

# **The Development of the Relations between Mainland China and Taiwan during Hu Jintao's Term of Office: From the Anti- Secession Law to the Enforcement of the ECFA**

**La evolución de las relaciones entre China  
continental y Taiwán durante el mandato  
de Hu Jintao: de la Ley Antisecesión al  
ECFA**

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# Presentation

This study aims to make an in-depth analysis of the development of relations between Mainland China and Taiwan during Hu Jintao's terms of office as the General Secretary of the Communist Party of China (CPC) and as the President of the People's Republic of China (PRC). As commonly known, these relations constitute a central theme for stability in Asia-Pacific and represent one of the biggest challenges to the region's security. Asia-Pacific is becoming the new epicentre of the global economy. Moreover, China's rise and the announced return of the United States to the area, suggest different patterns of integration, cooperation or conflict, which could become reality in the next decades. This confers Taiwan, always to be an unavoidable referent of every possible equation, with an important role to play on this issue.

On the other hand, during Hu Jintao's two terms in office, we have witnessed important changes in the bilateral relations between Taipei and Beijing. These changes confirm the pacific connotations of China's development, defined as the main way of completing its modernisation and the reunification of the Mainland with the Island. The clear assumption by the Kuomintang (KMT) through '1992 Consensus' as a common basis for understanding with the Mainland, allows us to imagine a progressive acceleration and normalisation of exchanges, although more sensitive topics will flow more slowly.

This research describes the main phases and content of the rapprochement process, explaining its main features. It also takes into account the role of the most determinant external actors and illustrates with examples the two main tendencies in the development of the bilateral relations, the Anti-Secession Law and the ECFA.

# Background

Hu Jintao was elected Secretary General in the 2002 16th Congress of the Communist Party of China (CPC), giving a new shift to Mainland's policy towards Taiwan. The most important historical change ever registered in the relations through the strait since 1949 was made possible through the receptivity existing in the Island.

As is commonly recognised, as a result of the defeat by Mao Zedong's troops and the subsequent proclamation of the People's Republic of China, the Republic of China (ROC) was established in the island of Taiwan. Under Martial Law, Chiang Kai-shek (1926-1975) imposed an agrarian reform and an industrialisation process with a very strong public participation that transformed Taiwan, turning the Island into one of the "four Asian tigers" together with Hong Kong, Singapore and South Korea.<sup>(1)</sup>

In 1987, the Martial Law was lifted and Taiwan's transition to democracy started. In the previous period, along with its internal modernisation, Taipei gave particular importance to defence in order to avoid a hypothetical conquest by the People's Liberation Army (PLA), which cracked the whip against nationalist troops during the first years, until the Korean war (1951-1953), when Mao was compelled to concentrate all his energies on the neighbouring peninsula. Nevertheless, despite the subsequent period of relative calm, the Taiwan Strait maintained its position as one of the main focuses of instability in Eastern Asia and the Taiwanese question became the main point of contention between Beijing and Washington relations.

The end of Maoism and the beginning of China's reform and opening policy (1978) marked the starting point of a change in the orientation of China's policy towards Taiwan. It was not a coincidence that when the reform process started, a "Message to Compatriots in Taiwan" was also sent announcing the official end of bombings, along with the support to a pacific reunification<sup>(2)</sup>.

Both transitions, in Taiwan and Mainland China, should end up sharing same goals and results. Without the reform in the Mainland current exchanges probably would not have happened. That said, it should be noted that expectations about a democratised China, if turned into reality, can

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(1) An overview of the Taiwanese question can be found in: Ríos, Xulio: *Taiwán, el problema de China*. La Catarata, Madrid, 2005.

(2) Idem, p. 190. The statement was approved by the Standing Committee of the NPC on December 26, 1978.

involve a qualitative transformation of current status, easing unification or, which is more improbable, the recognition of a new state in Taiwan.

In any case, nowadays, the reunification of Taiwan with the Mainland is considered as a part of the recovering after of the loss territorial integrity which resulted from a historical period of decadence. The political process initiated in 1911 sought to put an end to this situation with the proclamation of the first Republic in the Asian continent and, in this way, to restore China's central position in the international system. Regardless of the circumstances, that ambition, related to the strength of the impulse of imperial dynastic tradition, turns modernisation and unification into in head and tails, inextricably linking them. After Hong Kong (1997) and Macao (1999), Taiwan is the biggest unresolved issue.

It should be stressed that despite of mutual ideological antagonisms, KMT and CPC have always agreed on the principle of a "One China". Their national project is based on the same idea when it comes to this matter, although they differ regarding some interpretations. This differentiation worsened when the PRC took China's seat in the United Nations and simultaneously adopted all exclusive recognition of their diplomatic allies. The gap between the two republics would spread across five continents in a relentless struggle.

After Mao's death (1976), Deng Xiaoping assumed the Chinese leadership. He was more prone to pragmatism and negotiation and also opened the door to the principle "one country, two systems" (1983). This principle made obsolete all attempts of retaking the island by force of the first years of the People's Republic of China. On this basis, the first steps towards a rapprochement were made in the eighties, which resulted in the assumption by Taipei of the Taiwan's National Unification Guidelines (1991).

The "one country, two systems" policy stressed out certain respect regarding the right of Taipei to keep its political regime and lifestyle, which is recognised as different from the Mainland's. However, it has failed to convince the majority of the Taiwanese, who are very proud of the profound, rapid and successful transformation that Taiwan completed in five decades, from poverty to development, and from a dictatorship to a democracy. Taiwan, that notices lots of similarities with its own progress in the modernisation process promoted by the Mainland, has as well an active diplomacy and a powerful army, supported by a relevant economy at an international level and a determined will in order to subsist with autonomy.

In the 1990s, institutional mechanisms were implemented in order to establish the process for a bilateral dialogue. The creation of the Taiwanese SEF (the Straits Exchange Foundation) and the Mainland's ARATS (Association for Relations Across the Taiwan Straits) identified both parts at an

unofficial level. Nevertheless, relations remained tumultuous. After the '1992 Consensus'<sup>(3)</sup> there was a misunderstanding with Lee Teng-hui, the first president democratically elected in China's history (1996) from the KMT, who subverted that initial speech based on a shared inspiration of the same desire of unity. The KMT faced the challenge of carrying out its own transition from the party of the dictatorship to the party of democracy. In those days Taiwan lived moments of great internal convulsions, with continuous subsidiary tensions. This made the rise to power of the Democratic Progressive Party (DPP or Minjandang) easier, that in 1999 had defined a political platform which defended a plebiscitary sovereignty.

Lee Teng-hui's rise to presidency in Taiwan in 1988, succeeded Chiang Ching-kuo's death (1910-1988), who had ruled after his father's death until his own. Lee was born in Taiwan and wanted to end the marginalisation of the Taiwanese and second-generation Chinese within the public institutions. In this way, he promoted a process of self-assertiveness of the ROC as a Taiwanese state (de-sinicisation) preserving his *de facto* independence and defusing the unifying initial proposal. In 1999, his statements to the German radio Deutsche Welle stressing that relations between the two parties should be considered as a "state-to-state relationship", caused the suspension of negotiations by Beijing.

His successor, Chen Shui-bian, from the DPP, chose a double language strategy. On the one hand, he multiplied conciliatory gestures and invitations to dialogue; on the other hand, he encouraged a continuous implementation of measures and policies which tended to affirm the distinct identity of Taiwan. Chen always refused the Chinese previous requirement of assuming the principle of "One China" to initiate any dialogue, and his political program aimed to proclaim a new Constitution that would expire the Republic of China of 1949 in order to reflect a *de facto* reality, Taiwan as an independent state.

Until 2000, it could be said that the Chinese and Taiwanese authorities shared, although with qualifications, the same unifying goal. Before the beginning of the democratisation process in Taiwan (1987), the CPC and the KMT said that they defended the same idea although from a hostile ideological viewpoint that did not facilitate understanding. On either side, under the government of two single-parties, the agreement could be relatively easy or even feasible without taking into account the respective societies. The appearance of pluralism and democracy in the Taiwanese political life consolidated, nevertheless, a more complex scenario that stood in the way of the success of an agreement without the validation of the local society. The victory of Chen Shui-bian in 2000 could result in misunderstandings or disagreements.

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(3) A view on the Consensus of 1992 can be found at:[http://spanish.china.org.cn/china/archive/taiwan/2007-05/22/content\\_8292049.htm](http://spanish.china.org.cn/china/archive/taiwan/2007-05/22/content_8292049.htm) (Last viewed on February 2, 2012).

The expression is attributed to Su Chin, former Head of the Mainland Affairs Council (Taiwan). It was coined in February 2000, and according to it, in the discussions between the ARATS and the SEF carried out in 1992 in Singapore, both parts agreed on the existence "one China with different interpretations". Neither Lee Teng-hui, nor Chen Shui-bian have recognised the existence of this consensus.

The Mainland's answer to Taiwanese politics direction, of a clear crypto-secessionist signal, was based on the affirmation of a distinct identity and a deliberate separation from the Mainland. This caused verbal radicalism, the restriction of bilateral contacts to technical aspects, diplomatic asphyxiation, and the display of military forces (manoeuvres, missile launches, etc.), increasing tensions in the region and around the world. The supremacy of a 'hard' approach regarding relations with Taiwan did not result in redirecting the process but in the aggravation after the re-election of Chen Shui-bian in 2004, with a little difference in votes, and amid many accusations of fraud.

This result, together with the arrival of a new leading team to the CPC eased the change of direction, which emphasized an encompassing policy capable of transcending the relative control of the DPP by arbitrating social permeability formulas in order to hold back the electoral support of sovereignty. The approval of the anti-secession legislation in March 2005 within the big Chinese parliament did not avoid that in the same year, a few weeks after, the CPC and the KMT started its 'third cooperation', with the shared goals of holding the idea of independence back, isolating Chen and the DPP, preserving the *status quo* and assuring a pacific development of events in the Taiwan Strait.

Ma Ying-jeou's (KMT) victory in 2008 elections hastened several measures in many fields that completely changed the previous situation. These measures culminated in the signing of the ECFA in June 2010, a framework agreement aimed at disciplining and achieving progress in economic and trade bilateral relations. This is the basis on which all the process of normalisation between Mainland China and Taiwan will be built, based on the mutual assumption of the '1992 Consensus'.

The main constant features of the problem of Taiwan are as follows. Firstly, the achievement of reunification is inalienable for Mainland China. The Mainland can change its tactic depending on the circumstances, giving more or less priority to the pacific dimension or preferring the use of force above other means, but the strategic goal remains constant. Secondly, the progressive affirmation of Taiwan as a *de facto* state, which implies a permanent construction of a new identity that struggles between abandoning memories of the Republic of China and the assertion of sovereignty based on new vectors mainly associated to the island. Paradoxically, this development allows Taiwan be understood under a Province-State perspective, diluting the Republic of China until the practical reduction of its current constitution to a formal and declarative nature. Third, the growing phenomenon of economic interdependence between the two sides of the Strait with a potential integrator, thinner and constructive acts as a basis of a *de facto* unification.

From the perspective of International Relations Theory, this dispute offers a paradigmatic expression of either realism, with emphasis on the projection of the primary attributes of a state (territory, sovereignty) clearly visible in the foundations and nature of the Anti-Secession Law, as well as idealism, by promoting later, and with the occasion of the ECFA, a marked interdependence that has its apex in the economic and business areas expanding its influence to other domains which emphasize cooperation and exchange as signs of the overcoming or mitigation of the confrontation. Both perspectives are present and combined in this dispute. However, more recently,

the increasing economic interdependence and bilateral relations at every level make improbable the emergence of a conflict of a certain magnitude and even the adoption of a substantial change of direction, taking into account the high costs that would imply the worsening of current situation. Although there is still uncertainty in substantial areas, either in a political domain or in security and defense matters. This has been the reasoning that has prevailed in many electors who have entrusted their vote to the KMT in the presidential and legislative elections on January 14<sup>th</sup> 2012.

Compared to the stagnation that has characterized the *status quo* started in 1949, which extends into the early eighties of last century, nuances and dynamics suggested thereafter, introduce a qualitatively new approach where negotiation is promoted not only as an instrument to overcome the difficulties that hinder their relationship, but as a central approach to address the final solution of the dispute.

In this sense, changes undergone at a global level after the dissolution of the USSR and the end of the cold war, the end of the obsession of stopping the spread of communism that justified unconditional support by the US to the Republic of China (an ‘unsinkable aircraft carrier’, as general MacArthur referred to Taiwan) and the transition from a planned economy to a market model in the People’s Republic of China, made easier, along with the democratisation in Taiwan itself, the consolidation of a new approach.

# 1. The development of relations in three periods

In the decade analysed in this study, three distinct periods must be differentiated between.

## 1.1 \* First (2002-2005): Confrontation and crypto-secessionism

Chen Shui-bian, who took office in 2000, promoted a discourse focused on sovereignty throughout his term of office<sup>(4)</sup>. He did it in logical coherence with the program of his party, the DPP. He moderated the claim for independence and avoided holding a plebiscite that would have provoked an answer from the Mainland, but he stuck to the commitment to taiwanisation. He encouraged thus building processes of sovereignty in order to offset the increasing economic influence of China on the Island by asserting its own identity as distinct from the Mainland which would suppose an insuperable dam to the goal of unification: a majority in the population of the island with an identity awareness.

According to Chen, the signs of the island's identity would be democracy and a new demographic reality based on the incorporation of new generations of citizens. Citizens who have not suffered the rigours of separation because of the civil war and who feel as citizens of Taiwan, integrated within the Chinese culture, but without the slightest pan-Chinese patriotism and open to multiculturalism.

The self-identification process of Taiwan sped up by Chen Shui-bian faced three main resistances. Firstly, the inertia of economic dynamics. China was acting like a sponge to Taipei, without a plan in order to stop the attraction of capital, despite the mistrust and insecurity that suggested the permanent anxieties of its non-bilateral relations. Although the dialogue did not exist since 1995, the cross-strait business continued growing steadily. When Hu Jintao became the General Secretary of the CPC (2002), the Taiwanese investment in Mainland China reached US\$ 60,000 millions. Chen Shui-bian was unable to stop this development. He had remarkably contributed to the democratisation of Taiwan which also implied a more relieved situation regarding political control over business actors that looked for maximizing their interests without keeping in mind the authorities' opinion when this opinion did not suit them.<sup>(5)</sup>

(4) See: Lu Yu-Ting. *Taiwán, Historia, política e identidad*. Ediciones Bellaterra, 2009.

(5) In Alagappa, Muthiah: *Taiwan's Presidential Politics. Democratization and Cross-Relations in the Twenty-first Century*. Armonk, 2001.

Secondly, domestic political opposition. Chen's actions influenced people from within the KMT to be aware of the necessity of overcoming their internal differences and oppose a strategy in order to contain the sovereigntism promoted by the DPP. For example, on the eve of the 16th Congress of the CPC (2002), the KMT section in Legislative Yuan, proposed to authorise direct flights between Taipei and Shanghai during the Lunar New Year festivities on the pretext of facilitating the return of many Taiwanese businessmen who were living in the Mainland. The government refused the initiative. The possibilities of implementing a policy of rapprochement to the Mainland were directly proportional to the KMT's ability of regaining its hegemonic position within the Taiwanese political arena.

When the elections were held in the cities of Taipei and Kaohsiung (December 7<sup>th</sup> 2002), for the first time in the last five years, the KMT managed to stay ahead of the DPP in voting trend<sup>(6)</sup>. It was also the first time in recent years for the President Chen in losing popularity, even among younger voters, who were captivated by him when he took office (May 20<sup>th</sup>, 2000) and said in his inaugural speech that "the map of our dreams knows no limits", because they had managed to put an end of 55 years of uninterrupted rule of the KMT. Ma Ying-jeou's victory in Taipei (64.1 per cent versus 35.9 per cent of his main rival, Lee Ying-yuan), placed him as the leading figure of the KMT. He had the best position to represent their party in the 2004 presidential elections. However Ma should have waited until 2008. Another important political consequence of those elections was the announcement by Lien Chan (KMT) and James Soong (PFP, the People First Party), the two main nationalist parties or 'blue', of appearing together in the 2004 presidential election. It should be noted that since the legislative elections held in December 2001, the KMT could not avoid losing seats within the Parliament. It had 123 members at the beginning of the legislature, 110 at a mid-stage and 68 in its final phase. Meanwhile, the DPP experienced an increase of 22 seats, although without reaching an absolute majority.

The consolidation of the alternative leadership of Ma Ying-jeou, after Lee Teng-hui's former vice president Lien Chan's defeat in 2004, was developed at the same time that the defence of the *status quo* and the rejection of any initiative that could alter this status and modify stability in the Taiwan Strait. He also promoted some taiwanisation of the KMT in order to deactivate any attempt of discrediting the party as a 'foreign' political organisation that 'colonised' the island exerting a brutal repression (see February 28 Incident), showing a delicate balance between a pan-Chinese discourse, that he did not conceal, and the identification with the genuine values of Taiwan, extolled by the DPP.<sup>(7)</sup> The KMT then, made an extra effort to adapt his discourse to the local citizens' opinions who were relatively inclined to accept the discourse of sovereignty.

