’s voters. It seemed that little had been learned from the mistakes made in 1995-6 when a similar barrage had been launched against Lee Teng-hui’s presidential campaign.*

*Instead of military action, however, a stance of ‘listen to his words, watch his actions’ was announced by the PRC. Well-placed sources began to indicate that confusion reigned in the Chinese capital, with the leadership feeling it had been badly misled by advice from its Taiwan-watching community. As the panic subsided, the nature of Beijing’s attempts to salvage its policy of ‘peaceful unification’ under ‘one country, two systems’ began to become clear. It is now possible to begin to make some preliminary assessments of the likelihood that Beijing will continue continuing with that policy after Chen’s victory.*

The main principles of Beijing’s policy of ‘peaceful unification’ under ‘one country, two systems’ are as follows: ‘Peaceful unification’ means that Taiwan will be brought under PRC rule through a process of economic, social and

political integration, facilitated by personal exchanges, cross-Strait trade and investment and joint cultural, sporting and educational activities. Although the use of force is not to be renounced, it is only to be used as a last resort if Taiwan appears to be moving towards *de jure* independence. ‘One country, two systems’ means that after unification, Taiwan can continue to practise its own social system, retain its own judiciary and its own army, and the party, governmental and military systems of Taiwan will be governed by the ‘Taiwan authorities’ themselves. This is meant to allay fears in Taiwan about the political costs of unification, and to present a workable model for a unified China.<sup>1</sup>

It is important to stress that the main principles of this policy were established long before multi-party politics had even begun in Taiwan. The change in PRC policy from attempts to ‘liberate’ the island in favour of bringing the island under ‘one country, two systems’ through ‘peaceful unification’ occurred in the late 1970s, in the context of the normalisation of Beijing-Washington relations that took place on 1 January 1979. The essential principles of the ‘one country, two systems’ formula were laid out in full by the time Deng Xiaoping gave a talk to Professor Winston Yang in June 1983.<sup>2</sup> The DPP was not established in Taiwan until September 1986.

Democratisation and the rise of the DPP in Taiwan has undoubtedly posed a challenge to the policy, yet never derailed it completely. In part this is because Beijing has also had strong reasons for maintaining faith in it. The signing of the Sino-British declaration on Hong Kong in December 1984 gave the notion of ‘one country, two systems’ international legitimacy. Rapid economic growth under Deng Xiaoping’s policy of ‘reform and opening’, accompanied by the appreciation of the New Taiwan Dollar against the US dollar has given ‘peaceful unification’ credibility by increasing the magnetic pull of the mainland on Taiwan. While democratisation did see the growth of the Taiwan independence movement on the island, this seemed to be balanced by the steady economic integration that occurred after Taipei began to permit indirect and unofficial contacts with the mainland in 1987.

Since then, a series of shocks have not derailed the policy. It survived the appointment of the Taiwanese-born Lee Teng-hui as president of the ROC and chairman of the KMT in 1988, and the shock of the Tiananmen Massacre in Beijing the following year. If there was ever an optimal time for Taiwan to declare independence and break the policy, it was probably in the months following 4 June 1989. Yet that did not happen because the island was entering its own period of political uncertainty over the direction of its political reforms. It seems incredible today that even as late as 1989 some leading figures in the KMT saw the turmoil in the mainland as the long-

awaited opportunity for them to unite China under Sun Yat-sen's 'Three Principles of the People'.<sup>3</sup>

Yet 1989 saw no dramatic developments in cross-Strait relations, and Beijing's policy remained intact as the years of mainland crisis gave way to what, in retrospect, looks like something of a golden age in the early 1990s. A dramatic increase of Taiwanese investment and exports to the mainland, accompanied by a surge in private travel, resulted in political spill-over that led to 'unofficial' talks being held between the two sides in 1992. This resulted in the consensus that 'unofficial' talks could take place between the two sides to solve practical problems arising from transactions (such as piracy, hijacking, verification of documents), if both sides accept that there is one China, with the rider that each has its own interpretation of what 'one China' means. What became known as the '1992 consensus' paved the way for the mainland's top negotiator, Wang Daohan, to meet his counterpart from Taiwan, Koo Chen-foo, in Singapore in April 1993.

This is not to say that Beijing's policy has gone unchallenged by Taiwan. The island's leadership has made strong efforts to resist the pull, most notably by developing an ambitious foreign policy. This has been marked by stepping up 'pragmatic' and 'dollar' diplomacy, and launching a campaign for membership of the United Nations. Yet while such countermeasures have led to adjustments to the detail of Beijing's policy, they have not changed its fundamental principles and methods. If anything, the policy has been applied with more vigour, as was seen when the PRC responded in August 1993 to Taipei's bid for UN membership by restating its policy in its white paper on *The Taiwan Question and Reunification of China*, and intensifying its own diplomatic activities accordingly.<sup>4</sup>

This pattern repeated itself during the crisis that developed in the run-up to Taiwan's first presidential election, in March 1996. From Beijing's perspective a serious threat to its Taiwan policy from Washington seemed to loom when congressional pressure forced the Clinton administration to grant incumbent ROCT president Lee Teng-hui a visa to make a June 1995 visit to the United States, albeit in a private capacity. The missile tests and military manoeuvres that were carried out by the PLA in the Taiwan Strait in the period between the Lee visit and his election as president in March 1996 came close to an abandonment of 'peaceful unification'.

Yet, in the end, even this crisis did not signal a breakdown in Beijing's policy. Instead, following intervention by the US Seventh Fleet that almost brought the US and the PRC into direct hostilities, all sides pulled back from the brink and a round of intense diplomatic activity restored the *status quo ante*. Although Lee Teng-hui won with a landslide

vote, he emerged with his room for manoeuvre tightly constrained by a Washington that did not want to get dragged into this kind of conflict with the PRC again. The message that the United States will maintain Taiwan's security but will not come to the help of Taiwan if it provokes the PRC by declaring independence has been hammered home to Taipei by a continuous stream of 'unofficial' envoys from the other side of the Pacific ever since. The tone of meetings held with leading politicians in Taipei has been one of firm pressure for a restarting of cross-strait dialogue, an optimistic assessment of Beijing's sincerity, and the importance of maintaining the principle that Taiwan is a part of China.<sup>5</sup>

Even the souring of Beijing-Washington relations that occurred with the 1999 NATO bombing of the PRC embassy in Belgrade was not enough to change this situation. By the late 1990s US-PRC relations had become far too important to be sacrificed for Taiwan. This was not only due to the attraction of the Chinese market, but also in recognition of the way that the PRC acted as a breakwater during the Asian financial crisis and the role it played in enhancing stability on the Korean peninsula. That Taiwan was to pay a high price for the need to build good relations between Beijing and Washington was clearly signaled when President Clinton stated his policy of 'three noes' for Taiwan during his visit to the PRC in June 1998, namely, 'No one China, one Taiwan; no Taiwan independence; no Taiwan membership in international organizations requiring statehood.'

The overall result of the crises of the late 1990s, then, was not a collapse of Beijing's Taiwan policy. Instead, Taiwan was left in an increasingly weaker position as it faced strong pressure from its most important ally to go to the negotiating table. A visit to the mainland by Taiwan's chief negotiator, Koo Chen-foo, accordingly took place in October 1998. A breakthrough visit was expected to begin with a follow-up visit to Taiwan by the mainland's negotiator, Wang Daohan. With Taiwan on the verge of entering into a dialogue on unification under the precondition that the island is a part China, however, Lee Teng-hui put on the brakes in July 1999 when he announced his view that the two sides are in a 'special state-to-state relationship'. Beijing promptly cancelled Wang's visit, and policy-makers in Washington reacted with consternation to Lee's surprise initiative. Yet, despite this, Beijing's policy remained unchanged, leaving Taiwan looking like the trouble maker.

Over the last two decades, then, Beijing's policy of 'peaceful unification' under 'one country, two systems' has withstood a series of crises and challenges. It has survived not only democratisation in Taiwan, but also severe political instability in the PRC in the late 1980s and the

international isolation that followed in the early 1990s, as well as a change of leadership in the CCP in the mid-1990s. While Beijing's policy has not led to unification with Taiwan, an optimistic assessment is that two decades of democratisation and an upsurge in Chinese nationalism in the mainland has not forced a change of policy resulting in a resort to arms. Moreover, Taiwan has refrained so far from a formal declaration that the island is not a part of China and has not closed the door to some kind of formal unification in the future. Rather than a dramatic upsurge of adventurous Taiwanese nationalism, the majority of the population has maintained a preference for maintaining the *status quo* of 'no unification and no independence'. This has proved workable for nearly two decades now. Whether it can continue to be viable in the wake of Chen Shui-bian's victory will now be assessed.

### *Surviving the election of Chen shui-bian*

The election of Chen Shui-bian, a member of a party that is committed to Taiwanese independence, is certainly a challenge for Beijing's Taiwan policy. However, this has not yet led to a radical change in Beijing's policy of 'peaceful unification' under 'one country, two systems' for a number of reasons.

First is the fact that Chen was elected with just 39 percent of the vote, and came in just 300,000 votes ahead of the runner-up, the independent 'mainlander' ex-KMT member, James Soong. The result did not, therefore, necessarily represent a sea-change in favour of Taiwanese independence.<sup>6</sup> Instead it was largely determined by the split in the KMT that occurred when vice-president Lien Chan was chosen as the party's presidential candidate, causing the far more charismatic and popular provincial governor, James Soong, to run as an independent. The dramatic collapse of the KMT vote, which totalled a mere 23 percent, was the other dramatic story of the election.