(6) Ríos, Xulio: *Elecciones en Taiwán: ¿antesala de un cambio?*. Available at [www.igadi.org](http://www.igadi.org). (Last viewed on February 2, 2012)

(7) The uprising on February 28, 1947, was violently suppressed by the KMT and leaving 30,000 deaths.

Thirdly, the forceful rejection of Mainland China. Beijing asserted that there would not be a resumption of the dialogue unless the new authorities in Taipei did recognize One China principle<sup>(8)</sup>, unacceptable demand for the DPP. The six commitments stated by Chen in the beginning of his term of office: do not declare independence, do not change the name of the country, do not include in the Constitution the expression 'state to state relations', do not organise a referendum on sovereignty and do not abolish guidelines and platforms created by the KMT designed for addressing the Taiwanese policy on the subject, did not soften Beijing's reluctance, who repeatedly accused Chen of saying one thing and doing another.

China then had little internal influence in Taiwan (the main one, the business community, reluctant of the pro-independence guidelines from the DPP) to stop secessionism. However this was not a handicap in order to progress on a strategy of isolating Chen, taking advantage of opinions within the international arena where he was presented as an irresponsible leader that threatened with destabilizing the whole region. So, as Chen structured and provided Taiwanese sovereignty with new contents with the endorsement of popular legitimacy and showing the classical attributes of sovereignty over its territory, China tried to reduce its international scope, pointing out the *de jure* constraints that relativised their successes in the nation-building process.

The growing economic power and the increasing influence exerted by the Mainland enabled him to strike blow after blow to the "dollar diplomacy"<sup>(9)</sup>. Chen began his term of office with 29 diplomatic allies, who were 23 in 2008 (Dominica, Macedonia, Liberia, Grenada, Chad and Costa Rica recognized Beijing) and with Vanuatu, Nauru, Kiribati and Santa Lucia opinions changing sometimes. Any visit from the Republic's Presidency labeled as a 'private visit' to another country, originated an immediate intervention from the Mainland authorities. For example, Jakarta rejected Chen's visit (December 2002) despite Taiwanese investment (\$ 17,000 millions until December 2001) and the growth of bilateral trade, which had grown over the past year 32.27 per cent. That fiasco also questioned the future of the "policy towards the South," which was begun by the former President Lee Teng-hui in order to reduce excessive dependence on the Mainland's market, which neither resulted in a greater understanding with the countries from Southeast Asia nor facilitated obtaining political compensations.

This "policy towards the South" also caused unease within the Taiwanese business community who worriedly watched the loss of opportunities that the lack of understanding with Beijing and the implementation of distraction strategies caused. These measures were due to a political strategy and not a business one. Paradoxically, businessmen were more comfortable and safe working

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(8) According this principle, there is only one nation in the world named China. Therefore, Mainland China, Hong Kong, Macao and Taiwan are all part of it.

(9) The 'Dollar diplomacy' entailed a millionaire economic aid in exchange for diplomatic support. These actions were often carried along with corrupt practices. Several Presidents and authorities from countries such as Costa Rica, Panama or Nicaragua, among others, have been involved in scandals related to these practices.

on the Mainland, under the CPC's protection. For them, China was a natural choice and in order to succeed in their businesses they did not hesitate to evade the strict regulations of Taiwan, by multiplying its operations through Hong Kong or putting pressure on the highest level in order to facilitate direct contacts.

Chen could not either convince the U.S. about the importance of keeping Taiwan away from the Mainland's influence. The idea of reinforcing the independence of Taiwan in order to make the construction of an hegemonic and authoritarian empire in China difficult, faced up the guarantees given by the President Bush to the Prime Minister Wen Jiabao. The government of the U.S. would do nothing to disturb the calm in the cross-strait relations, banning the new military sales to the island, including missile detection radars. Extreme what Beijing considered tolerable, the US-Taiwan alliance weakened, meanwhile the idea of Washington needed more the People's Republic of China than the Republic of China gained importance. A commitment of moderation between the two parties on this issue would facilitate agreements of great interest for the U.S., such as the revaluation of the yuan or the post 9/11 antiterrorist collaboration (2001).

The political process experienced in Taiwan in these years also offered other revealing data: outside and inside, the KMT inspired more confidence and hope regarding the management of cross-strait relations. Despite the fact that the DPP was making progress moderately in its program, with the distant complicity of the opposition who had majority of seats in the Legislative Yuan causing the reduction of the DPP's expectations. Taiwanese law regarding referendums, for example, adopted in 2003, clarified its contents and possibilities, dismissing the most sensitive issues. However, this did not avoid warnings from the Mainland, who would not lift a finger in case of a hypothetical secessionist referendum. However, this law opened the way for referendums and facilitated Chen's strategy for the next presidential elections in 2004.

So, in line with the elections of March 20<sup>th</sup> 2004, two referendums were held regarding the possibility of starting negotiations with mainland China and the reinforcement of Taiwan's capability of defence if Beijing did not renounce the use of force as a mean in order to progress in the unification of country. This strategy was completed by the DPP with a broad social mobilisation against Chinese "hostility", fact that galvanised his electorate in an atmosphere of increasing tension<sup>(10)</sup>.

The XVI National Congress of the Communist Party of China (2002), where Hu Jintao was elected as head of the general secretariat, provided two novelties in this area. Firstly, it showed a relative disposition to flexibility. "Everything is negotiable on the basis of the common acceptance of the existence of one China," said the former vice premier of the State Council of the CPC on this issue, Qian Qichen. This speech was made in a context where negotiation was difficult to implement, due to the predominant discourse in the Island and the decisive influence exerted by

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(10) Ríos, Xulio: "Elecciones y crisis en Taiwán", in *Política Exterior* 99. May/June 2004.

the PLA in the orientation of mainland China Taiwan's policy. The second novelty was from an ideological nature. The adoption of the 'three represents'<sup>(11)</sup> ideology opened the door to businessmen to be an active member of the CPC. The inclusion of the class heirs in the ranks of the CPC of those who had been expelled by Mao in 1949, expressed a will of reconciliation, which many would be labelled as unnatural taking into account the party's ideology. However, this new reality would make more untenable the discourse of the impossible coexistence by the two parties in only one China. Two different political entities, who emerged from a civil war that also expressed the confrontation between two different ways of understanding organisation and structure of society, economics and its basis.

The change of tactic in mainland China was clearly noted in the 2004 elections. China remained calm and obviated any demonstration of force, choosing to give priority to the language of figures: \$3,400 millions of Taiwanese investment in the mainland in 2003, \$58,400 millions of bilateral trade volume, 60,623 Taiwanese enterprises established in China; exports to China increased 20% in 2003... Multiplying the commitments with the business community of providing easier access to its market. Even the "blue" were allowed to campaign in Shanghai in order to attract and mobilise Taiwanese businessmen to support the unification. Data showed that China gained economic influence in the Island, even taking into account the loss of political influence due to the Taiwanese leadership of Chen Shui-bian.

The success was close. Chen won presidential elections with a little margin of difference, tightly and with great controversy due to a timely attack to his figure. However, none of the referendums was successful because it was not reached the minimum requirement for participation (50% of electoral roll). Even so, it should be noted that Chen was supported by one million and a half more votes than in 2000 elections when he obtained 39 per cent of seats. On these elections the result was of 48.84 per cent with more than 80 per cent participation.

The defeat in the referendums sent a message from the citizens; they neither want confrontation nor thought that this was the best way. The dispute should be disarmed and ways of dialogue and understanding should be looked for in order to inspire confidence to the parties. The problem now was that the winner, the DPP, was unable *per se* to defend that discourse. Instead, his proposal of adopting a new constitution where a final goodbye to represent the ROC in Taiwan would be normativised, threaten to activate the alarms. Taiwán would be consolidate as a new democratic and free country compared to an authoritarian and imperial China.

This atmosphere of tension and uncertainty received in the legislative elections a new message in favor of moderation in December 11<sup>th</sup> 2004 where the DPP suffered a severe defeat. The KMT increased its majority and the 'blue' had 116 seats compared to the 'green' who had 101 seats. This result reduced possibilities of drawing up a new constitution and it also altered other Chen's

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(11) Ríos, Xulio: "Elecciones y crisis en Taiwán", in *Política Exterior* 99. May/June 2004.

plans (who resigned as the head of the DPP as a consequence of the electoral disaster) such as the impetus to change the country's official name, which would be named Taiwan, contradicting one of the main commitments when he took office.

On the other hand, these results reassured Beijing. This fact, encouraged Mainland China to pursue the path suggested in the XVI Congress of the CPC, combining the DPP's isolation with a hand outstretched to the supporters of unification. An unequivocal sign was the first agreement for the realisation of direct flights between Mainland China and Taiwan on the occasion of the Spring Festival in 2005<sup>(12)</sup>. In 2003, Taiwanese aircraft were able to fetch their businessmen in China so they could come together with their families in the Island. However the aircraft had to travel halfway empty and those from the Mainland did not participate in the process. In 2004, the agreement was impossible due to China's fear of reinforcing electoral aspirations of President Chen. In 2005, there were important novelties: equal distribution of special flights, return traffic without stopping over any place, expansion of connected cities, deliberate ignorance of the discussion about the nature of the flights, -domestic or international-; and assuring companies participation from both two sides.

Mainland's management of this issue, included two significant data. Firstly, the authorities reduced the official participation within the negotiation (the person in charge of the issue was now an advisor of low political profile), which was addressed by professional associations in the sector, 'depoliticizing' the dialogue, which was exclusively redirected to the solution of technical and administration problems. Secondly, the announcement of this agreement was made in front of a KMT's delegation.

The 2004 elections were very important due to their impact on Beijing as they reinforced the idea of going on the appropriate direction, supporting a normalisation of bilateral relations that were capable of circumventing the official disagreement by building bridges between similar sectors. It is clear that China and Taiwan bilateral relations did not start getting worse with Chen's term of office, but already during the last administration of the KMT, when the President Lee Teng-hui visited the United States in 1995 and four years later evoked the expression 'Special state-to-state relations'<sup>(13)</sup> in order to define a hypothetical dialogue that should exist between them, but the disagreement got significantly worse during Chen's presidency.

The Chinese position, between a worked out indifference and a hostile separation, was then combined with the promotion of economic and business ties in order to set a framework of influence capable of blocking political projects of the DPP and weaken Chen. In 2004, for example,

(12) Ríos, Xulio: "China-Taiwán, altos vuelos", in Agencia de Información Solidaria, February 4, 2005. Available at [www.igadi.org](http://www.igadi.org)

(13) "ROC emphasizes no change to its Mainland policy", in Taiwán Today, July 26, 1999. Available at: <http://taiwan-today.tw/ct.asp?xItem=17323&CtNode=103>

despite the political turbidity, trade relations increased a 36.2 per cent, reaching 63.48 million dollars. Thus, with the recurrent and stale tactic of 'carrot and stick', the correlation of forces would progressively turn in favour of Mainland's theories.

This did not mean that China would give up political action. The funeral rites<sup>(14)</sup> for Koo Chen-fu (January 2005), who was the main negotiator from Taiwan with Mainland China in the talks, had a high-level delegation from the PRC. This was the first visit to the Island from Chinese senior officials since 1999. Koo, considered as the architect of the '1992 Consensus', was considered by China as a credible and respected interlocutor who had unsuccessfully tried to resume bilateral dialogue in 1998 through a direct contact with the former President Jiang Zemin. Beijing's gesture anticipated new steps to conceive understanding between both sides of the Strait, making amends for the damage that had been caused during what he considered as a lost decade.

It should be finally noted, that was very useful during Chen's term of office turn to civil society, according to the paradigm of transnational relations designed by Keohane and Nye<sup>(15)</sup>, where non-state actors could establish relationships and ties with their counterparts across the Strait, influencing domestic politics. Apart from the Taiwanese government's official policy, sometimes against it, these relationships favoured autonomous management of their own interests and translation of norms of behaviour and cooperation. In fact, the entrepreneurs in order to satisfy their economic interests, promoted interdependence without keeping in mind if that reduced Chen's government margin of action. These dynamics and alliances outside the governmental system have a clear influence on each government, putting pressure and guiding them towards the political dialogue and establishment of coordination mechanisms in order to address important issues both are affected by.

## 1.2 \* Second: (2005-2008): Promoting a new direction

By the end of March in 2005, after finishing the annual sessions known as "Lianghui", a delegation from the KMT visited Mainland China. This initiative, counter the discourse of the constant tension with the promotion of a sustained dialogue on issues as varied as the opening of China's financial market, agricultural cooperation and establishment of direct flights between the two sides of the Strait, also for the transport of goods. The consensus agreed on several topics, many of them competence of the government, opened new episodes of crossfire between the government and the opposition in the Island. Meanwhile, the CPC was dealing with a formal invitation to Lien Chan, the KMT's president, in order to prepare a visit to the "Great Land".

(14) "Wang to send representatives to mourn Koo Chen-fu", in China Daily. January 30, 2005. Available at: [http://www.chinadaily.com.cn/english/doc/2005-01/30/content\\_413528.htm](http://www.chinadaily.com.cn/english/doc/2005-01/30/content_413528.htm) (Last viewed on February 2, 2012)

(15) Keohane, R. and Nye, J: *Power and Interdependence: World Politics in Transition*, Brown, Boston, 1977.

One month later, the visit took place. This fact would formally start the 'third cooperation' between the KMT and the CPC. Hu Jintao took up again a proposal that Jiang Zemin had made in his "eight points" (1995)<sup>(16)</sup>, extending it also for the PFP of James Soong, who was also invited to visit the Mainland, and for the New Party (NP), the most identified with the unification.

We can make three considerations. Firstly, the renunciation of use of force as a tactic, which only served to strengthen Taiwanese antipathy towards China. Secondly, the worsening of the separation between the Taiwanese sovereigntist presidency or 'green', and the opposition 'blue'<sup>(17)</sup> which reaches out Beijing in order to isolate Chen, who is accused of cheating by rigging an attack that allowed him to win a handful of votes (29,519 exactly) needed to win the elections. Compared to the Taiwanese patriotism promoted by Chen, pan-Chinese patriotism, 'blue', explicit without complex. That event was very important to convince the KMT about the necessity for an understanding with the CPC. Thirdly, agreements with practical efficacy are possible and the government with its authority cannot avoid them. Therefore, President Chen will find more difficult to continue promoting an image of hostility and aggressiveness of the Mainland, fact that provided him with electoral benefits to date.

Lien Chan's visit had an important historical significance<sup>(18)</sup>. It was the first formal meeting between the two parties who had been involved in the greatest fratricidal conflict of the twentieth century. The CPC and the KMT opened a new phase, the third one in the relations across the Taiwan Strait since the beginning of Deng Xiaoping's reform and openness in late 1978. First, the "Message to Compatriots in Taiwan" among announcements of ceasefire of bombings, suggested the possibility of a meeting at the highest level, then between the CPC and the KMT, when political pluralism neither exist in the island of Formosa. After this first appeal, overcame the first response from Taipei (the so-called Three-Noes Policy: no compromise, no contacts, no negotiations), relations thawed, family visits followed these events and especially, as the reform progressed in China, economic and trade relations between both parties increased. This more relaxed atmosphere culminated in the para-meeting in Singapore in 1993 that promised a new era within the bilateral relations that did not become real, opening a gap of tension that would last until 2005, with the approval of the Anti-Secession Law.

The development of events, with Lien Chan - Hu Jintao rendezvous, refuted the attempts to present the adoption of that law as a change towards a more aggressive approach by the Mainland. However, it revealed a strategic coincidence that should allow the construction of a common dialogue and agenda to favour a peaceful unification. This effort should move forward with the

(16) An explanation of the Eight Points can be found at: Ríos, Xulio: *Taiwán, el problema de China*. La Catarata, 2005, pp. 198-201.

(17) Political sovereigntism is identified with green and unification supporters are associated to blue. The first group involves the DPP and the TSU, while the KMT, the PFP and the CNP belong to the second one.

(18) Some reactions can be found at: <http://spanish.peopledaily.com.cn/31619/3362728.html> (Last viewed on February 2, 2012)

commitment of both parties and the will to persevere with their goals regardless of setbacks or problems that may arise.

This was what happened, despite the unsatisfactory results achieved by the KMT in the elections of May 14<sup>th</sup> 2005 for the National Assembly (body on the way to disappearing), where the KMT obtained 38.92 per cent of electoral support compared to 45.52 of the DPP. Nevertheless, it should be noticed that the real winner of this elections was abstention. The participation was 23,36 per cent of the electorate, amid an absence of interest due to the lack of importance of this organism and the agreement of the KMT-DPP, which reached legislative amendments that should approve before its final dissolution.

Another positive aspect in this second period of the rapprochement during Hu Jintao's term of office was the election of Ma Ying-jeou as leader of the KMT (July 16<sup>th</sup> 2005). The broad support (over 70 per cent of the vote) obtained in the first democratic internal election in KMT's history, his reputation of being honest and critic with corruption and mafia world, supposed a shock, pointing out that he would be the best candidate to win the 2008 elections.

Hu Jintao sent him a letter of congratulation, being sure of the progress of the dialogue between the parties, also within the civil society and between different professional sectors with their counterparts in China, as an exercise of a shared pragmatism. A process that progress from the most simple and beneficial for both parties in order to establish a more global negotiation framework that Taipei authorities supported. Hu Jintao was convinced that Ma could consider some conditions regarding an unification with China, but he does not aspired to eliminate the unification from the political agenda.