Secondly, Chen's victory was won only after the DPP had made considerable modifications to its pro-independence platform. This was the result of a reassessment of 'China policy' that began after the disastrous defeat suffered by the DPP in the 1996 presidential election, when the veteran secessionist candidate Peng Ming-min polled just 21 percent. A move away from the independence platform began to take place when radical and moderate factions came together in an open conference on 'China policy' in February 1998, and agreed on a stance of encouraging investment and trade in mainland China while trying to build a strong sense of loyalty to Taiwan at home. This policy shift, known as the 'strong base, Westward advance', was taken a step further in May 1999, when a

resolution on 'The Future of Taiwan' stated for the first time in a party document an acceptance of the name 'Republic of China'.

This moderate position on cross-Strait relations became central to Chen Shui-bian's election campaign. In April 1999 he prepared the ground and distanced himself from the DPP's radical past by stating that the DPP charter was not in fact a 'Taiwan independence charter', but was merely intended to stress the position that any declaration of independence would have to be approved by referendum. Following this, he developed a campaign strategy around the promise that he could actually find a way out of the deadlock with the mainland that was represented by the KMT policy of restricting cross-Strait trade and investment under a stance of 'no haste, be patient'.

Chen even portrayed himself as a Nixon-like figure who could break new ground in relations with the PRC because his love for Taiwan meant that people could trust him not to sell out the island in any negotiations that might take place. He built on this moderate image by openly committing himself to what became known as the 'Four Nose', namely: no change of the national name, no change of the ROC constitution to include Lee Teng-hui's 'two-states theory', no referendum on independence, and no declaration of independence unless Taiwan is attacked by China.<sup>7</sup>

Finally, Chen also had to rely on support from a moderate cross section of Taiwan's elite in order to give his stance some credibility. Coming out in public to support Chen's presidential campaign, a number of captains of industry and senior academics came together to form a political advisory group that would help select a cabinet if he won. Concerned primarily about tackling corruption and inefficiency in Taiwan, the last thing these people wanted to see was any provocation of the mainland by the new government. This is best indicated by the most prominent representative of such support, Dr Lee Yuan-tse, the Nobel Prize winning physicist and president of the prestigious Academia Sinica. A frequent visitor to the mainland who enjoys good relations with CCP leaders, Lee let his position be known when he told the *China Times* (*zhongguo shibao*) that he sympathised with the nationalist feelings of the mainland Chinese, recalling his own childhood memories of celebrating the victory of the Allies over Japan in 1945. He even went so far as to claim that the DPP and the CCP should be able to work together because both have experience of combating KMT corruption!

Combined with the message that only a change of government could deal with the rampant corruption that has become endemic in Taiwan's government and society, Chen's moderate stance towards the Chinese

mainland proved to be a winning formula. His moderate image was cultivated well in the run-up to polling. Even in the vibrant atmosphere of the DPP's pre-election night campaign rally, his speech was calibrated so as not to alienate non-Minnanese speaking Taiwanese or voters afraid of the party's independence stance. Rather than stoking up pro-independence and anti-Chinese sentiment, Chen stressed that he would be a president of the whole people, would not take part in DPP activities after his inauguration, and would work for stability in cross-Strait relations.

The overall impression created was that of a member of a youthful and vibrant party with his roots solidly in Taiwanese society and a genuine commitment to the future of the island, but a person who is about to take risks by declaring independence. It was thus a combination of the KMT split, DPP moderation and Chen's personal commitment to improving relations with the mainland that appears to have convinced enough undecided voters that he was the candidate to mark a new beginning in Taiwan politics. The promise on which he was elected was that of consolidating democracy and combating corruption through a change of ruling party, while not upsetting the status quo by provoking the mainland. Combined with the small size of Chen's vote, it would thus be hard to interpret Chen's victory as representing a surge in Taiwanese nationalism and pro-independence sentiment.

*'Listen to his words, watch his actions'*

If the election result itself was not enough to derail Beijing's policy, the events that followed it also gave little reason for radical change. The small size of Chen's vote combined and the vagaries of the ROC Constitution have combined to make Chen such a weak president that it would be difficult for him to do anything dramatic in cross-Strait relations, even if he ha wants to. This is especially the case because the KMT has a majority of 10 seats in the Legislative Yuan (legislature), giving it the power to remove any premier appointed by Chen, according to a constitutional amendment made during Lee Teng-hui's presidency.<sup>8</sup> With the location of supreme political power left uncertain, Chen has had little choice but to work with the KMT.

If Beijing was 'watching his actions', therefore, policy-makers could have found little reason for consternation over the appointment of Chen's cabinet. The best candidate for working with the Legislative Yuan appeared in the shape of the ageing outgoing defence minister, Tang Fei. Despite his being a life-long member of the KMT, born in 1932 in mainland China, Tang was acceptable to the DPP because he had steered a national security



law through the legislature that will force the military to withdraw from all political activities. There was also a degree of gratitude for his having gone against claims made by Lee Teng-hui and other KMT leaders during the election that social unrest and invasion would occur if Lien Chan failed to win the presidency.

Chen's appointments to the two most sensitive posts regarding foreign policy and cross-Strait relations should also have been a relief for Beijing. Prof. Hung-mao Tien, formerly director of the National Policy Research Institute and an internationally renowned expert on Taiwan's constitution, was made foreign minister. Dr Tsai Ying-wen, a specialist on international trade law at National Chengchi University, was made director of the Mainland Affairs Council, the key body for guiding policy towards the PRC. Neither Tien nor Tsai is affiliated to political parties, although both have long been close to the policy-making process. Although Tsai is perceived by Beijing as having helped Lee Teng-hui to formulate his 'two states' formula, she does in fact have a relatively moderate approach to cross-Strait relations, based on the assumption that increasing trade between the two sides will lead to a reduction in tension and pave the way for political solutions.

By the time most of the cabinet positions had been filled in mid-April, the majority of ministers were non-party individuals drawn largely from academia, and there were even more KMT members than DPP. The appointments thus avoided ringing the kind of alarm bells in Beijing that would have been caused by the selection of radical advocates of secession from DPP ranks.

Rather than Chen Shui-bian turning out to be a bug-eyed monster bent on a declaration of independence, then, the new president turned out to be tightly constrained by the way in which he came to power and the constitutional position within which he found himself after victory. In fact, the election of Chen represents the change of just one element in the Taiwanese system of government. The ROC Constitution and the nature of Taiwanese politics has led to a situation that is far more complex than this being the simple creation of Taiwan's first DPP government. It is this situation that the PRC has had to exploit and manipulate in order to maintain its existing Taiwan policy.

#### *Mobilising the United Front*

One of the ways by which Beijing's policy can be furthered is by stepping up its 'united front' policy. This aims to isolate pro-independence forces in Taiwan and to cultivate Chinese patriotism among interest groups in the island who wield significant economic resources, scientific knowledge

and political standing. The high priority attached to this strategy after Chen's election was indicated by the contents of an allegedly leaked speech given to a meeting in Shanghai on 29 March by Wang Daohan, in which he called for new efforts to categorise key figures in Taiwan politics so that the propaganda war could be better focused on the most vociferous advocates of independence.<sup>9</sup> The authenticity of this document is backed up by the fact that, on 7 April, the New China News Agency issued a strong attack on Chen's vice-president, Annette Lu, who was one of the figures singled out for vilification in Wang's speech.

Wang is also reported to have recommended in his leaked speech that sanctions should be taken against business people from Taiwan in the mainland who are sympathetic to the independence cause. Authenticity is again lent to this claim by the fact that, on 8 April, the Taiwan Affairs Office of the State Council of the PRC duly announced that in future the mainland would not welcome Taiwanese doing business in the mainland who supported independence when they were returned to Taiwan. This was the first time that the PRC had made such a threat against Taiwanese business people, and signalled a new willingness to use the leverage that two decades of economic integration has created. The mainland media then singled out Stan Shih, president of Acer Computers, as an example. The effectiveness of the strategy was duly indicated when Shih attended a computer exhibition in Beijing on 27 April where he stated that he did not support Taiwan independence.<sup>10</sup>

Such a strategy can yield high dividends for Beijing, because the business community played such an important role in enabling Chen's election victory. That many of these figures expect to see him deliver on a thaw in cross-Strait relations was indicated when Chen described his vision of Taiwan as a future 'silicon island' to a meeting of business leaders. He was immediately met with complaints from his audience that such visions would be impossible without opening up the Three Communications with the mainland.

Yet Beijing will make Chen pay a high price in order to satisfy the demands of his supporters, by refusing to deal with his administration before he accepts the 'one-China principle'. This message was clearly transmitted on 27 March by Chen Yunlin, head of the Taiwan Office of the State Council, and deputy director Tang Shubei, when they met the New Party's vice-presidential candidate, Feng Huxiang in Beijing. Before Chen returned to the 'one China principle', they insisted, there could be no meetings with any envoys sent by Chen, secret or otherwise.<sup>11</sup>

Chen's refusal to accept the 'one China principle' leaves him especially vulnerable because the positions on this issue held by the main opposition parties in Taiwan makes him look uncompromisingly rigid. Although the KMT does not accept that 'China' is the same as the PRC, it has never departed from the principle that Taiwan is a part of China. That James Soong sees electoral mileage in maintaining the idea that Taiwan is a part of China was evident when he made opposition to a declaration of independence by the DPP one of the main themes of the speech he gave on establishing his own 'People First Party' (PFP) on 31 March.