The next important event would happen in the partial municipal elections held on December 3<sup>rd</sup> 2005<sup>(19)</sup>. The KMT posed the elections like a plebiscite and obtained an overwhelming victory (50.96 per cent of the votes compared to 41.95 per cent of the DPP). This was the biggest defeat since the DPP rose to power in 2000, which caused resignations and uncertainty within the party. Apart from this majority within the Legislative Yuan, another challenging majority arose within local governments. In line with this fact, the atmosphere of understanding between the KMT and the PFP seemed to progress. There were even rumours of a possible merger that would never be confirmed. In Beijing, Hu Jintao considered three objectives: isolation of President Chen, blocking his political agenda and reduction of the DPP electoral support.

After this result Chen radicalised his political program (some examples are the announcement of the closure of the National Unification Council and the Guidelines adopted in 1991<sup>(20)</sup>, the new impetus to the campaign for the entry of Taiwan, with this name, in the United Nations, invo-

(19) Ríos, Xulio: "Taiwán, nuevo revés para Chen Shui-bian", in *La Insignia*, December , 2005.

(20) More on these guidelines can be found at: Ríos, Xulio. *Taiwán, el problema de China*, La Catarata, 2005. Pp 195-197.

cations for a new constitution that would lead to a Second Republic) as a desperate attempt to create problems with the Mainland in order to increase his popularity. However he no longer had power or enough ability to make a success of his attempts of taking up again the political initiative. The context had changed.

In April 2006, the first Cross-Straits Economic and Trade Forum was held in Beijing. It was jointly organised by the CPC and the KMT with the participation of Taiwanese investors and businessmen settled in China<sup>(21)</sup>. Chen Yulin, director of the Taiwan Affairs Office of the State Council, announced various preferential measures in order to benefit Taiwanese exports of agricultural and fishery products, recognition of university diplomas issued in Taiwan, the liberalisation of visits to the Island, more employment opportunities in the Mainland for the Taiwanese, etc... The meeting between Hu Jintao as general secretary of the CPC and the KMT Honorary Chairman Lien Chan, sealed the success of the understanding they had reached.<sup>(22)</sup>

Thus, paradiplomacy was consolidating, whose architects, the CPC and the KMT, exercised in full awareness of its asymmetry. The CPC could guarantee fulfillment of their commitments, meanwhile, the KMT as the government opposition in Taiwan, did not have all the institutional mechanisms to carry out those commitments. Incorporating this understanding into the political debate, it was suggested the implementation of those measures by other social sectorial actors directly related to issues that were object of the rapprochement. If the KMT ruled in Taiwan, these meetings would be different, favouring structures such as the SEF and the ARATS. The lack of dialogue with the Taiwanese government justifies this particular Chinese paradiplomacy and explains its greater importance, otherwise limited to mere inter-party contact. The results of the Forum, nevertheless, entailed a further political rapprochement between the Chinese government and the opposition from Taipei, established on the basis of a clear and mutual recognition of the '1992 Consensus' and shared conviction of starting a new phase in the relations between the Mainland and the Island.

The progress of this new relationship CPC-KMT and the serious denunciations against Chen Shui-bian and his family for alleged corruption, completed the darkest hours of his administration. This ruined the ethical heritage enjoyed by his political party regarding work within the public sector, which had become an important factor of his electoral victory. The affair would eventually strike a mortal blow to its management due to his refusal to take responsibility and disappointment extended in his own party, with unprecedented demonstrations demanding the president's resignation. Chen failed in what their voters could not forgive, integrity, one of the most important features of his political image.

(21) Ríos, Xulio: "La paradiplomacia asimétrica de China en Taiwán". Agencia de Información Solidar, April 19, 2006.

(22) Available at: [http://english.peopledaily.com.cn/200604/16/eng20060416\\_258782.html](http://english.peopledaily.com.cn/200604/16/eng20060416_258782.html) (Last viewed on February 2, 2012)

The crisis became a commotion when the KMT and the PFP put forward a legislative initiative to allow direct dialogue through the Strait, which ended in a brawl within the Legislative Yuan between the 'green' and the 'blue'. If the proposal went against the separation from Mainland, idea promoted by Chen, was nevertheless well received by the industry. They were aware of the problems to free movement between the two sides of the Strait, which were detrimental to their business and discouraged foreign companies investments to be established in the Island, which wanted to have trade relations with the Mainland market. In early June, a new direct route of navigation was inaugurated between the Mainland and Taiwan, between the city of Quanzhou (Fujian, China) and Jinmen (Taiwan). This was the third route that was working and the first one inaugurated since 2001. The route was opened to passenger traffic.

This atmosphere also affected another sensitive variable: the US arms sales to Taiwan. For several years, Taiwan tried to ensure the purchase of three sets of weapons to the U.S., considered by both parties as necessary to ensure self-defence and as a contribution for the modernisation of the Island army in order to counteract the Mainland's. The initial budget proposed by the Taiwan Ministry of Defense reached TW\$ 610.8 millions and it was reduced, without urgency, within the legislative committee to a supplementary 6.2 million budget.

Those blocks and pressures had important consequences within the DPP. Not only in his image to the electorate's opinion but in the aggravation of internal tensions between its various factions (the Formosa faction, the Justice Alliance faction, the Welfare State Alliance faction, the New Tide faction and the World United Formosans for Independence, the last two are the most radical ones regarding statements about independence). At the National Convention held on July 22<sup>nd</sup> and 23<sup>rd</sup> 2006, the call to close ranks around the president dominated the conference. Also to resist against criticism obviating the only natural and requestable option: Chen's resignation in view of the seriousness of corruption allegations. Factions were dissolved in order to facilitate consistency of messages transmitted to the citizens. This decision was offset by measures to strengthen co-decision with the president in line with a more collective leadership.

Although the opposition in the Legislative Yuan failed to approve his removal, because of the level of parliamentary support required (they submitted a total of three votes of censure), the dimension of the presidential crisis completely stopped government action. The civic movement promoted by Shih Ming-teh would give the last thrust to Chen Shui-bian, the most painful one. He was a dissident who was twenty-five years in jail by the KMT when the martial law was established, and DPP leader between 1993 and 1996<sup>(23)</sup>.

Municipal elections on December 9<sup>th</sup> 2006 in Taipei and Kaohsiung offered a new portrayal of the political development of the situation. The KMT raised the elections call as an opportunity to

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(23) Available at: [http://english.peopledaily.com.cn/200604/16/eng20060416\\_258782.html](http://english.peopledaily.com.cn/200604/16/eng20060416_258782.html) (Last viewed on February 2, 2012)

criticise President Chen and the DPP's conspirational behavior regarding corrupt practices, which had accompanied its management in the past year. However, the DPP resisted the onslaught with greater ease than it was expected. Not only won again in Kaohsiung, a traditional bastion, but in Taipei its candidate, former Premier Frank Hsieh, obtained 40.9 per cent of the vote, more than in 2002 when the figure was 35.9 per cent. People who were disenchanted with the DPP had not voted for the KMT. Corruption had weighted less than the DPP identity commitment in the voters' decision. In spite of Chen, there was a consolidated electorate on the island who wanted a strong opposition to prevent the KMT's from driving without restrictions an agreement with the Mainland.<sup>(24)</sup>

The result reinforced the President and encouraged him to continue his campaign in order to 'remove Chinese roots' in the Island (repudiation of Chiang Kai-shek, change of names from state-owned companies, etc.). On the second anniversary of the adoption of the Anti-Secession law, he made his famous speech 'four imperatives and one non-issue': yes to independence, yes to a new constitution, yes to further development as a normal country in the international community and yes to 'Taiwan' as the formal name for the nation and no to left-right polarisation in the country because the main problem of the island is national identity.

The CPC and the KMT would analyse the new situation in a meeting between Hu Jintao and Lien Chan in April 2007 (the third one since 2005). This meeting was previous a new forum with broad participation of business leaders and members of the KMT. The Chinese authorities announced then, that they would not include any changes in its strategy: new preferential policies were adopted in tourism, communications and transport. Moreover, they also considered education and youth exchanges. They had the same thought in mind: the legislative elections on January 12<sup>th</sup> and the presidential ones on March 22<sup>nd</sup> next year. They also conclude that Chen would try to take advantage of Beijing Olympic Games to legitimise his project based on Taiwan sovereignty, challenging the Mainland's behaviour regarding an event that wanted to provide a certain image of a new China to the world, modern and pacific. In commemoration of the 80<sup>th</sup> anniversary of the PLA, Cao Gangchuan, minister of defence, declared "zero tolerance" towards Taiwan independence<sup>(25)</sup>. Would be China willing to use force despite the multiple contraindications?

Ma, meanwhile, in view of the results of December elections, insisted in refuting the KMT's commitment to accelerate the unification process, ensuring that neither this issue, nor the independence were on the agenda. Ma tried to go against Chen's message, encouraging an adaptation to the increasing taiwanisation of the public opinion and leading the debate to other pragmatic scenarios, where initiative it is less complicated to exercise for him. However Chen' strategy of tension made it difficult for Ma to dissociate himself from Chen.

(24) Ríos, Xulio: "Statu quo en Taiwán, ni ganó el KMT ni perdió el PDP", in Argenpress. December 12, 2006.

(25) "China's army declares zero tolerance of 'Taiwan independence'", at: <http://spanish.peopledaily.com.cn/31621/6228735.html> (Last viewed on February 2, 2012)

The development of the long election campaign was again marked by Chen's ability to set the political agenda and the opposition's inability to avoid its purpose. They mainly discussed about the call for a referendum on Taiwan's entry to the United Nations.<sup>(26)</sup> What were the differences between the KMT and DPP regarding this issue? The KMT insisted that Taiwan is and must remain as the Republic of China. However the DPP wanted to give up this term, as it involves the existence of a common identity with Mainland China, something that they deny and reject. That is why they claim a change of the official name, which would require a constitutional amendment. Each one then, would call for a referendum in a different way ....

In Australia, at the APEC summit (Asia Pacific Economic Cooperation), Hu Jintao expressed to George Bush that the Taiwan issue was starting a period "highly sensitive and potentially dangerous". Chen's proposal, from Beijing point of view, was equal to secession. However, what could Beijing do? Go back and promote military actions as a demonstration of force? This could hardly intimidate Taiwanese independence supporters, and, conversely, it would facilitate new arguments to appear, creating an impossible situation for those who supported a progressive rapprochement. The only feasible bet was to authorise patient policies in order to contain and divide the secessionist forces and promote exchanges that could mitigate fears of unification. The military exercises or the possibility of planning even more aggressive actions could have devastating effects on China's international image and its peaceful rise. It also could produce irreparable damage in the Taiwanese disposition towards unification, whose most of the public opinion is located on the political fringe (neither pro-unification nor independence). Some examples of these military exercises are the occupation of islands under Taiwan's control in the Spratly archipelago, or something even riskier, occupy Quemoy and Matsu islands (located near the continent). Some sources pointed out that Taipei had the intention of installing missiles from these islands aiming at Shanghai or Fujian Province.

The XVII Congress of the CPC (October 2007) condensed this disposition, stopping supporters of the heavy hand with a double message: an invitation to dialogue on the basis of the '1992 Consensus' and the rejection of the sovereigntist intentions<sup>(27)</sup>. The industry was the first one to give first movements demanding the abandonment of projects that proposed plebiscite and, in turn, the development of legislation on peaceful coexistence between the two sides of the Strait.

The legislative elections on January 12<sup>th</sup> 2008 resulted in the indisputable KMT's victory, who won twice over: on the one hand, getting 81 seats of a total of 113 seats of the Legislative Yuan, which was more than two-thirds of the chamber. On the other hand the KMT made referendum proposals fail, because 26 per cent of participation was not enough for its legal validity (it is requi-

(26) Ríos, Xulio: "¿Nube de verano o crisis a la vista?" Diario El Correo, August 9, 2007.

(27) An analysis of the 17<sup>th</sup> Congress Communist Party of China to be found in: Ríos Xulio: "¿Mano dura con Taán?" , October 13, 2007.

red 50 per cent participation at least). The KMT had called for abstention. Meanwhile, the DPP reached 24 per cent of the vote and 27 seats.

When presidential elections of March 22<sup>nd</sup> 2008 took place, the circle was closed. The moderation of the candidates was remarkable: neither Ma talked about the unification with the Mainland nor about Chinese culture as a value shared by both realities. He only spoke about common market. Within the DPP, without sacrificing the idea of taiwanisation of the island, the vote dispute focused on the disposition towards rapprochement with the Mainland, made step by step, in order to alleviate tensions and contribute to improve economic and business expectations in Taiwan. Ma had 58.45 per cent versus 41.55 per cent, figure of his rival, Frank Hsieh, with a difference of 2.214,065 votes.

However Ma not only managed to win presidential elections but to do something even harder: to reconcile the KMT with Taiwan. The party played an important role in the Island's political life since 1945. The dictatorial repression applied from the first moment against native population, made it difficult for the KMT to survive under different conditions. In fact, the KMT's defeat in 2000 was a direct result of the divisions that had emerged within the party: those who supported simple continuity and those who considered it as a political suicide. The KMT from the dictatorship has become the KMT of Taiwan's democracy. The internal regeneration, the arrival of new leaders with more local roots and the assumption of a discourse capable of competing on the idea of 'national' identity with the supporters of the island's independence, have consolidated this difficult change. The most convincing example of reconciliation was the call for votes to the KMT in elections by the president of the association in charge of keeping the memory of the uprising of February 28<sup>th</sup> 1947. The uprising left around 30.000 deaths as a result of Chiang Kai-shek's orders of repression.

This successful mutation faced another difficult challenge: to develop his own identity as Taiwanese party. The KMT has never hidden its pan-Chinese dimension and a vocation that goes beyond the borders of the Island. Nevertheless, throughout the elections campaign, Ma, getting further away from the party strategy that aimed to erode more effectively the electoral base of his rivals, made numerous references to a policy much more focused on the Island, favouring, in fact, a virtual renunciation of other traditional identity that identifies the party as a party of origin, but also destination, continental.

Conclusions of this first period of understanding between the CPC and the KMT are moderately positive: advances in the economic, local and social areas were notorious in those environments in which the KMT had some impact. Moreover its policy served to weaken the basis of irredentism, although they also suffered social discontent due to existing corruption within the presidential environment. The DPP answered to Hu Jintao's intelligent policy with the intensification of its identity policy, and making more efforts in their international exposure which resulted in a few successes and substantial setbacks. After the announce of a change in the name of the island (Taiwan instead of Republic of China) and the birth of a new constitution capable of defining

the contours of a new reality that would renounce to represent the whole China, followed the proposal to hold a referendum regarding Taiwan's admission in the United Nations. Everything with a few possibilities of becoming real. On the contrary, with that radicalism, he created tension and fragmented Taiwanese society. However he also made the CPC and the KMT, old enemies, to come closer.

### 1.3 \* Third (2008-2012): Oblique strategies and *de facto* unification

The KMT's double victory in 2008, with a comfortable majority in the Legislative Yuan and control over the presidency, opened a new political period. In this period relations with the Mainland would be of extreme importance, unlike the previous long period, dominated by a 'residual cold War'. Now, stability and willingness to agree would favour these relationships.

The 180 degree turn that the KMT's policy did in Taiwanese politics, in correlation with the new Mainland policy promoted by Hu Jintao since 2005, was the result of a three triple process. Firstly, the DPP's weakening, plagued by allegations of Chen Shui-bian's corruption and his environment, suggesting the use of sovereigntist claims as an excuse for his personal enrichment. Secondly, the assumption of Ma's leadership within the KMT, associated with honesty and renewal, openness towards society and overcome of the main internal divisions, focusing again the political discourse on a nuanced taiwanisation which does not completely reject the unification with the Mainland. Thirdly, the good functioning between the KMT and the CPC that made understanding fertile in an atmosphere where there was a majority in favour of non-confrontation.

The initial program of Ma considered the following guidelines. Firstly, acceleration of ties with Beijing, promoting normalisation of direct contacts, tourism, progressive elimination of restrictions on investment, etc..., making up the proposal in order to build a "common market" that does not prevent Taiwanese entrepreneurs benefit from the economic boom that takes place on the other side of the Strait. Secondly, sovereignty issues. Ma defends an agreement of "mutual non-denial" that keeps in mind the existing reality and provides Taiwan with an opportunity to have a suitable place within the international arena (excluding controversies about the hypothetical non-agreed readmission into the United Nations and / or its agencies), also reducing diplomatic belligerency in which Taipei could be defeated. Thirdly, willingness to negotiate and sign the peace agreement reiterated by Hu Jintao, but with the condition of removing over a thousand Mainland missiles that aim at the Island. Ma considered an increase in military spending, which would rise from 2.6 per cent to 3 per cent, because of the increase in economic exchanges and the presence of the peace agreement on the agenda. This increase, was lower than the DPP expected, due to the KMT majority in the Legislative Yuan.

So, in a context of détente, more exchange and collaboration were insured, but the development in the political aspect would be much more cautious. They had to deal with powerful differences. Ma projects, native from Hong Kong, would be in depth analysed by the opposition,

who repeatedly accused him during the electoral campaign of being willing to 'sell' the Island to Mainland China. Ma, sometimes, referred to Beijing with hardness or making explicit gestures that could be understood as political slights. He needed to shake off the disgrace of pro-continental and affirm his commitment with another future for the Island.

In April 2008, in a new economic forum in Bo'ao, Hu Jintao and Vincent Siew, soon Ma's vice president, (who participated in the meeting as president of the Foundation for the Common Market through the Strait Taiwan) agreed to restart the process of dialogue interrupted in 1996 after May 20<sup>th</sup> events, date chosen for the inauguration of the KMT's new team.<sup>(28)</sup> The bilateral dialogue of constructive nature, ongoing since 2005 between the CPC and the KMT, would find at this moment an important institutional support. After the meeting in Bo'ao, Ma announced that just after taking office would facilitate the resumption of contacts between the ARATS and the SEF. He wanted to seize the current favourable atmosphere between the two parties and then to resume dialogue on an eminently practical basis. The first meeting would take place in June 2008 in Beijing. They agreed to repeat them alternatively every six months. The next one was held in Taiwan in December.

Chiang Pin-Kung, very important figure from the KMT and key in the resumption of contacts with the CPC in 2005, would be in charge of the Taiwan's SEF. Meanwhile, Ma appointed Lai Shin-yuan as the head of the Mainland Affairs Council, former deputy of the Taiwan Solidarity Union (TSU) between 2005 and 2008. Both elections reflected to seek balance within the relations with the Mainland and the differentiation of these speeds, regarding economic and political aspects that would dominate Ma's actions in this area. The common basis would be defined by the acceptance of the '1992 Consensus' and the "three noes" policy: no unification, no independence, no use of force, sentences repeated during his speech when he took office. A week after the inauguration, Wu Poh-hsiung, president from the KMT, visited Beijing.<sup>(29)</sup>

At first, expectations are focused on three variables. Regarding economic aspect, the rapprochement would be confirmed and encouraged by the commitment and impetus of the business elites of both sides. Also because of the progressive regularisation of direct communication. The promotion of economic dialogue should lead to the establishment of a common market with free movement of capital, goods and people. Political cooperation would surely advance more slowly, but with an open inter-party dialogue that would be added to the one established by the SEF and the ARATS. It is regarding the third area, security, where the horizon of the peace treaty reiterated by Hu Jintao in March 2008 could superimpose a setback.

(28) Vincent C. Siew: "Taiwan to promote cross-Strait trade, economic ties", available at: [http://news.xinhuanet.com/english/2008-04/14/content\\_7969826.htm](http://news.xinhuanet.com/english/2008-04/14/content_7969826.htm) (Last viewed on February 2, 2012).

(29) "Kuomintang Chairman Wu Poh-hsiung Arrives in Beijing", available at: <http://www.strait2taiwan.tw/node/2369> (Last viewed on February 2, 2012)

Before Ma took office, the Taiwanese defence ministry issued a report emphasising that political tensions from recent years resulted in a significant reinforcement of Chinese military capabilities on the island, with a significant increase of air patrols, number of missiles that aimed at Taiwan, or incursion of a greater number of spy planes (like if they were from science missions). Ma found here the argument that allowed breaking the deadlock of a first purchase of U.S. weapons. Concerning international scope, the “diplomatic truce” claimed by the new Taiwanese president would find an echo in Beijing, as regards the cessation of competition due to allies’ loyalty and also participation in different organisations of the international system.

Chen Yunlin’s visit to Taiwan in November 2008, who was the main negotiator from the Mainland, was the first senior visit since the end of the war in 1949<sup>(30)</sup>. Ma met him personally. With the signing of four agreements on food safety and communications a spirit of cooperation was institutionalised, which opened a new era of emphasis on the empowerment and development of areas of agreement. They assumed that these areas would evolve at different rates compared to dissident frames.

There were some measures very demanded such as expansion of maritime routes, lifting of the obligation to pass through the airspace of a third territory for direct flights (which would rapidly be more than 100 per week also increasing the number of Chinese cities connected with Taiwan), normalisation of postal exchange, etc. Planes and boats could directly cross now the Taiwan Strait. The creation of an air route between Taipei and Shanghai would be the first, finishing with a situation that started in 1949 and that made mandatory stop over a third country. Business leaders in Taiwan supported these measures (annual cost savings was estimated at 90 billion dollars), which was reinforced due to bad economic prospects for 2009.

Besides bilateral issues, coordination to face the financial crisis and the global economic slowdown, were also topics on the table. Both parties decided to organise meetings of experts to clarify joint ventures. Chiang Pin-kung proposed then, the creation of a foreign exchange reserves fund similar to the one established by the ASEAN (Association of Southeast Asian Nations), noting that China, Taiwan and Hong Kong have huge financial resources.

Exchange liberalisation progressed very quickly. In December 2008, after assuring the conversion of Mainland yuan and Taiwanese dollar, it was announced that cash transfers between the two sides of the Strait would be possible next February. The IV Economic Trade and Culture Forum organised by the CPC and the KMT which closed in Shanghai on February 21<sup>st</sup>, agreed on measures and policies to face the financial crisis and open up new business and investment opportunities for entrepreneurs islanders. Taipei’s stock market opened to Mainland institutional inves-

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(30) Cabestan, Jean-Pierre: “Ironies and lessons of Chen Yunlin’s visit to Taiwan”. November 19, 2008. Available at: <http://www.nottingham.ac.uk/cpi/publications/commentaries-reports/2008/cabestan-taiwan> (Last viewed on February 2, 2012)

tors, although with some restrictions in order to avoid these investors take control of the island societies, raising the limit of the amount of Taiwanese investment in Chinese stocks market (from 40 per cent to 60 per cent of their net capital). Normalisation on communications and progress regarding industrial cooperation in sectors such as aerospace, oil, automobiles, semiconductors, etc., predicted an early global agreement. Likewise, both parties subjected joint measures to study in order to support the Taiwanese manufacturers in southern China very affected by global economic recession.

In a speech, when the 30<sup>th</sup> anniversary of the “Message to Compatriots in Taiwan” (1979), Hu Jintao, announced six new proposals<sup>(31)</sup> in order to accelerate rapprochement in the Taiwan Strait, suggesting signs of flexibility not only related to economy, but also affecting sensitive variables regarding the international area for the Republic of China and military exchanges. Only this can explain, for example, that Paraguay did not recognise Beijing, as its president Fernando Lugo announced when he was elected. In addition, Mainland China facilitated Taipei access to bodies such as the multilateral agreement on public procurement in the WTO (World Trade Organisation), where Taiwan was blocked from for six years. It allowed participation and the right to vote within the Agency for International Trade Information and Cooperation, where Taiwan participated as an observer since 2007. It also facilitated Taiwanese scientists attendance to meetings of WHO experts (on the melanin, in early December in Geneva).

When it comes to concepts, Ma refused to speak of “Special state-to-state relations”, idea promoted by the former President Lee Teng-hui which caused dialogue from early 90s to break off. He proposed the concept of “two regions “on each side of one country, China<sup>(32)</sup>. This name could avoid verbal skirmishes around the thorny issue of sovereignty, evading mutual denial and allowing greater flexibility regarding international scope. This approach involves a historical development that affects the idea of regional identity although without enough basis to go beyond of a mere particularism in the whole Chinese nation.

However after a year of painstaking and thorough implementation of its program, Ma's polls of popularity (such as the one published by Shih Hsin University) showed a serious reverse: only 30 per cent of his citizens approved the management of his administration, while almost half of them said they were dissatisfied<sup>(33)</sup>. These opinions were influenced by several events, such as the poor management of Typhoon Morakot effects or the economic crisis, that prevented the fulfilment of the promise he made during the electoral campaign called “6-3-3” (6 per cent of growth, unemployment below 3 per cent and average of \$ 30,000 GDP per capita), but also other variables.

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(31) Speech of the Chinese President on Taiwan. Available at: [http://www.spanish.xinhuanet.com/spanish/2009-01/04/content\\_791756.htm](http://www.spanish.xinhuanet.com/spanish/2009-01/04/content_791756.htm) (Last viewed on February 2, 2012)

(32) Statements made to Mexican newspaper El Sol on September 2, 2008. Available at: [http://www.spanish.xinhuanet.com/spanish/2009-01/04/content\\_791756.htm](http://www.spanish.xinhuanet.com/spanish/2009-01/04/content_791756.htm) (Last viewed on February 2, 2012)

(33) Ríos, Xulio: “China no es popular en Taiwán”, available at: <http://spanish.safe-democracy.org/2009/01/19/china-no-es-popular-en-taiwan/> (Last viewed on February 2, 2012)

Unemployment was then at the highest rate in the last five years (4.62 per cent) while exports were falling, including orders from the Mainland overwhelmed by the demand from the EU and the USA. In late 2008, Taiwanese GDP had fallen 8.36 per cent in one year and in 2009 the GDP was predicted to fall 2.97 per cent, according to government's estimates.

On the other hand, it may be expected that the audacious initiatives regarding the Mainland could be celebrated by the citizenship as a mechanism to revitalise domestic economy, but this was not the case. On the contrary, many Taiwanese doubt about the effects produced by the rapprochement in areas as prosaic as the price of housing, trade and tourism. Nobody seemed to believe in the panacea others predicted, with the launch of a common economic market and the promotion of a greater integration in the ASEAN area. Events developed very quickly, which created more distrust than expected, although Ma reiterated and insisted that sovereignty was not discussed.

In parallel, the opposition, very burdened by the shameful legacy of the former President Chen Shui-bian, gave indications of a rapid regeneration, despite its former leader was in preventive detention for corruption and money laundering. The consequences of Chen Shui-bian erratic behaviour influenced the island political life. This made the KMT better to explain its policies if they wanted to win over public opinion. They also had to require Mainland China some significant concessions that would help Ma to gain credibility within its citizens. Otherwise, due to the impossibility of agreeing this policy with the DPP, if things continue like this, his re-election in 2012 would not be sure.

The worsening of the global economic crisis and its impacts provided an argument to strengthen economic relations that both parties were able to manage accelerating procedures for the signing of the ECFA. Therefore, the first priority continued to be economy.

In Singapore in mid-November 2009, at the APEC summit, Hu Jintao and Lien Chan had a meeting where it was agreed to emphasise on the promotion of trade exchange in order to develop bilateral relations. This would be the main issue at the ARATS and the SEF meeting in Taichung, central Taiwan in December, amid strong protests organised by the opposition.

In the course of 2009, it was possible to sign several agreements to assure bilateral cooperation, reinforced with financial donations, made due to the Typhoon Morakot and also buying missions such as the one from Jiangsu companies (integrated by about 3,000 people and US\$ 4,130 millions in acquisitions). Another agreement concerns management and banking supervision, which would allow, among others, the establishment of bank branches. In addition, China formally placed an enormous order of agricultural products with Taiwan (amounting to US\$ 1,250 millions until the end of 2010). Authorities in Fujian, province located in front of the Island, decided to promote an economic zone that would provide a platform for cooperation between both sides of the Taiwan Strait. Mainland China multiplied offers for Taiwanese companies so they could gain a foothold in their territory, thereby increasing their attractiveness. At the same time, impediments that restric-

ted relationships and facilitated communications (transport, language or culture) were gradually reduced.

The first electoral test of the new course took place on December 5<sup>th</sup> 2009. In this elections district heads, 17 district assemblies and local mayors and councillors of the towns in these districts were elected. More than local elections, given active participation during electoral campaign of the KMT Chairman Ma Ying-jeou and the new president of the DPP, Tsai Ing-wen, electoral elections seemed to be a sort of first consultation on the KMT policy, one year and a half after taking office changing Taiwanese politics radically.

If elections were to measure popular support regarding Ma's government, the truth is that the combination of results and the fact that the main urban areas were not involved in the process, did not allow to conclude another thing except that everything was more or less at the same point, although there was an unquestionable victory of the DPP.

There was no vote to punish the government, demanded by the opposition, but certainly it could consolidate future options that required the KMT attentive management of public opinion evolution. The KMT won in all aspects (number of votes, local mayors and councillors ...), including partial legislative elections held in Nantou County. However the trend was slightly decreasing and in order to reverse it, the strategy was to accelerate agreements with Mainland China so that its positive effects could materialise in time for future electoral commitments.

Local elections proved the existence of an opposition with a very strong social base. It also served to strengthen Tsai Ing-wen's leadership, DPP's chairwoman, who catalysed safe distrusts not only from independence supporters but also from those groups (employees, fishermen, farmers, students, etc.) who were afraid of the consequences of an excessive rapprochement with the Mainland, not always due to political reasons but also for others of pragmatic nature (loss of jobs, an exodus of students, etc..). The DPP had rapidly recovered its image from the damage inflicted by former President Chen Shui-bian and his corruptions charges. They also found in the expected economic agreement with China a good instrument to continue mobilising their electoral base.

The negotiation of the ECFA, which would be signed on June 29<sup>th</sup> 2010 in Chongqing, was the discussion topic within the debate between government and opposition. Ma appeared more comfortable in this field. However it was not either easy for him.

After two years of the KMT's government in Taiwan, the contrast with the DPP's term of office (2000-2008) could not be more different. In the middle of the term of office, there were already 12 agreements signed between the ARATS and the SEF. This proved the unstoppable advance of bilateral understanding regarding everything that was not directly related to the core of the problem: defence or politics. Since early 2010, officers from Shanghai municipality and Hubei, Fujian, Guizhou, Qinghai, Shandong, Sichuan and Zhejiang provinces, as well as the Ministries of Commerce and Agriculture, made several visits to Taiwan and procurement missions. The Second

Straits Forum held in Fujian, the south eastern province of China, between 18<sup>th</sup> and 25<sup>th</sup> June, brought together more than 10,000 people.

Public requirements in order to withdraw the missiles<sup>(34)</sup> aiming at the Island (made by the President of the Mainland Affairs Council, Lai Shin-yuan, in a speech to the European Parliament) or the information emerged about a hypothetical plan of Taipei organised in three stages to achieve a rapprochement between the two sides of the Strait avoiding reunification, did not seem to affect mutual trust or tarnished so vertiginous process.

Neither celebration of Double Ten of 2010, used by Ma to demand the release of the Nobel Liu Xiaobo. He also announced the creation of an advisory committee on human rights, emphasising an area of differentiation with the Mainland, without detriment of progressing on understanding when coincidences could exist. Ma was one of the nine solitary heads of state from around the world who congratulated the dissident Liu Xiaobo when he was awarded with the Nobel Peace Prize (2010).<sup>(35)</sup>

The partial municipal elections in November 27<sup>th</sup> 2010 were interpreted again as a plebiscite on the KMT's Mainland policy and a clear preview of 2012 presidential elections. Affecting nearly 60 per cent of the island population, there was over a year left for parliamentary and presidential elections and the results drew a political stage conditioned by the competition for power between the two major forces: the KMT and the DPP. The former won three of five municipalities in dispute, but tied councillors and lost votes. Keeping in mind these results, President Ma could be eligible for re-election without being questioned by his own party, but by no means he had guaranteed victory.<sup>(36)</sup>

DPP's expectations improved, fact inseparable from the charisma shown by its new leader, Tsai Ing-wen. However they also showed moderation which announced some changes in a matter particularly sensitive for independence supporters, *de facto* resignation to claim full sovereignty for Taiwan. This gave an idea about the formalisation of an unofficial dialogue with the Mainland authorities, after sizing up local or academic sectors.

When the DPP announced this change of direction, made it clear they did not want to be left out of a process that now the KMT quickly led alone. The KMT captivated with pragmatism the same centrist electorate that both parties fight for and in whose hands lay the key to success in 2012. The strategic shift recognised the strength of the facts, but it was still illusory prejudice re-

(34) Available at: <http://www.emol.com/noticias/internacional/2009/12/23/390635/taiwan-pide-a-china-que-retire-sus-misiles-para-lograr-la-reconciliacion.html> (Last viewed on February 2, 2012)

(35) Available at: <http://www.vanguardia.com.mx/taiwanpideliberaciondeliuxiaobo-566620.html> (Last viewed on February 2, 2012)

(36) Ríos, Xulio: "Cuenta atrás en Taiwán", in La Vanguardia, December 8, 2010. Also in "Taiwán: elecciones y unificación". ARI - Real Instituto Elcano. January 19, 2011.

sults. The new course of the party finished not only with the expulsion of those militants who had participated previous year individually in the CCP-KMT forum in the Mainland, but also they have to deal with validity of concepts such as independence or referendum. The mere announcement could not mean that, overnight, the DPP and the CPC would agree on core issues or that the DPP would relinquish important aspects of its identity. In view of the empty chair reserved for Liu Xiaobo in Stockholm, DPP leaders claimed the KMT to introduce a human rights clause in agreements with China, clearly inapplicable taking into account circumstances. The shift towards moderation with the creation of the New Frontier Foundation was a first step towards initial new electoral purposes, but that could be consolidated if there was an adverse result in future contests<sup>(37)</sup>. If the DPP did not accept the '1992 Consensus', the CPC would not negotiate with them.

2011 was a year of high political tension. Each party called the Taiwanese society to choose their fate in a moment lived as crucial to their future. The KMT and the DPP tried to moderate their political discourse in order to earn those undecided electors placed in the centre of the political spectrum, but at the same time they exalted their differences to make themselves better visible for the electorate. The DPP refused to participate in official activities during the centenary celebrations of the Xinhai Revolution (1911). The KMT tried to avoid celebrations to become a new sign of understanding with Mainland China who was also celebrating it, but its own way.