That Beijing's strategy leaves Chen's refusal to accept 'one China' looking dangerously dogmatic, could be a serious liability for Chen and his party in future elections. For both the KMT and the PFP, opposition to independence can be carefully crafted so as to appeal not only to the dwindling number of voters still committed to unification with China, but more importantly to the majority who support maintaining the status quo of 'no unification and no independence'. The formula of accepting that Taiwan is a part of China, but not under PRC sovereignty, worked well for the KMT throughout the 1990s as a way to take the wind out of the DPP's pro-independence sails. Coupled with calls for clean and efficient government, which used to be the vote-winning platform for the DPP, this could be an especially potent political platform for the PFP it is combined with a crusade for clean government and political stability.

*'One China' – maybe*

Chen's counter-strategy to pressure from the PRC has been to make positive moves towards a breakthrough in cross-Strait relations that still fall short of accepting the 'one China principle'. This began to be established when, on 20 March, he told Chang Yung-fa, president of Eva Air and one of the key business leaders to have backed his campaign, that the idea of 'one China' is something that can be discussed by the two sides, although not taken as a precondition for talks.

This moderate overture was accompanied by two practical initiatives initiated by the DPP. The first was the introduction of legislation that would allow direct communications between mainland China and the offshore islands of Jinmen and Mazu, known as the 'Little Three Contacts. The second was a debate by the party's Executive Committee over whether to water down the commitment to independence in the DPP charter, triggered off by motion submitted on 22 April 2000. Although Chen was present at the debate, he did not express an opinion. When Beijing failed to react with a positive gesture, the motion was referred for further research and left intact

as a possible future bargaining chip. The furthest that Beijing was prepared to go to meet Chen on the 'one China' principle, though, was to call for a return to the consensus that was reached in the 'unofficial' negotiations between the two sides of the Strait in 1992.

The call to return to the 1992 consensus was first floated unofficially in early April by an anonymous source in Beijing. The incoming administration in Taipei responded positively when Hsiao Bi-khim, head of the DPP's foreign affairs unit, interpreted this message as a sign of new flexibility on Beijing's side. She tried to keep up the momentum by stating that the DPP does not necessarily reject the idea of one China, but just insists that its implications have to be discussed.<sup>12</sup>

That Beijing wanted more, however, was made clear when Yu Keli, a leading expert on Taiwan from Beijing's Chinese Academy of Social Sciences who was paying a visit to Taipei, insisted that the mainland had never accepted the 1992 compromise and that Chen would have to openly declare his commitment to the 'one-China' principle. He emphasised that this would be needed to overcome the lack of confidence felt in the mainland over Chen's sincerity, pointing out that the new leaders in Taiwan had not once referred to themselves as 'Chinese'.<sup>13</sup>

Chen responded with another initiative the following day, 21 April, when he declared that there was space to discuss the idea of a cross-Strait confederation.<sup>14</sup> This was not a new idea. It had actually been raised by Lien Chan during his presidential campaign, only to be harshly criticised by the DPP. When Chen raised it, though, he traced its origins to Sun Yun-suan, the veteran KMT adviser to Lee Teng-hui who would have been Chiang Ching-kuo's successor as president of the ROC and chairman of the KMT instead of Lee, had he not been severely handicapped by a stroke. Chen was thus making an allusion to continuity of his thoughts with those of the pre-Lee Teng-hui KMT, which had remained dedicated to unification.

The key event that Beijing had been waiting for, however, was Chen's inauguration on 20 May. The contents of the speech he delivered surprised many by its moderate tone and the amount of concessions he made, which was probably as much as he could deliver without antagonising his own party. These included repeating the 'Four Nose', with the extra additions of commitments not to unravel the policies and institutions established by the KMT to direct its mainland policy. Chen even waxed eloquently about the shared Chinese ethnicity of the people on the two sides of the Strait, and expressed his desire for cooperation. On the crucial issue of the 'one-China' principle, though, Chen could only say that he hoped the two sides could come together under the right conditions to deal with the issue.

Although Chen's speech was initially condemned by mainland sources as being too ambiguous on the 'one-China' principle, some signs of flexibility did finally begin to emerge. The most important of these came when the mainland's state-run New China News Agency for the first time officially stated in public the appeal for Taiwan to begin negotiations by returning to the 1992 consensus. This was a significant change of position by Beijing, because acceptance of the 1992 consensus by Chen may have been a way of agreeing that there is 'one China' without actually saying so.