The turning point of the tug-of-war would occur when the presidential and legislative elections took place on January 14<sup>th</sup> 2012. "Blue" and "green" would arrive to the elections with very tight predictions and with their respective electoral bases largely intact over the past four years.

During the election campaign, once again, the main issue was national identity, or what is the same, the nature of relationships between the Island and China. More issues were on the agenda during the campaign, nuclear energy future, unemployment and increasing inequality, or corruption, etc... However, the driving force of the Taiwanese options was expressed in terms of the definition of national dignity: for some, sacrificed by the KMT and its candidate, Ma Ying-jeou, when they tried to accelerate a rapprochement with the Mainland, something that still created concern. For others, this rapprochement was defended with realism promoting cooperation that would not endanger the preservation of the *status quo*.

A particularly novel and relevant information during this campaign was the intervention of powerful business leaders in favor of the KMT<sup>(38)</sup>. The tight and uncertain results required this participation. Thus, Chang Yung-fa, influential member of industry, founder and president of Evergreen

(37) DPP Chair Tsai Ing-wen's remarks at opening of New Frontier foundation think tank, available at <http://dpp-taiwan.blogspot.com/2011/02/dpp-chair-tsai-ing-wens-remarks-at.html> (Last viewed on February 2, 2012).

(38) "El presidente de Evergreen manifiesta públicamente su respaldo al Consenso de 1992", in Radio Taiwán Internacional. January 4, 2012. Available at: <http://spanish.rti.org.tw/Content/GetSingleNews.aspx?ContentID=138346> (Last viewed on February 2, 2012).

(air and sea transport), also Douglas Hsu, chairman of Far Eastern, Cher Wang, president of HTC Corporation and the richest woman in Taiwan, or Xuehong Wang, daughter of the deceased former president of Formosa Plastics Group, among many others, came out in favour of the '1992 Consensus', with the "only aim of ensuring the future economic development of Taiwan." Big business groups, but also many SMEs, argued, in short, that if the economic situation of the island is enviable is largely due to the existence of a healthy relationship with China. As an example, benefits from the ECFA and its effects on GDP growth. This is extremely important, they said, in a moment when the world economy is experiencing a particularly fragile time, fact that makes more important development of cross-Strait relations.

The KMT won the support of 6.891,139 voters (51.6 per cent), which means 768,875 votes less than those obtained in 2008, which would not reach even summing 369,588 votes, obtained by its rival ally, the PFP.

#### RESULTS OF PRESIDENTIAL ELECTIONS 2012

CANDIDATURE	Ma Ying-jeou/Wu Den-yih (KMT)	Tsai Ing-wen/Su Jia-chyuan (DPP)	James Soong/Lin Ruey-shiung (indep.)
VOTES	6891,14	6093,58	369588
PERCENTAGE	51.60%	45.63	01/02/76

Source of information: <http://www.cec.gov.tw/en/PI/n0000000000000000.html>

By contrast, although the opposition was losing, they showed great strength. They received 45.6 per cent (compared to 41,55 per cent they obtained in 2008) and 6.093,578 votes (648,629 more than in 2008). This confirmed predictions that forecasted further support, albeit insufficient to achieve its goal of ousting the KMT, in part as a consequence of the failure of expectations that predicted that some nationalist votes would be in favor of the PFP.

In the Legislative Yuan the same trends were observed: decrease of the KMT support and DPP increase, but in amounts that do not alter the essential composition of the parliamentary political space: the KMT had an absolute majority with 64 seats (17 less than in 2008) and the DPP had 40 seats (13 more than in 2008). The possibility of losing the absolute majority (kept for only 7 votes) in the course of the legislature looms on the horizon.

Results confirmed political and territorial division of the country, with the "green" preponderance in southern Taiwan, especially in Tainan, Pingtung, Taitung and Chiayi. In the North (Taipei, New Taipei, Keelung, Taoyuan, Hsinchu and Maoli) maintained their loyalty to the KMT, with the exception of Yilan County. The DPP also obtained an important victory on the island of Penghu and in Kaohsiung where they won seven of nine seats in dispute (in 2008 they had 3).

Ma's re-election was, in any case, a personal triumph. He endorsed its commitment with the rapprochement between Taipei and Beijing, embodied in recent years with direct communications, massive influx of Mainland tourists, student exchanges, the ECFA or the promotion of the "Greater China" discourse, which until then, dozed in the burden of memories. His victory points out that a majority of Taiwanese citizens want this policy to continue. Regarding the KMT's loss, it may have been influenced by the surprising speed the relationship with China developed. In addition, the fact that they focused more on Chinese nationalism than in the 2008 campaign could also affect the results.

How will this result affect internal development? In view of polarisation experienced during the campaign, achieving national reconciliation was complex when it was almost impossible to reconcile two so different projects regarding its country conception. When it comes to economy, there should not be surprises, beyond the uncertainties surrounding the global crisis. The negotiations with mainland China, that needed a clarification this result offered, will continue their course according to the schedule agreed between the ARATS and the SEF. There may be some difficulties that will be solved taking into account the historical moment. In the immediate future, protection of investments and cooperation in customs matters will determine priorities. Ongoing negotiations could be accelerated.

In the meantime, late in the first quarter of 2012, economic and trade organisations from both sides of the Strait will be able to establish their representative offices on each side.

On the other hand, everyone is looking at DPP's development. The resignation of Tsai Ing-wen, announced on the election night, opened a gap difficult to fill due to its charisma. However, beyond the leadership, the key problem within the DPP lied in defining its strategy regarding relations with Mainland China. The ambiguity of its proposal called "Taiwanese consensus"<sup>(39)</sup> and presented as an alternative to the '1992 Consensus', suggests exploration of other ways, but faces a problem of identity within the party (secessionism) along with pressure from the Mainland that probably will be more in the coming years. The possibility of a split between those who seek *aggiornamento* and who, by contrast, will prefer to insist on remaining faithful to their original identity, it cannot be ruled out. In the current situation it will be difficult for the DPP to return to power if it does not make clear its Mainland policy. The problem is that this "clarification" if results in an acceptance of the '1992 Consensus' as many claim, it could mean its own destruction. Their room for action is very narrow. That is their dilemma.

Majority obtained by Ma was less than in 2008. This means he will not be able to develop his program without keeping in mind other opinions. It cannot be said that he lost votes because of the erosion of its management, although this loss was moderate perhaps due to unusual and

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(39) "Time to formulate 'Taiwan consensus'", Focus Taiwan, August 25, 2011. Available at [http://focustaiwan.tw/ShowNews/WebNews\\_Detail.aspx?ID=201108250004&Type=aOPN](http://focustaiwan.tw/ShowNews/WebNews_Detail.aspx?ID=201108250004&Type=aOPN) (Last viewed on February 2, 2012).

usually silent supporters that have added a dramatic aspect to his campaign. The management is directly related to the social perception of its strategy in relation to Mainland China.

In China, monitoring of these elections on the Internet, uncensored, was notorious. That interest, allowed Net users to verify the absence of any difficulty of civilisation or of any other sign, to exercise their democratic rights freely. It also suggests a clear awareness of uncertain consequences and it denies that the Chinese - and the majority of Taiwanese, at least in cultural terms - cannot organise their coexistence under democratic conditions. Mainland tourists could also confirm to be able to follow the development of the campaign.

For further progress in this relationship, China should keep in mind that its policy is not only directed to one party or another, or to this or another government. They should take into account Taiwanese values and aspirations. Lai Shin-yuan, Mainland Affairs minister, has warned that the way China treats dissents, for example, also contributes to form the Taiwanese opinion of China and it has a considerable impact on relations across the Taiwan Strait. The same could be said of justice –although Taiwanese justice could be also better- or similar segments that show strong indicators of the psychological distance between the societies and governments from both sides of the Strait.

The hypothetical increase of Chinese pressure in order to accelerate both economic and political discussions has a counterpoint: it will create a scenario with difficulties for the KMT, which would facilitate electoral chances of the DPP. That is the dilemma of China.

## 1.4 \* First conclusions

All the process described above suggests some deductions. Firstly, it should be emphasized main actors general coherence within the dispute. Their attitude has been complemented by signs of flexibility varying intensity, in order to facilitate achievement of its strategic objectives. This flexibility is an asset that must be consolidated as it contributes to achieving a peaceful solution.

Secondly, the KMT-CCP understanding is the key to cross-Strait stability. In this dialogue lies the strength that inspires and makes up the rapprochement. Acceptance of the “1992 Consensus” adds certainty to the process, although this is not an absolute guarantee of irreversibility.

Thirdly, the main weakness of the current dynamics lies in the fluidity of Taiwanese politics, which we should pay attention on. Possibilities for progress are directly proportional to the KMT's ability to secure its hegemonic position in Taipei. This depends on your ability to express a delicate balance between its desire of being part of the Mainland and reinforce Taiwanese identity. In the Mainland, decline of the influence of the PLA in Chinese policy towards Taiwan can provide good results in important matters ..

Fourth, the non-confrontation idea is a demand that has widespread social and political support. This gives important capacities to civil society in order to influence the process, both autonomously and putting pressure on political actors and institutions behaviour.

Fifth, defence of *status quo* is the starting point for any consensus within the Island. Neither unification nor independence have support today from majority of population. Prevalence will be strengthened by the increased economic interdependence and increasing contacts at other levels.

Sixth, the rapid progress we have verified over the years do not necessarily presage a rapid resolution of the dispute. On the contrary, one can imagine an arena that develops at various speeds and requires different times of realisation. Mainland China will need more than economic appeal to make reticence of Taiwanese society disappear.

Finally, there is no a predetermined solution. Both parties, with open attitudes, should explore the ground, deal with procedures and alternatives, being involved in creating new forms of international existence that go beyond classic choices based on a reunification without nuances.

## 2. The dimensions of the rapprochement

Four different dimensions are considered herein: the economic and trading dimensions, international space, tourism and other fields, and security and defence.

### 2.1 \* The economic and trading dimensions

From 1951 to 1987, Taiwan grew on average by 8.8% per year. However, in the late 1980s, their growth model began to show clear signs of depletion. The shortage of workforce, the increase of the production costs, and the currency appreciation -the value of the new Taiwan Dollar increased by 40% in two years, due to the excessive pressure from the US- led to loss of the competitiveness in exports compared to Southeast Asian concurrence<sup>(40)</sup>.

The transformation of the development model occurred at the same time that the multiplication of foreign investments, that especially favoured the US, Southeast Asia, and China. The industry in turn, focused on the information technologies, promoting innovation through a strong public support, which soon turned Taiwan into a worldwide point of reference in the field. Taiwanese companies are today world leaders in netbooks, laptops, modems, routers, etc.

This process developed parallel to the growth of the dependence on China. Trade between both sides was authorised in 1985, although goods had to be shipped across Hong Kong or Macao, being careful not to affect national security issues. After the lifting of martial law in 1987, the temptation to lower production costs increased in the Mainland. Businesspeople pressured the government in Taipei. In 1990, they obtained the permission to invest directly in the Mainland, although money still had to be registered in a third country. First they were the small and medium businesses, but then the fever widespread among big companies. They were the main protagonists from the middle 90s on. An average of US\$ 1,700 millions per year was invested over a whole decade, causing a boom in trade exchanges: from US\$ 5,200 millions in 1990 to US\$ 31,200 millions eight years later. In year 2000, the Chinese share in Taiwanese imports was relatively small (just 4.4%, compared to US 18% or Japan's 28.2%). However, the Mainland had already turned into the second largest market for the Island's exports: 16.5%, below the US (23.4%), and after Japan (11.1%).

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(40) Chevalérias, Philippe: "L'économie taiwanaise après le miracle: restructuration de l'industrie, faiblesses structurelles et le défi de la Chine", in Perspectives Chinoises no. 3/2010, pp. 39-49.

The accessions to the WTO of China first (end 2001), and then Taiwan (beginning of 2002), provided a new impetus: US\$ 65,500 millions were invested in the Mainland from 2001 to 2009. In 2008, exchanges reached US\$ 105,400 millions. Since 2002, Taiwan exports more to Mainland China (23.3%) than to the US (20.2%), and since 2006 the Island imports more from China (12.2%) than from the US (11.2%). In 2009, the exports to Mainland China, that had suffered a slight drop because of the global crisis, added up 30.5% compared to 11.6% to the US, and 7.1% to Japan. However, Japan still held the first position in imports (20.8%) back then. The distance between China, with 14.1%, and the US (10.4%), kept growing. The ties between Taiwanese and US economies had their influence over the difficulties encountered in 2008 and 2009, with drops in growth, higher unemployment, and a decrease of the GDP per capita down to 2006 levels. This also encouraged Taiwanese companies to seek profits by stimulating relations with the Mainland.

Thus, the development of Mainland China-Taiwan rapprochement dynamic in economy began at the same time that the political changes on both sides of the Taiwan Strait, but also as a result of common interests derived from regional and international circumstances. Proximity, complementarity, shared cultural practices, etc., eased a quick growth in the exchanges, with the main support of both business communities and their interests. Thus, during Chen Shui-bian's term of office (2000-2008), this dynamic prevailed in spite of the noticeable political wrangles. Moreover, China consolidated as the first trading partner of the Island in 2003. The new economic policy of the KMT, in turn, was based on the openness to China, cuts in taxes, and infrastructure development, stimulating both production and exports.

This process reinforced the idea among the Mainland leaders, commanded by Hu Jintao, of focusing on the economic reality as the main way of promoting dialogue. This shift towards the economic dimension also aimed at preventing the unstoppably merging Taiwanese identity among large sectors in the new generations from becoming an insuperable obstacle to the projection of the business and trading integration in political subjects. The strategy would equally allow to consolidate a second, but not less important, objective: blocking Chen Shui-bian's actions, following Sun Tzu's quote in *The Art of War*: 'it is best to win without fight'.

During that delicate period, in the context of the conversations between the KMT and the CPC started 2005 Beijing decided to waive tariffs on Taiwanese fruit imports -the first lot was shipped through the mini-link between Matsu (Taiwan) and Mawei (Fuzhou, Fujian) to reach China. Thus, the initiative born in the Economic Forum meeting between both parties in April 2006 became a reality. Chen then called the conclusions of the meeting a 'poison pill', stating that KMT and CPC wanted to impose them to all Taiwanese. However, Taiwan had no option but to accept this measure, establishing the mini-links opened in 2001 as the way to make it effective.

The Taiwanese government itself called a meeting with the *Taishang*, Taiwanese businesspeople settled in China, through the SEF, with the aim of influence the dynamic established by the KMT and the CPC. Yet somehow unwillingly, and losing initiative.

At the same time, information on the increase of Taiwanese investments in China was spread. In the end of the first quarter of 2006, they amounted to TW\$ 534,600 millions -2,900 millions more than the first quarter of 2005. According to the Taiwanese Financial Supervisory Commission, a total of 816 companies (of which 485 were publicly listed on the stock exchange) had invested in the Mainland by end March 2006. It is believed that these firms would have returned the amount of TW\$ 41,600 millions as a part of their profits to Taiwan, 300 millions more than at the end of the previous year. This figure represents 7.78% of the total investments in China in the first quarter of 2006. 910 Apart from the Mainland, Taiwanese companies would have invested TW\$ 1.63 billion in other countries during the same period<sup>(41)</sup>.

The promotion of agricultural and financial exchanges, tourism, and direct transportation links were the key issues at the bilateral party forum in April 2006. The government in Taipei insisted that the 15 points of the agreed schedule did not have any real legal validity, since the KMT's delegation did not have any express authorisation to negotiate with Beijing. Back then, Chen denounced the KMT's tactic as a futile attempt to marginalise the sovereign, democratic government. But the impulse of bilateral relations seemed unstoppable and overwhelming.

According to data provided by Chinese Ministry of Agriculture in early June 2006, the number of Taiwanese-invested agricultural businesses settled in the Mainland had risen beyond 5,000, and its value reached almost US\$ 4,000 millions. In 1997, the Chinese government had set up pilot zones of agricultural cooperation for Taiwanese investments in Fujian, Hainan, Shandong, Heilongjiang, and Shaanxi provinces. By the end of 2005, 1,800 Taiwanese were settled in these provinces, with a total investment of more than \$ 2,000 millions. In October 2006, the support for agricultural exchanges was broadened in another inter-party forum held in Bo'ao, after Taipei's refusal to allow it in the Island. The field was especially relevant, taking into account the significant presence of agriculture in the southern area of Taiwan, a traditional reserve of votes for Chen Shui-bian and the DPP<sup>(42)</sup>.

In sum, against Chen's traditional discourse stressing out the need for precaution against the Mainland, reality imposed an unstoppable dynamic -with or without the government or the opposition's support. It could be said that the belief that the DPP's cabinet was the last obstacle for a real boom in cross-Strait relations was spreading. And the boom would take place as soon as the DPP returned to opposition, or Chen himself resigned. In a conference on sustainable economic development in July 27 and 28, 2006, the President stated that half of the foreign investments in Mainland China came from Taiwan, and that two thirds of the Taiwanese investments abroad had been destined to China. In contrast to his appeal for a bigger commitment to a strategy a non-

(41) Information available at: <http://www.eleconomista.es/economia/noticias/123493/12/06/Inversiones-taiwanesas-en-China-subieron-el-138-por-ciento-en-2006.html> (Last viewed on February 2, 2012).

(42) Information available at: [http://www.spanish.xinhuanet.com/spanish/2006-09/14/content\\_314219.htm](http://www.spanish.xinhuanet.com/spanish/2006-09/14/content_314219.htm) (Last viewed on February 2, 2012).

dependence on China, the powerful Taiwanese clusters demanded changes in the limitations on investments in China -with a maximum 40% holding of Taiwanese companies.

Prior to March 2008 presidential elections, Beijing gave one last push to its strategy: without abandoning diplomatic pressure, and with a final balance of an increase in bilateral economic exchanges that had risen by 16.1% up to record \$ 102.300 millions in 2007, Beijing announced several measures such as the set up of four special agricultural zones, exclusively reserved for Taiwan businesspeople<sup>(43)</sup>, together with the authorisation to Taiwanese physicians to practise medicine in China, an increase in the lines of financing from Mainland banks to Taiwanese companies settled in their territory (that, in 2007, rose above CNY 230,000 millions), opportunities for insurance companies and Taiwanese banks to enter the Mainland market, etc.

After the KMT's taking up and the subsequent normalisation of institutional contacts through meetings of the SEF and of the ARATS, the process added up political complicity to the economic interests, removing previous obstacles step by step. In the first three quarters of 2010, investments between China and Taiwan grew by 45.9% compared to the same period of the previous year, reaching \$107,430 millions. From January to September, exports from the Mainland to Taiwan increased by 52.6%, and exports by 44.3%. The number of businesspeople visiting the Island had doubled, and investments increased four-fold in comparison to the previous year. The agreement for opening bank branches rose expectations about a bigger cooperation in the economic.

Likewise, in 2011 Beijing approved an ambitious plan for developing the region located westwards from the Taiwan Strait, included the nine Fujian cities, and another eleven in Zhejiang, Jiangxi and Guangdong provinces. This was a strategical decision of far more reach than the missiles pointing at the Island conceived to spread cooperation on both sides. While awaiting for the signing of an agreement on investment protection, and after the endorsement of the ECFA in late June 2010, the bilateral dialogue will have to deal a 'minor' agenda that might monopolise the negotiations in the next years, since less complex subjects have already been tackled. During this process, criticism also echoed in the Mainland -especially from the major state groups opposed to the agreed tariff reduction to the exports from Taiwan, and also from banks and financial institutions, distrustful of the incoming concurrence from the Island.

In 2012, 94.5% of the Taiwanese exports will enjoy zero tariffs, including key sectors such as machines and tools, and petrochemical products. In this year, the liberalisation of tariffs for 437 kinds of products, and a bigger liberalisation of the investments in the Island are planned as well. And the process goes on.

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(43) Information available at: [http://www.spanish.xinhuanet.com/spanish/2008-02/27/content\\_585636.htm](http://www.spanish.xinhuanet.com/spanish/2008-02/27/content_585636.htm) (Last viewed on February 2, 2012).

## 2.2 \* International space

Taiwan claims for proper international space. After losing its seat in the United Nations (1971), the Island has suffered a constant drop in its international image.

During Hu Jintao's term of office, we can clearly distinguish two phases. With Chen Shui-bian in command of Taiwan, diplomatic coercion was one of the pillars of the 'search and destroy' diplomacy to overthrow him. Even after the abandonment of explicit military pressure, diplomatic hostility complemented the strategy of internal isolation by making use of the alliance hatched with the KMT and other favourable business sectors.

After the victory of Ma and the KMT in 2008, the situation gave a substantial shift. The key for the new *status quo* is Beijing's new attitude, demonstrated by the abandonment of diplomatic proselytism policy with the aim of avoiding damaging relations with Taipei, at their best moment of the previous 60 years. The Mainland welcomed the 'no-mutual denial' policy that consolidated a diplomatic truce intended to promote agreement in economic and trading fields -and maybe other fields in due time. Both parts have toned down the confrontation in the interest of setting a common area for encounter. The approach gained support from most of the foreign countries.

One of the first Ma's measures was suspending the application to the UN started in 1993, given the real impossibility of making progress in an issue that absurdly tensed relations with the Mainland. Alternatively, Ma proposed achieving the participation in specialised international institutions -but upon co-ordination with China, not confronting it<sup>(44)</sup>. This tactic, supplemented by a very careful behaviour in regard to sensitive subjects such as the Tibet or Xinjiang, that put the global image of China in a poor light (let us not forget that the KMT supports the unquestionable belonging of both territories to "their" China) has so far produced only very modest results, since its international scope has not been significantly broadened.

Nevertheless, a new diplomatic approach from Taipei has provided some progress. On May 20, 2009, the Minister of Health Yeh Ching-chuan attended 62<sup>nd</sup> World Health Assembly, after waiting for 38 long years<sup>(45)</sup>. Previously in January, Taiwan adopted the International Health Regulations. On tour in Central America, Ma also consolidated relations with the most doubtful allies, briefly meeting with the Secretary of State Hillary Clinton in El Salvador. The meeting showed to which extent things had gotten normal in the bilateral relations with the US. Ma's 'flexible diplomacy'

(44) Information available at: <http://www.taiwanembassy.org/CL/ct.asp?xItem=95685&ctNode=4087&mp=357> (Last viewed on February 2, 2012).

(45) Information available at: <http://www.roc-taiwan.org/MX/ct.asp?xItem=90948&ctNode=3967&mp=342> (Last viewed on February 2, 2012).

<sup>(46)</sup> was able to prevent the desertion of some allies such as Paraguay, dreaded after of President Fernando Lugo's statements before assuming presidency in July 2008. In Central America, the shift sponsored by Costa Rica also pointed at a possible domino effect, encouraged by the political changes and the growing economic significance of China in the region issues, that might well affect the loyalty of countries like Panamá, Honduras, or El Salvador itself. Not to mention Nicaragua's 'inexplicable' behaviour. The country had broken diplomatic relations with Taiwan in 1985, resuming them in 1990, after the coming in power of President Violeta Chamorro. Mauricio Funes, that immediately re-established the relations of his country with Cuba, confirmed the intention to take up diplomatic relations with the Republic of China, contradicting his electoral promises.

On another level, it should also be highlighted how Beijing coped with the Taiwanese demand of a bigger international presence, especially in some UN agencies such as the International Civil Aviation Organisation (ICAO), and the United Nations Framework Convention on Climate Change (UNFCCC), where the Island focuses its demands<sup>(47)</sup>. The flexibility of the Mainland was shown once again in the light of the decision of the government of the Philippines to extradite a group of 14 Taiwanese citizens arrested for fraud to China. In 2009, Mainland China and Taiwan signed an agreement on judicial cooperation. Under the agreement, more than one hundred criminals have been sent back to Taiwan by China. Eventually, Beijing handed over the 14 Taiwanese people to Taipei.

Another goal set by the Taiwanese diplomacy (ten years away) is the accession to the TPP (Trans-Pacific Strategic Economic Partnership Agreement), sponsored by the US and that has no participation from China, in spite of Hu Jintao's certain sympathy<sup>(48)</sup>.

In a diplomatic summit convened by Ma in August 2011 -the first one in the last fifteen years-, he enthusiastically defended their policy of coexistence with the Mainland China. In that context, he revealed that Beijing had refused to establish diplomatic relationships with three of the ROC's allies, thus leading to the unofficial 'diplomatic truce', agreed by both parts, that encourages political dialogue, and puts an end to the controversial and expensive 'cheque diplomacy'. This realisation of the new rules of the game has spurred the definition of their diplomacy.

Apart from not having lost any of their 23 allies, in his balance Ma highlighted the aforementioned participation of Taiwan in the General Assembly of the WHO, chaired by Hong Kong Margaret

(46) "President Ma defines 'flexible diplomacy'". Information available at: <http://www.chinapost.com.tw/taiwan/national/national-news/2008/11/11/182601/President-Ma.htm> (Last viewed on February 2, 2012).

(47) Information available at <http://www.chinapost.com.tw/taiwan/foreign-affairs/2010/03/13/248064/Europe-supports.htm> (Last viewed on February 2, 2012). See also: Winkler, Sigrid: "Biding Time: The Challenge of Taiwan's International Status", The Brookings Institution, November 2011. Available at: [http://www.brookings.edu/papers/2011/11/17\\_taiwan\\_international\\_status\\_winkler.aspx](http://www.brookings.edu/papers/2011/11/17_taiwan_international_status_winkler.aspx) (Last viewed on February 2, 2012)

(48) Information available at: <http://www.taipeitimes.com/News/taiwan/archives/2010/11/10/2003488181> (Last viewed on February 2, 2012).

Chan, as well as the significant progress made in the number of countries waiving visa entry requirements for Taiwan citizens, that have increased from 54 to current 126. This implies an increase in more than 60 states in comparison to DPP's last government, and was favoured by the decrease of tension between both sides of the Taiwan Strait. The US have included Taiwan in their list of candidates for visa waiving.

On another level, the contacts established with Singapore, the Philippines, Malaysia and other countries in the region in order to set trade agreements seem to be in full swing, free from the oppressive straining of the cross-Strait relations, which had risen fears of one or another country for the reaction of the Mainland in case of any breath of fresh air for Taipei.

Beijing monitors the whole process carefully, aware that, after all, the final success of the contacts established is in its hands. Relieving pressure on the international stage, whether at economic or political levels, reinforces the friendliness of Ma's strategy, and consolidates him. Taiwan has little to do to shield the relations with its allies in a context of China's increasing lead role in policy and economics in all regions worldwide. However, it is clear a worsening in the cross-Strait relations might have dire consequences for its diplomatic interests.

The size of the delegation sent by China to Nicaragua, one of the diplomatic allies of Taipei with which they have achieved several agreements on railways, ports or communications, is a good example of this. The delegation met President Daniel Ortega, adding this country to a list already comprising the Dominican Republic, Panama, etc. These countries are strengthening their economic relations with Mainland China in spite of keeping their recognition of Taiwan. Managua has already decided to open a trade office in Beijing<sup>(49)</sup>.

The scenario of a *de facto* double-recognition, juxtaposing the improvement of bilateral relations to progress in pragmatism at solving certain questions that imply obstacles for the diplomatic exercise of Taiwan, seems to be on its way. However, in this respect, the behaviour of Beijing will be far less enthusiastic than in other levels like the economic one and others, since this question touches a very sensitive issue for Mainland China: the visibility of its sovereignty at the international level. This means that progress will be possible regarding practical matters, but not if larger considerations are at stake. Free trade agreements can be included in the first category. Taipei is taking advantage of the favourable climate to start negotiations for FTAs with third countries. If signed, they will prove one of the additional qualities of the ECFA.

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(49) Information available at: <http://www.americaeconomia.com/economia-mercados/comercio/nicaragua-abrira-oficina-comercial-en-china-continental> (Last viewed on February 2, 2012).

## 2.3 \* Tourism, culture, and other areas

The rapprochement between Mainland China and Taiwan finds its highest expression in the economic level, but it also comprises other important qualitative dimensions. In the field of tourism, for example, more than one million Chinese people visited Taiwan in 2010. This implies an increase by 67% in comparison to 2009, taking Japan's top position as first customers source in the field. Organised tours from China were authorised in the summer of 2008, and the authorisation of individual trips took off in June 2011, with a ceiling of 500 travellers a day. In all, more than three million Chinese citizens had visited Taiwan in groups since May 2008. This implied a contribution with more than \$ 5 million thousands to the Island's tourism income<sup>(50)</sup>.

Encouraging tourism is an essential part of the rapprochement strategy, that may help to dilute the perception of the Mainland as a threat, and goes beyond its pure economic significance, although tourism is an important source of income for the Taiwanese service sector. The pavilion of Taiwan shone in the Shanghai Expo in 2011. Its representatives were received with all honours by the highest authorities of the country and of the CPC.

The swap of tourism representative offices, and the increasing number of provinces authorising trips of their residents to Taiwan will turn this phenomenon in more and more common and everyday. A new tourism office is soon to be opened in Shanghai (40% of the visitors come from the Yangtze delta). A total of 558 direct flights weekly link Taiwan to 41 destinations in the Mainland. Here China has the added capacity, already shown in other fields, of awarding or penalising, influencing the preferential destinations of tourists from the Mainland, recommending or prohibiting to travel to one or another city according to the political 'behaviour' of their Majors. The hosting of events in support of the Uyghur opposition in Xinjiang by Kaohsiung authorities was not lost on the authorities from the Mainland, which did not hesitate in supplement their complaint with an expressive warning on the consequences of travelling to this city, ruled by the DPP and the second most important city in Taiwan.

The *Taishang* are another part of this relation at the human level. The number of Taiwanese people living in China has increased since 2008 and is currently above two millions. They concentrate mainly in the Shanghai area and in Guangdong province, but they are spreading more and more in hinterland areas in their search for lower costs, workforce, and incentives for the investment. Many of them are young people looking for opportunities who constitute the second *Taishang* generation. The launching of direct flights and subsequent multiplication of their number contributed to ease this symbiotic process, driving out the alleged economic stagnation of the Island. Regarding identity, they consider themselves both Taiwanese and Chinese at a cultural level. This permanent communication provides a better mutual understanding, although it has no lack of counter effects.

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(50) Information available at: [http://spanish.cna.com.tw/ReadNews/Spn\\_Read.aspx?Type=CS&Date=&ID=201201280003](http://spanish.cna.com.tw/ReadNews/Spn_Read.aspx?Type=CS&Date=&ID=201201280003) (Last viewed on February 2, 2012).

The impact of these processes is a two-way one, influencing the respective perceptions of Chinese and Taiwanese. Chinese tourists in Taiwan especially value the freedom of religion in the Island. More uncertain is the valuation of the system in political terms. Their interest in the symbology of the old Republic of China, or in the National Museum is probably due more to the recognition of certain roots than to the expression of sympathy at other levels. However, China seems to be prepared to 'sacrifice' any fear of 'democratic infection' in favour of the rapprochement. The country aspires to turn its tourists in transforming agents for the Taiwanese mentality on the Mainland. On the other hand, Mainland China also envisions to strengthen an specific tourist offer aimed at the Taiwanese population.

During the visit of the honorary chairman of the China Friendship association of Cultural Circles and Head of the Ministry of Culture Cai Wu in September 2010<sup>(51)</sup>, first steps were made towards the signing of a pact on cultural exchanges and the removal of the barriers to mutual understanding at this level, simplifying procedures, and encouraging cooperation.

This development in the cultural field within bilateral relations was also discussed in a forum held in early September that year in Taipei sponsored by the ARATS and the SEF. The incorporation of cultural issues to the agenda of bilateral negotiations is foreseen as well. The opening of cultural representative offices in both territories may be near.

Assuming the value of culture as a common denominator of both sides of the Taiwan Strait, parallel to trade and economic interests, Beijing and Taipei gave another twist to the rapprochement, that could encourage and get cultural groups and institutions involved, with the strategic aim of opening new and solid ways for cooperation. In the Taipei International Book Exhibition in February 2012, Ma Ying-jeou appealed for editorial cooperation between both sides of the Taiwan Strait.

The rapid pace at which economic agreement was achieved, together with the quickness expected for signing a memorandum in cultural issues, show the firm political will of both parts.

Regarding education, the students from the Mainland are allowed to receive higher education in Taiwan since September 2012. This authorisation has its limits (on number, access to grants, or regarding the accessible public and private universities), but a progressive flexibility is conceivable.

Cooperation now involves other fields, such as police action, which resulted in joint operations. These include the fight against drug trafficking in the Strait area. Since 2009, a total of 110 suspects, including 39 Taiwanese citizens, have been arrested as a result of this cooperation<sup>(52)</sup>.

(51) Information available at: <http://www.roc-taiwan.org/CL/ct.asp?xItem=157635&ctNode=4087&mp=357&nowPage=87&pagesize=30> (Last viewed on February 2, 2012).

(52) Information available at: [http://spanish.news.cn/china/2012-01/20/c\\_131369824.htm](http://spanish.news.cn/china/2012-01/20/c_131369824.htm) (Last viewed on February 2, 2012).

## 2.4 \* Security and defence

The main reason for improving economic relations, promoting tourism, and establishing a diplomatic truce is not decreasing military tension. However, there is no doubt that the growing interdependence and relations also help to cool it.

Defence issues are nevertheless conducted in a different way. Preventing any contact, and even improving military arsenals on both sides, is still the general rule. This represents one of the main lines of conflict if the US-China relations.

At stocktaking the first term of office of Ying-jeou (2008-2012), the signing of the ECFA and the following relief on the international stage can be highlighted. However, these achievements have been accomplished at the same time by a process to affirm the effective sovereignty of Mainland China over what they consider to be a part of the country -especially focusing on security matters. Objectively, the threat of the has not only not bent over backwards, but, according some sources, gained strength.

Relations have improved, there have been significant agreements, and contacts between the societies of Taiwan and China have increased. Hu Jintao gave priority to a peaceful development, relegating the idea of an urgent unification delayed by a more or less close process. Both parts act carefully, but it is a hard fact that the two governments are now showing an unprecedented will of mutual understanding. Moreover, we must point out that the process has been welcomed by the US, the EU and other important countries in the international community. Nevertheless, the relief experienced in the area is an armed one, and security-related issues have not been discussed yet.