Another significant towards compromise was made when PRC vice-premier Qian Qichen told a journalist from Taiwan's *United Daily News* (*Lianhe Bao*) on 24 August, that 'one China' can be taken to merely mean that Taiwan and the mainland both belong to one China. This was a significant step back from the more rigid interpretation of 'one China' by Beijing, which implies more strongly that Taiwan under Beijing's sovereignty, by asserting that 'There is only one China in the world, Taiwan is an inalienable part of China and the seat of China's central government is in Beijing.'<sup>15</sup> However, an un-named mainland official involved in Taiwan policy added two days later that this compromise was as far as Beijing could go.<sup>16</sup>

This overture, however, was seen as not much more than a cynical ploy by the organisations dealing with cross-Strait policy in Taipei. These were particularly suspicious that Beijing could only make such indirect intimations to Taiwan and not proclaim them officially to the world. That Beijing held most of the cards and could afford to wait for a more positive response from Taiwan, however, was painfully revealed as the ensuing stalemate contributed to a crisis of confidence in Chen's leadership inside the island. The Taiwan stock market saw a slow but steady decline, which was accompanied by bad news on most fronts of the economy. Rising unemployment and higher prices for consumer goods were accompanied by indicators that the public was even more pessimistic about the island's situation than it had been after the earthquake that devastated central Taiwan the previous year.<sup>17</sup>

The behavior of the opposition parties did little to alleviate this crisis of confidence. Chen had tried to avoid divergence between his own party and the opposition growing to unmanageable and destabilising proportions by forming a cross-party working group under the chairmanship of Lee Yuan-tse, to try to hammer out a consensus on cross-Strait policy. However, this did not stop senior members of the KMT paying visits to the mainland to hold meetings with leading political figures there. The highest level exchange came at the end of November, when KMT vice-chairman Wu Po-

hsiang met PRC vice-premier Qian Qichen in Beijing and discussed the conditions under which Lien Chan might make a follow up visit.<sup>18</sup>

The fact that just about everybody except the government seemed to be on the other of the Strait discussing the future of Taiwan did little to boost public confidence in the new administration. Chen seemed increasingly isolated as leading industrialists like Wang Yung-ching, president of Formosa Plastics, made public calls for the Three Communications to be opened.<sup>19</sup> By September, even the chairman of the DPP, Frank Hsieh, was calling on his party not to exclude the possibility of unification. With elections to the Legislative Yuan and city mayors already looming on the horizon in December 2001, let alone Chen's own bid for re-election in 2004, making more concessions to Beijing in order to break the deadlock must have seemed like an increasingly attractive option for boosting confidence in the new administration.

On 26 November, the way to get around the 'one China' problem was finally delivered to Chen when the cross-party working group produced a set of recommendations on how to handle cross-Strait relations. Among seven measures for dealing with the mainland, the key formula that had enabled a consensus to be reached by the group was the phrase that 'cross-Strait relations should be improved, disagreements between the two sides of the Strait handled, and the other side's advocacy of 'one China' responded to, according to the constitution of the ROC.'<sup>20</sup> As there is no doubt within the ROC Constitution that the mainland is a part of the ROC, the group was giving Chen a new possibility for accepting the idea of 'one China' without actually using the phrase.

Chen waited until his speech to welcome in the New Year, 2001, before using this formula. Setting a positive tone by not mentioning foreign policy but focusing instead on an appeal for solidarity in Taiwan for the sake of facing the economic reforms needed to upgrade the economy and prepare for WTO membership, he promised to ease restrictions on cross-Strait trade and investment. He repeated the theme of his inauguration speech that the people of both sides of the Strait share the same blood line, history and culture, describing them as members of 'one family', and appealed to mainland leaders to cooperate in finding a way to deal with the 'one China' principle. He then made his biggest concession so far when he stated that according to the ROC Constitution, the issue of 'one China' is not a problem.

Chen's 'words' were quickly followed by 'actions', as the legislation introduced to allow the 'Little Three Communications' was put into practice. On 2 January 2001, three ferry boats sailed the short distance from Taiwan's

offshore islands of Jinmen and Mazu to the mainland ports of Fuzhou and Xiamen, marking the end of 52 years of broken contacts. The Taiex responded immediately with a sharp rise, the first since Chen's election. That more concessions were in the pipe-line was signalled when MAC spokesperson Tsai Ying-wen indicated that the 'Three Little Communications' could be seen as the prelude to lifting the ban on the Three Communications altogether.<sup>21</sup>

This package of 'words and actions' finally appeared to be enough to earn a positive response from Beijing. It came when PRC deputy premier Qian Qichen met a delegation to Beijing of KMT and New Party members from Taiwan on 5 January, and told them that the Three Communications should go ahead on the assumption that they are taking place within one country. This is an offer to effectively de-politicise the links because any problems that arise can be dealt with by 'representatives' from the private sector.<sup>22</sup>