Since the accession to power of Ma, the influence of Mainland China on Taiwan has grown, both due to the increasing economic interdependence, and to the parallel strengthening of contacts at every level (tourism, education...). This reduces the manoeuvring room of Taiwan and undermines its *de facto* independence. The process had already begun before Ma's term, but it has now stepped up, together with a speech in favour of overcoming economic difficulties, and removing those elements that impair the integration of the region. As a consequence of the ECFA, in 10 years it is expected that exports from Taiwan to China rise up to 62% out of the total, in comparison to current 41%. This amount may grant China an extremely influential position, ahead of other trade partners. In spite of this (or maybe precisely because of it), Ma has taken security issues seriously, trying to make them believable.

The main question is whether this process is really strengthening the sovereignty of Taiwan or not, and if it does guarantee its long-term survival as the Republic of China. Will the process, on the one hand, improve the international status of the Island? Is interdependence good or bad for Taipei's negotiating capacities against Beijing? Is Taipei strong enough to face China in the military? Moreover, is there a will to do it? Are we facing a progressive, unavoidable sinicisation of Taiwan,

that might turn the Island into a “new Hong-Kong”? How convenient is this process for the US? How will the States manage to keep involved in the security of Taiwan after such a marked rapprochement to Mainland China?

Concerning security, the balancing of forces towards Mainland China began in 2005. From 2008 on, the amount of missiles has increased at an approximate rate of 100 annually. And so did the capacities of the PLA of projecting its sea and air forces, controlling Taiwan Strait, and imposing an eventual blockade on the Island. Once the search for supremacy is ruled out, Taiwan has no tactical option but making China aware that a military strike would be too costly. In the first place, this means that the involvement of the US in the defence of Taiwan must be kept at high levels, which requires close cooperation. On the other hand, the Island cannot neglect its defensive effort.

In fact, Ma announced an increase in defence budget to the level of 3% of the GDP, and a plan to improve the professionalisation of the army to be completed in 2014. During the period 1999-2008, the military budget had been cut by 40%. Between 2009 and 2010, it had also been reduced compared to previous years: TW\$ 9,300 and 9,600 millions, respectively, down to TW\$ 10,500 millions in 2010, below the promised 3%. The cutbacks imposed by the financial crisis. The budget of the PLA amounts to some US\$ 78,000 millions, with actual expenses up to 1.5 or 2 times higher<sup>(53)</sup>.

In March 2009, Ma set up a strategy based on a strong defence and effective deterrent, getting away from the search for parity, or even superiority towards PRC. He advocated for a defence strategy revolving around their asymmetric advantages in order to deprive Beijing of its strategic objectives<sup>(54)</sup>. Nevertheless, this did not imply setting aside their offensive capabilities, as it was shown in the development of a missile corvette in 2009, or the re-launching of a programme to build diesel submarines that had been interrupted in 2004.

Regarding disagreements in substance, we can highlight the statements of Premier Den-yih (2009-2012), and his then Defence Minister Kao Hua-chu, expressing Taiwan's refusal to the offer of Mainland China to open up conversations on military issues, arguing that the right time to do this or to discuss political subjects had not come yet, in spite of the alleged pressure from China to consolidate other issues. The Defence Minister announced that Taiwan would be soon strategically and logistically ready to detect Chinese missiles and satellites.

In his appearance at the National Defense University on October the 26, 2009, Ma Ying-jeou that there would be no war in the Strait during his term of office, although he would not be low-

(53) Cabestan, Jean-Pierre: “La nouvelle détente dans le détroit de Taiwan: quel impact sur la sécurité et l'avenir de la République de Chine?” in *Perspectives Chinoises* no. 3/2010, pp. 24-38.

(54) York, W. Chen: “The Evolution of Taiwan's Military Strategy: Convergence and Dissonance”. *China Brief*, vol. IX no. 23, November 2009, pp. 8-12.

ering his guard. He would also keep a high level in defence, as long as confidence building measures were not substantially increased, and the number of missiles pointing at the Island was not notably reduced (their number had from 400 in year 2000 to 1,328 in 2008). In Taiwan, there is no consensus about how to deal with China on this regard, nor about peace talks. However, the consensus emerges always that it comes to claim some movements of the missiles pointing Taiwan as a condition to open new conversations.

In early 2010, the Obama administration decided to sell a package of weapon systems for a total of \$ 6,400 millions. The sale had no impact on Beijing-Taipei relations<sup>(55)</sup>. The decision was mainly justified by the commitment to de defence of Taiwan, and the repeated reports from the Pentagon warning of a progressive imbalance in the military capabilities of both sides of the Strait. Data leaks on the increase of the Mainland's submarine activity in nearby waters, or the implementation of devices to prevent US ships from entering the area in the case of an eventual conflict are not exactly reassuring. But the fact is that the shift experience in the bilateral climate was hard to reverse. From this it follows that Taipei was not the target of criticism from Beijing.

Moreover, it must be pointed out that in view of the good times for bilateral relations -at their best historical moment, according to all international observers- such an announcement could have been avoided by a previous gesture, long claimed by President Hu Jintao and flatly refused by Chinese authorities – the progressive withdrawal of the missiles pointing at Taiwan. It is possible to imagine that the measure had no support from the PLA. Once the sale was confirmed, formulating conjectures in this regard is too hasty. So is the possibility of starting conversations on the military between both sides of the Strait, being this the same subject that caused the interruption of military talks between China and the US.

Equally paradoxical is the fact that the decision of the United States reinforced Ma Ying-jeou at home. The politician's image had been suffering a erosion, which might in part have been caused by a poorly explained rapprochement to the Mainland. Ma was then rewarded for Beijing and reasserting the power of the Republic of China -to the joy of China, in fear of the rise of the opposition represented by the DPP. On the other hand, if China had allowed this decision from the White House to affect bilateral dynamics with Taiwan, it would have proved the extreme fragility of the framework patiently and carefully built since 2005.

In spite of the new arms purchases, which triggered protests from China, everything portended that, after the first reproaches, hypothetical talks on the military were about to begin. They would help no doubt to clear misunderstandings and avoid the risk of confrontation. This hope explains some governmental plans such as building casinos on the small islands of Kinmen, Matsu or Penghu, pursuing the development of an area usually thought to be the first stage of armed

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(55) Information available at <http://www.lanacion.com.ar/1228128-pekín-acusa-a-la-casa-blanca-de-danar-su-seguridad> (Last viewed on February 2, 2012).

conflict with the Mainland. The intention was attracting visitors from Fujian and other surrounding provinces.

China wants to include confidence-building measures in talks. Hu Jintao noted that both sides could have contacts and exchanges on security matters and discuss the establishment of confidence-building measures at its due time. His six-point proposal is plentiful on both subjects<sup>(56)</sup>. In 1997, the sea rescue centres on both sides set up a to coordinate their operations. In 1991, Lee Teng-hui had already announced the end of civil war against the Mainland. Yet, little more has been done in the field. It is certain that unofficial conversations between professors and experts have taken place. Informal diplomacy, which also involves retired members of the military, plays a significant role in this regard. Certain levels of communication exist in anticipation of eventual crises, but still prevails.

The PLA continues stationing forces in the vicinity of Taiwan, and no significant negotiation has been started. Both sides have different objectives. Taipei seeks to avoid conflict or an accidental war outbreak. They are looking for smooth communication and a code of conduct, as well as the reduction in the forces deployed on both sides<sup>(57)</sup>. The priority for the PRC is achieving mutual trust through the promotion of the culture and the heritage shared by both armies. Both parts would like to reach a peace agreement to cease hostilities. But the objective for Taiwan is to establish the *status quo*, while China wants it to favour the unification process.

The imbalance between the implied forces constitutes another obstacle. Ma's determination to use negotiation to reduce the threat of the PLA focuses on demanding the withdrawal of the missiles –an absolute condition, as already said. China refuses to remove them as long as some concessions are not made – i.e. that Taiwan stops purchasing weapons to the US and formally renounces claims for independence, and achieving a peace agreement on the basis of a “one China”.

The third obstacle is the linkage between confidence-building measures and unification. For China, this is an absolute condition, yet not an admissible one for Taiwan, since it would close the doors to the future for the Island.

Taiwan's dilemma is clear: is it possible to unflinchingly have China as their first trading partner while this country remains as their main military threat at strategical levels? Taiwan's strategical paradox is schizophrenic and brings the added risk of causing a divorce between the mission of

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(56) The six proposals of Hu Jintao include: an agreement to end confrontation and establish peace under the principle of a “one China”; strengthening commercial ties -including negotiating an economic cooperation agreement-, promoting communication and personnel exchanges, stressing common cultural and education links, discussing proper and reasonable reshuffles of the participation of Taiwan in international organisations, promoting exchanges and contacts on the military, and opening discussion on the settlement of mutual trust mechanisms.

(57) *National Defense Report 2009. Building an Elite Armed Forces*. Ministry of National Defense, Taipei. Cap. 8, pp. 198-200.

the army and the support of a society that, more and more, rejects the belligerence from their 'partner'.

The last important point is the role of the US in hypothetical talks. The intervention of the country is 'unwanted' both by China and by Taiwan, but it is clear that Ma cannot afford to waive the purchases to the US. Another story is the evolution of the US involvement in the Island as Taiwan and China approach. Tensions between China and the US favour Taiwan, since they encourage Washington's involvement in the security of the Island. However, as the influence of the Mainland grows in Taiwan, defending the traditional idea that an strategic balance can be kept in the Strait area thanks to the cooperation of the US gets more and more difficult. Questions arise: Would the Taiwanese be willing to resist in case of an eventual war? Or would they rather surrender, by chance? Are they protected enough against espionage?<sup>(58)</sup>

Some believe that the annexation of the Island would not affect the interests of the US in Asia very much. Japan might prefer the perpetuation of the *status quo* due to geostrategic interests, which are based in the importance of the sea route that crosses the Strait, and the closeness of the Ryukyu Islands to Taiwan. The US seem to have less at stake. Will the United States be ready to leave Taiwan behind in exchange for Obama's suggestion of having China involved in G2? In the short term, a weaker involvement of the US in the defence of Taiwan seems unlikely. The Taiwan Relations Act is still critical. The most likely option is that the US resist the pressure from China. Thus, they would keep counting on Taiwan for consolidating their return to Asia, with the aim of counteracting the influence of China in the region. Yet another question is that the growing economic relations with the Mainland make Taipei reconsider relationships at this level with Washington.

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(58) Bush, Richard and Romberg, Alan D.: "Cross-Strait Moderation and the United States", at <http://www.stimson.org/summaries/cross-strait-moderation-and-the-united-states/> (Last viewed on February 2, 2012). See also Shlapak, David A.: "Questions of Balance. The Shifting Cross-Strait Balance and Implications for the US". Rand Corporation, C343, March 2010.

## 3. The Anti-Secession Law and the ECFA

### 3.1 \* The Anti-Secession Law

The Anti-Secession Law was passed by the Chinese National People's Congress (NPC) on March 14, 2005<sup>(59)</sup>.

The traditional belief that China is a country “ruled by men, not by law” is a part of their most deep-rooted, ancient cultural heritage. After their contacts with the West -which have been developed intensely, in an unprecedented number in the last decades- Chinese leaders have become aware of the great importance attached to law in other countries, not only as a guarantee and demand when it comes to establish oneself in the business world, but also as a guarantee of stability in the future, since they set default ways to avoid insecurity and uncertainty.

Chinese authorities have translated that learning into their obsession with the question of Taiwan. The threat of using force against the “rebel province” is nothing new, and has been a part of the ABC of the Chinese political literature, both before and after the reform of Xiaoping. Preventing the country from dividing is regarded as a “sacred duty” in the 2004 White Paper on National Defence<sup>(60)</sup> -paradoxically, the country is not actually united. Reunification becomes thus a legal obligation -just adding the novelty of the cloak of discourse- that shows the better understanding and assumption of some rules. This constitutes a formal circumstance that can be assessed positively but does not actually mean any alterations in the traditional background attitudes. It is likely that the formalisation of this position through a binding rule will not grant a smaller rejection from the public opinion to the fact of resorting to the use of force. Nevertheless, it concedes a more civilised nature to a proceeding that was used to be instrumental and was left exclusively to the whims of the ruling elites according to the criteria of political opportunity that they consider.

At that time, Taiwan argued that this law meant a ‘blank cheque’ to the Army, overlooking the fact that ‘the Party commands the gun’ -although it is clear that, under such circumstances, the

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(59) Available at: [http://english.peopledaily.com.cn/200503/14/eng20050314\\_176746.html](http://english.peopledaily.com.cn/200503/14/eng20050314_176746.html) (Last viewed on February 2, 2012).

(60) Information available at: [http://www.spanish.xinhuanet.com/spanish/2004-12/27/content\\_61368.htm](http://www.spanish.xinhuanet.com/spanish/2004-12/27/content_61368.htm) (Last viewed on February 2, 2012).

Parliament would play a merely legitimising role, and that the PLA has a well-known influence on cross-Strait politics, too.

Thus, the Anti-Secession Law must be understood as a reaction to the increase in Taiwan's rhetoric for sovereignty. Its aim is to preserve Chinese territorial integrity and sovereignty to counteract the fear of increasing radicalism during the second term of Shui-bian (2004-2008). However, from its deterrent intentions, it does not add anything new but the normalisation of some principles that have been guiding the Chinese actuation in the field from the very beginning. It is no news that Beijing establishes the use of force in case of the announcement of a *de jure* independence in Taiwan. That element has always been present in the Chinese approach. If anything is to be highlighted, we could point out the following. First, the mere fact of promoting a positive political speech, in consonance with the willingness shown in other fields to orient coexistence towards a rule of law, where the behaviour of the authorities is determined by regulations. Second, the solemnisation of the warning, which does not imply the preference for the use of force, but rather firmly establishing what consequences could bring its use without misleading. In sum, the aim is to legally legitimise an already publicised, well-known resort without leaving room for doubt in Taipei or in the international community on the possible reaction from China in case of a hypothetical proclamation of independence of the Island. This law by itself does not anticipate an unavoidable conflict, and nor it is aimed to boost a war. Its originality lies in the format.

However, the law has a second addressee -the US. By virtue of the commitment of Washington to Taipei in order to provide defence and security, there is no doubt that war between the PRC and the ROC would affect the US directly. Thus, if Beijing interpreted the declaration of independence by Taipei as a *casus belli*, and the US did not wish to get involved in such a confrontation against the PRC, it is to imagine that the States would use all the means available to prevent secessionism from spreading in the Island. If, once reached this point, they ruled out supporting Taiwan, their level of authority, in both the region and worldwide, might be significantly affected. This circumstance explains the reluctance of the the US to the approaches of sovereigntism, as well as their good understanding with the 'blue'.

Washington has formally recognised the principle of a 'one China', which in practice means the rejection of any proclamation of secession done by Taiwan. And, at the same time, the behaviour of the US acts as a powerful deterrent factor against such claims by Taipei. The most convenient option for the US is keeping the *status quo*, since unification would weaken their key political influence in a strategical region. The Obama Administration recognised that it is essential in the for hegemony in the 21<sup>st</sup> century.

China-US joint communiqués of 1972, 1979, and 1982 reflect the importance of the Taiwanese question for both, nowadays the most significant problem in their mutual relations. In them, the US recognise the government of Beijing as the only legitimate one for the whole Chinese territory, and Taiwan as a part of it. They regard the question as a Chinese internal problem. The US commit themselves to reduce their military presence in Taiwan. This is a controversial issue that some

relate to military forces and facilities, while others would like to see it extended to the cancellation of the arms sales -a question with a significant impact on the relations between China and the US, especially on the military dialogue.

Two questions have led some to conclude that Washington already has an escape plan to this conflict. First, the rise of China, already the second largest economy in the world, with increasing projections on the technological field -many of which, such as the space industry, lead by the PLA. Second, the progressive ambiguity of the role of the US in the dispute, after the diplomatic recognition by the PRC. The belief in the 'escape plan' may be reinforced by the major importance of the China-US relationship -the most significant one in the 21<sup>st</sup> century- which Washington would not like to undermine because of the Taiwanese affair. Nevertheless, this could become a reality if a collaborative approach predominated in the relations with China, but is less likely in case of a containment-oriented approach. In the latter case, Taiwan plays a crucial role in the alliances network (with Tokyo, Seoul, Manila, Canberra, etc.) that is called to determine the role of China in both the region and the world.

The adoption of the Anti Secession Law sheds light on the greater importance given by China to territorial integrity. In the first place, this is due to historical circumstances, since while breakup was once a sign of decline and powerlessness before colonialism, overcoming these shortages is associated to recovering full control over its territory. It is true the questions of Hong Kong or Macao are different from the Taiwanese one, but all of them share the common denominator of the emphasis in overcoming fragmentation, associated to weakness. On the other hand, this matter is inherent to the importance given by China to sovereignty. The whole project of the CPC is based on achieving the appropriate, essential attributes to become the owner of itself and not to depend on the behaviour of third countries when it comes to decide its own interests. This capacity and commitment affects the territorial, adding to other different variables, from the implementation of the Beidou system to the intransigence regarding the political system, or the suitability of its defence. At the same time, it constitutes an incontestable source for the legitimacy of their power before its citizens, who generously share their nationalist ideology.