On the same day an interview with Qian Qichen also appeared in the *Washington Post*, in which he repeated to an international audience the position that he had explained to the *United Daily News* on 24 August, that 'one China' need not mean more than the fact that both Taiwan and the mainland belong to 'one China'. Recognising that the formula of 'one country, two systems' faces opposition and resentment from people in Taiwan who do not want to be compared to former colonies Hong Kong and Macao, he concluded that 'There is much room (for negotiations) on this problem'. He did not even rule out talking about a confederation as a possible solution.<sup>23</sup>

#### *'Two systems' - definitely*

To conclude, then, the election of Chen Shui-bian has not spelt the end of Beijing's policy of 'peaceful unification' under 'one country, two systems'. In the months immediately after the election, existing united front strategy was stepped up to isolate Chen and undermine his popular support. This was accompanied by an uncompromising demand that no contacts would be permitted with the new administration in Taipei until Chen accepted the 'one China principle'. The resulting stand-off painfully revealed how Taiwan's economic integration with the mainland has grown to such a degree that Beijing is able to use it to increase the pressure on Chen without paying a high price itself. Indeed, if Deng Xiaoping was right about anything, it was that the viability of unification policy depends on the mainland getting its economic reforms right. Perhaps the most fundamental factor that will determine the relationship between the two sides of the Strait

in the long run is this shift in relative economic weight between the two sides.

Chen's ensuing 'words and actions' revealed just how tightly constrained are his abilities to formulate a coherent and convincing response to such pressure. The domestic factors behind this include the small size of his majority, the promises he gave before his election, lack of control over the Legislative Yuan and the need to maintain and expand his base of support in Taiwanese society. Has then the election of Taiwan's first DPP president revealed the reality that the island has to learn to live with 'one country, two systems'?

Such a conclusion might be premature, given the growing differences between the political systems on the two sides of the Strait. The fact remains that Chen Shui-bian is the democratically elected president of the ROCT. The successful transfer of power between parties that this marks has won Taiwan much international kudos. Perhaps more important, though, is that democratisation itself is a development that is contributing to the political power of the island. Although the divisions and conflict that have characterised the period immediately after Chen's election look serious, there has been no talk of moving back to an authoritarian regime.

Moreover, the fact that Chen is a weak president is in many respects balanced by the fragmentation and disorientation of the opposition forces in Taiwan. Although the immediate fate of Taiwanese politics will largely be determined by the alliances that can be built up between the three major parties that now exist, if either the KMT or the PFP are seen by voters to be aligned too closely with Beijing, they will lose credibility. Moreover, if the opposition parties try to strike too hard a bargain in the Legislative Yuan, then Chen can call their bluff. He was, after all, elected on the promise of a 'change of party' rather than expectations of a coalition government.

The limits of KMT power were shown when Tang Fei refused to support the cancellation of the building of a fourth nuclear power plant for the island, a policy that carries great commitment within the DPP. When Chen failed to support Tang, the premier had little choice but to hand in his resignation on 3 October. The end of cooperation with the KMT was thus sealed, as Tang was replaced by DPP member Chang Chun-hsiung. When the KMT tried to strike back at the end October by beginning impeachment proceedings against Chen and his vice-president, however, discipline in the opposition parties quickly broke down. While members of the PFP reacted positively to the impeachment at first, they soon withdrew their support. Discrediting the presidency through dubious constitutional manoeuvres is not the best strategy for a party that has to build grass-roots support by



presenting itself as a force for stability. Even more farcical was that the KMT lost its own majority in the Legislative Yuan when the process of re-registration it had initiated to weed-out pro-Soong elements resulted in several of its own legislators failing to renew their membership.

Given time, there is no reason to assume that Taiwan cannot pass through this re-jigging of party politics and emerge with a more stable and efficient democratic system. If that happens, then there will be increasingly less interest on the island in unifying a regime that has no respect for the human rights of its own citizens, be they members of the Falun Gong, Tibetans or expectant mothers who have exceeded their quota of one child.

Pointing out the difference in political systems between the two sides of the Strait is not just a matter of principle. It also has important practical implications for the limits of Beijing's unification policy. This is because the more democratic Taiwan becomes, the more important it is for Beijing to correctly gauge the amount of pressure it can put on Taiwan before it becomes counterproductive. Perhaps a learning process has begun in Beijing, that is leading to a degree of moderation by PRC standards. Although the lesson does not yet seem to have been learned that propaganda warfare is not the best way to influence the outcome of elections in Beijing's favour, at least the 2000 presidential election did not see the kind of military threats that took place in 1996. Perhaps Beijing is learning the limits of intimidation that are imposed by the increasingly democratic political culture in Taiwan, albeit slowly.

Finally, the fact that Taiwan has made the transition to democracy will be its strongest card to play for winning international support, especially if the balance of economic power between the two sides of the Strait continues to swing increasingly in the mainland's favour. Upholding democracy and human rights will be crucial for maintaining relations with Taiwan's most important ally, the United States. Indeed, from this perspective it is important to note that while Qian Qichen spoke positively about new compromises with Taiwan over the meaning of 'one China', he was also careful to direct his remarks at the incoming Bush administration in Washington, warning the new president against approving the sale of advanced Aegis radars to Taiwan. That he felt he had to stress that China and the United States have no need to begin a war against each other over Taiwan, is a reminder that the fate of the island is but one element in the much larger pattern of PRC foreign relations. From this perspective, the probability that an uncompromising stance towards Taiwan will only help to push forward the Bush administration's agenda for developing NMD and TMD should be a strong incentive for Beijing to apply its Taiwan policy in a

flexible fashion.

In summary, rather than the events of 2000 derailing cross-Strait relations, the indications so far reveal that both sides of the Strait remain constrained against upsetting the status quo that existed before the election of Chen Shui-bian. The fact that Chen's power is limited by a number of constitutional and social forces that can be manipulated by Beijing, makes it difficult for him to take risks in encouraging the development of Taiwanese nationalism or upsetting the status quo of 'no independence - no unification'. But if the PRC puts too much pressure on Taiwan, then there is a risk that it will discredit the opposition to Chen, stoke up pro-independence sentiment and cause tension in relations with Washington. Although Beijing's policy remains intact, therefore, it has to play its hand ever more carefully if it is to effectively pursue its own interests during the realignment of party politics in Taiwan.

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<sup>1</sup> On the genesis of Beijing's Taiwan policy, see Christopher Hughes, 'Democratization and Beijing's Taiwan Policy', in Steve Tsang and Hung-mao Tien, eds., *Democratization in Taiwan: Implications for China*, (Macmillan 1999)pp 130-148.

<sup>22</sup> *Ibid.*

<sup>3</sup> See Christopher Hughes, *Taiwan and Chinese Nationalism: National Identity and Status in International Relations*, (NY and London: Routledge, 1997), p 57.

<sup>4</sup> Taiwan Affairs Office and Information Office of the State Council, PRC, *The Taiwan Question and Reunification of China*, (Beijing, 1993).

<sup>5</sup> See, for example, reports on William Perry's comments to Lee Teng-hui, *Free China Journal*, 23 February 1998, p. 2.

<sup>6</sup> The results were:

Chen Shui-bian (DPP)	4,977,737	39.3%
James Soong (Ind.)	4,664,932	36.84%
Lien Chan (KMT)	2,925,513	23.1%
Hsu Hsin-liang (Ind.)	79,429	0.63%
Li Ao 0(New Party)	16,782	0.13%
Total Votes:	12,486,671	
Turnout:	82.69%	

<sup>7</sup> *China Times (zhongguo shibao)* 18 April 2000.

<sup>8</sup> *ROC Constitution*, Additional Article 3.

<sup>9</sup> The document was made public on the Taiwan-based Internet news service *Ming Ri Bao*. See *China Times (Zhongguo Shibao)*, 7 April 2000, p. 2 for full text.

<sup>10</sup> *Yahoo!*, 28 April 2000.

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- <sup>11</sup> *China Times (Zhongguo Shibao)*, 28 March 2000, p. 13.
- <sup>12</sup> *China Times (Zhongguo Shibao)*, 4 April 2000, p. 2.
- <sup>13</sup> 'zhongguo ren'. *China Times (Zhongguo Shibao)*, 21 April 2000, p. 2.
- <sup>14</sup> *China Evening Times (Zhongshi Wanbao)*, 21 April 2000, p. 2.
- <sup>15</sup> *White Paper on the Taiwan Question and Reunification of China*, (Beijing: State Council, 1993), p. 17.
- <sup>16</sup> *United Daily News (Lianhe Bao)*, 27 August 2000.
- <sup>17</sup> *United Daily News (Lianhe Bao)*, 24 October 2000.
- <sup>18</sup> *United Daily News (Lianhe Bao)*, 24 November 2000.
- <sup>19</sup> *United Daily News (Lianhe Bao)*, 24 November 2000, p. 1.
- <sup>20</sup> *United Daily News (Lianhe Bao)*, 27 November 2000.
- <sup>21</sup> *United Daily News (Lianhe Bao)* 4 January 2001.
- <sup>22</sup> *United Daily News (Lianhe Bao)LB*, 6 January 2001.
- <sup>23</sup> *Washington Post*, 5 January 2001.