The last addressees of the Anti-Secession Law are the internal political movements advocating independence of some territories, such as the Tibet or Xinjiang. This adds the paradox whereby the flexibility displayed to facilitate reunification in the case of Taiwan can be described as remarkable, while rigidity characterises the autonomic "solution" offered by China to those territories where the question of minority nationalities recommends advances in self-government measures.

This is not a law for unification, but rather a law against possible declarations of independence. It does not imply changes in the *status quo*, but is aimed at preserving it. By adopting the Anti-Secession Law, Beijing has self-imposed the obligation to impose unification through force only if the secessionists go too far.

The adoption of a law on secession reflects the sensibility of Hu Jintao and the new Chinese leaders towards the role of the law in the political system. Law reduces the margins for the unpredictability that usually characterizes the behaviour of the Mainland's elite, so indebted with opacity. It is also inseparable from the new institutionalisation that, hand in hand with professionalisation, finds room in the Mainland's agenda in these days of growing and increasingly disperse power. The style that inspired the Chinese decision to adopt this rule points to an overt acceptance of the Western, democratic political ritual, that not only considers the content of the subject -which does not vary in any way- but its form as well.

It also reflects the insensitivity to the democratic right of the Taiwanese people to freely decide their future. To sum up, after more than a century of independent existence from the Mainland, it should fall to them to decide which country they would like to live in. The right should be respected by China and by the international community -yet the Mainland would rather have the Taiwanese society not expressing their opinions.

In spite of this all, the Anti-Secession Law was a late wave. It did not predispose to the escalation of the conflict between Taiwan and Mainland China, in spite of immediately boosting popular indignation and granting some political 'fresh air' to a free-falling Chen Shui-bian. Following the adoption of the law, the priorities of the Mainland focused on the political management of a reality that, paradoxically, would prevent its enforcement.

### 3.2 \* The ECFA: contents, discussion, and meanings

The ECFA (Economic Cooperation Framework Agreement) is certainly the expression of a different dynamic to that of the Anti-Secession Law<sup>(61)</sup>. In the first place, it reflects last years' convergence, marked by active flux of economic and trading relations led by thousands of Taiwanese in possession of business in the Mainland. With the reform and the opening-up policy, China offered special conditions to the Island's businesspeople interested in promoting their businesses in the Mainland. It is not by chance that one of the first four special economic zones created in China was Xiamen, in front of Taiwan. Thus, Taiwan played a key role at strengthening the opening-up policy in China, providing the the largest volume of foreign investment during many years. And all of this in spite of the prevalence of important government restrictions in Taiwan on investments in the Mainland due to security reasons.

The intense economic relation was complemented by promoting the mobility and flows of persons, so that many Taiwanese people, even in the absence of direct communications between the Island and the Mainland, could overcome the obstacles to get settled in the PRC. This helped to alleviate mutual ignorance and encouraged the exchange of experiences that outlined a critical

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(61) The whole text of the ECFA can be found at: <http://www.ecfa.org.tw/RelatedDoc.aspx>

mass in favour of the rapprochement in the frame of the *status quo*, if not for unification. The offer to the businesspeople from the Island of profitable opportunities for expanding their business in a hectically growing China was strong enough to turn the Taiwanese business community in one of the best -if not the best- defenders of the unification cause. The strategy has been consciously displayed by the PRC, while the ROC reacted by 'allowing' this progress -weighting potential risks, though. The risks were mitigated by the positive effects of the process in Taiwanese economy.

This bilateral dynamic was supplemented by the peaceful coexistence in integration organizations (accession to the APEC in 1991, and accession to the WTO in 2002), in the search for new pragmatic, peace-oriented forms coexistence to provide understanding. In this regard, it must be noted that the economic globalisation has played a key role in promoting the rapprochement of both sides of the Taiwan Strait, as well as encouraging the signing of the ECFA. In fact, the first sign of the relief -the entry into force the three Qemoy-Xiamen mini-links on January 1<sup>st</sup> 2001- is indivisibly linked to the admission of the two governments into the WTO.

To a certain extent, the ECFA expresses the first culmination of such trends. Negotiated by the SEF and the ARATS with the authorisation of their respective governments, this is a general treaty aimed at regulating tariff reductions, access to markets, the protection of investments, and the economic cooperation in many areas, such as intellectual property and others. On the other hand, Taipei regarded the agreement as an essential mechanism to support the establishment of free trade agreements (FTAs) with the Island's main trade partners (the US, Japan, the EU or other members of the ASEAN), getting avoiding the veiled opposition from Beijing in the absence of such an agreement.

Nevertheless, this treaty not only aims at contextualising and normalising existing links, but also at promoting them in a clear and sound way, considering that Mainland China is the major destination for exports from the Island, and the nearest market. It is remarkable that, at the time of the ECFA negotiations in 2010, the annual commercial exchanges had already exceeded US\$ 100,000 million US Dollars. In spite of this, there were no institutionalised regulation mechanisms for exchanges on such a large scale. This standardizing function of the ECFA constitutes an unavoidable step in order to strengthen the bonds between both economies and to provide them with progressive stability and guarantees.

The first round of negotiations was held on January 26<sup>th</sup> 2010 in Beijing. It focused on the formal definition of the Agreement, its structure and other features aimed at easing negotiations on the issues of substance. The statement following this initial phase maintained that experts from both sides had reached an agreement on the basic contents, which were to include access to the market for goods and services, rules of origin, an "early harvest" program, trade compensations,

dispute settlement, investments and economic cooperation<sup>(62)</sup>.

Taiwan's self-confessed urge was justified by the entry into force of the China-ASEAN FTA on January 1<sup>st</sup> 2010. The agreement provided zero-tariffs, which put Taiwanese exporters in disadvantage. The signing of the ECFA would settle balancing compensations and allow the Island to actively take part into the regional economic construction (in year 200, there was 3 FTAs in operation in Asia, by 2009 they had risen up to 58). Taiwan had been left out of this process after Beijing's deliberate hindering policy, which deemed to failure the efforts of the Island, existing in self-sufficient conditions in the diplomatic level.

On the other hand, the activation of the agreement would provide better conditions to confront the global financial crisis and to face the fierce concurrence existing in the international market with minimal chance for success.

In the second meeting, which took place on March 31<sup>st</sup> 2010 in Ta Shee (Taipei area), progress was made in the delimitation of those goods and services classified as "early harvest", as well as regarding rules of origin, agriculture, cattle rising and employment. The meeting took place in the midst of violent protests from the opposition. The broadest consensus was reached in the listing of the so-called 'early harvest' products and services, deliberately excluding those prone to have a negative impact on vulnerable industries or SMEs from the Island. It was also agreed to exclude agricultural commodities and labour services from the Mainland. In any case, the full list was not published, which fuelled criticism from the opposition on the lack of transparency of the process. The official explanations insisted that any results achieved would be made public, yet discouraging useless forecasts that might only breed confusion due to their temporary character. The little advances done in this meeting gave rise to doubts about the signing of the agreement by June.

The key issue in negotiations was the 'early harvest' list, that is, those sensitive industries or products that would benefit from tariff preferences at an initial stage. Taiwan delivered a first list of 300 to 500 products, including the petrochemical industry (basic raw materials such as plastic, rubber, and synthetic fibres, and petrochemical by-products), as well as different textile ranges, machinery, parts and spares, vehicles, and liquid crystal displays.

The Taiwanese negotiators also claimed that subjects such as the entry of agricultural commodities from the Mainland or the opening of the labour market would not be offered to Beijing in return.

Rejecting a lift of the ban to the entry of agricultural products from the Mainland to Taiwan was a *sine qua non* condition for the Island to protect the interests of the agricultural sector. At

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(62) Romberg, Alan: "Ma at Mid-Term: Challenges for Cross-Strait Relations", in China Leadership Monitor, no. 33, Summer 2010.

that height, Taiwan allowed the imports of 1,415 products from the Mainland, 479 of which had already been authorised in the Island during former KMT mandates (1950-2000). The other 936 were authorised under the rule of the DPP (200-2008). The debate focused on the liberalisation of more than 800 agricultural commodities. Taipei removed processed foods, biscuits and floor from the 'early harvest' list.

Beijing in turn committed to a grant a greater access of Taiwanese agricultural products to the Mainland. The zero-tariff was applied on 15 types of fruit, 11 vegetables, and 8 aquatic products from Taiwan. The agricultural exports from the Island amounted 364 million in 2009, and about 6,000 Taiwanese companies from the sector were established in the Mainland. This was not a minor issue.

The Taiwanese government pledged grants to the sectors that might be negatively affected by the agreement, allocating an approx. TW\$ 95,000 million budget for compensation payments over the next 10 years.

The development of the negotiations was accompanied by political contest from the first moment on. Taiwanese politicians were sharply divided. The gap between the 'green' and the 'blue' increased, difficult to overcome. Controversy affected contents (negative for agriculture, cars, and textile and petrochemical industries) as much as the opaque means for negotiating the agreement. Precision and clarity were demanded for the follow-up measures related to the most vulnerable sectors and companies, likely to be negatively affected by the agreement.

In turn, president Ma strongly supported the agreement, which he believed to be absolutely necessary and to have the capability of creating about 260,000 jobs, according some research centres. Pragmatism, broad-mindedness were required to this aim, in order to avoid an eventual contraction of the economy. Since, while companies from other countries enjoyed advantages over the Chinese market, Taiwanese companies would in turn lose their opportunities.

Contrary to the thesis of the government, the opposition believed that the ECFA would have a negative impact on Taiwanese economy, encouraging the entry of cheap Chinese products that might threaten the survival of jobs and industry<sup>(63)</sup>. Moreover, the hidden aim of the Chinese government was a *de facto* reunification which would damage Taiwanese sovereignty. In order to avoid this, the DPP demanded the inclusion of a preliminary clause that recognised Taiwan as an independent, sovereign nation. This was an unacceptable demand for the Mainland.

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(63) A critical view on the economic and politic aspects of the ECFA can be found in: Chen Po-chih (ed.): *ECFA: bu neng shuo de mimi?* Taiwan zhiku, 2010 ("ECFA: Unspeakable Secrets?" Taiwan Think Tank, 2010). See also: Wang, Flora: "Report from Legislative Agency Details the Cross-Strait Political Risk of ECFA". Taipei Times, July 29, 2010.

Regarding the executive services industry, the opening of this sector to Mainland market might end up in a 'nightmare', according to DPP. The KMT in turn stated that only the executives of about 20 companies in the services sector would be allowed to work in Taiwan, adding restrictive criteria linked to the investment levels of their companies in the Island. By 2009, the services sector represented more than 64% of the Taiwanese GDP and accounted for over 60% of the Island's workforce.

In protest against the lack of clarity of the government, the DPP repeatedly boycotted the meetings of the Economic Affairs Committee of the Executive Yuan where the subject was to be addressed. They demanded a referendum on the ECFA, collecting the 86,000 signatures required (0.5% of the electoral roll) to this. The Taiwanese Central Election Commission validated the signatures on May 4<sup>th</sup>.

According to the DPP, the increasing rapprochement of both economies was too dangerous for the preservation of a differential status for Taiwan, and it might imply a real surrender of sovereignty to China. The Mainland already absorbed 40% of their exports. In this context, hypothetical, politically intended sanctions would have a very negative impact on the economy of Taiwan.

The KMT in turn noted that this was not a strictly political affair, but also implied the choice between staying in or out of a global trend, and that the agreement had to be signed according to those parameters -not others- within the framework of the WTO. Nevertheless, the irreducible opposition provided an additional argument to the KMT for obtaining additional counterparts from Beijing.

In the ECFA, China demonstrated a great concern for the interests of the inhabitants of the 'green' areas. Thus, the criticism of the DPP had to focus on the dangers of interdependence and the opaqueness of the process. Nevertheless. However, their diatribe on the negative effects on certain sectors gradually lost their signification. On the other hand, the realism of the negotiators demanded an admissible text that would not require changes in the signed agreements even after a government switching in Taiwan. Thus, for example, no reference is done to the 1992 Consensus, and contents isolate political differences to prevent the text from losing validity or continuity.

The strategy of the KMT tied the Agreement to the firm determination of their government to develop Taiwan as an economic and commercial reference within Asia and the Pacific area, as well as keeping competitiveness at the South-East Asian levels. On the other hand, the party insisted on the strictly economic nature of this agreement, avoiding questions such as the right political terms for both subjects, or excluding political references to questions related to the strategies for solving the dispute. According to Ma, nothing was to be signed if it questioned the dignity of Taiwan. But the opposition and an important part of the public opinion remained sceptical.

For Beijing in turn it was clear that the commitment to maximise the economic cooperation between both sides of the Taiwan Strait was the key issue of their activity that year, marking the

beginning of a new era in the peaceful development of the relations of both parts. China regarded the ECFA as a part of a wider range of measures to promote exchanges, where culture, education, health, local authorities, media, and the civil society were also involved. This was the best rapprochement strategy and the first step in the way to political agreement.

Beijing demanded the active contribution of the Taiwanese businesspeople established in Mainland China towards the improvement in bilateral relations. On February 12<sup>th</sup>, 2010 Hu Jintao himself visited several companies in Fujian province, with an extensive press coverage. There, he promised to keep his word in order to benefit fellow Taiwanese people. The business world welcomed the initiative in general terms. They regarded it as essential to avoid discrimination due to tariffs on their exports. The Island's manufacturers invested 70 to 80 million in the Mainland, perhaps even more. The ECFA should make further progress in terms of guarantee settlement for bilateral investments.

The Chinese Government discussed the Agreement at the Chinese People's Consultative Conference meetings held in March 2010, remarking the importance of consulting businesspeople of both sides -but without considering the whole Taiwanese public opinion, as the opposition demanded. First Minister Wen Jiabao, stated that he was 'willing' to visit Taiwan<sup>(64)</sup>, which indicated his readiness to integrate the Island's interests in the agreement, and to sacrifice some of their interests in the negotiation, considering the different sizes of both economies. Would good will be enough?

For Ma and the KMT the answer was clear: signing the ECFA was the only option to avoid the irremediable decline of Taiwan's economic and trading position worldwide. It would not only allow to increase exports to Mainland China but also encourage foreign investment. The seriousness of the situation, and the marginalisation in the regional integration process led by the ASEAN and East Asian countries, which prevented Taiwan from the profits enjoyed by them, had to be remedied as soon as possible.

"Over the past decade, the number of free-trade agreements (FTA) signed that involve Asian nations has skyrocketed from just three in 2000 to 58 in 2009, an increase of 19-fold. However, North Korea and Taiwan are the only two countries that have not signed an agreement with other Asian countries yet", stated President Ma in a televised debate with the leader of the opposition Tsai Ing-wen on April 25<sup>th</sup>. According to him, 'Over the next ten years, a free trade zone incorporating 17 nations and areas with a population of 3,300 million people and a GDP of over \$ 14 billions is likely to emerge in Asia'. Taiwan therefore should avoid marginalisation from the regional economic integration, since trade was a fundamental issue and Taiwan would not subsist without it, he stressed. Actually, the Island had already fallen from being the 14<sup>th</sup> largest trading nation to

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(64) Information available at [http://spanish.china.org.cn/specials/lianghui2010/2010-03/14/content\\_19607224.htm](http://spanish.china.org.cn/specials/lianghui2010/2010-03/14/content_19607224.htm) (Last viewed on February 2, 2012).

become the 18<sup>th</sup>. Although Taiwan has signed free trade agreements with five countries in Central America, this amounts only 0.2% of its trade.

Nevertheless, for Tsai this is not only about economy. Stressing out the hypothetical negative effects of the agreement (for agriculture, for employment in important industrial sectors, the invasion of cheap commodities, etc.), he recommended “slowness” and no hurry (in opposition to KMT) to finalise negotiations. On the other hand, the priority was to assess its effects on Taiwan’s sovereignty. DPP chairwoman accused Ma of not defending the status of the Island. This would be the reason why citizens did not trust him. Concerned about the transparency of the negotiations, she stated that the ECFA would cause a substantial change in the strategical map of Eastern Asia, notably increasing Mainland’s influence on the region. Tsai did not outright reject the strategy of promoting trade with China to improve the economic capacities of Taiwan, but advocated for a full control over the process, together with progressiveness, and bilateral balance.

The management of the agreement took a significant political toll on President Ma and the KMT. A great part of the Taiwanese public opinion was for the rapprochement to the Mainland and the promotion of bilateral economic ties, but they were afraid the speed of the procedure and of the political implications criticised by the opposition.

This largely accounts for the decline of Ma’s popularity -around 30%- with over 50% discontent with his term of office. He was accused of lacking courage and determination at facing Beijing. By March 2010, a research carried out by CLSA Pacific Markets, a financial institution from Hong Kong, stated that Ma and the KMT had squandered public confidence, heading to a sound defeat in 2012 presidential elections. Taipei-based research institute Taiwan Thinktank warned of the need to better communicate about the ongoing negotiations -as well as on their pros and cons- to society, to ease civil understanding and support, and to stop the unavoidable decline of the electoral opportunities for the KMT<sup>(65)</sup>.

In January 9<sup>th</sup>, 2010, legislative by-elections, the DPP had won a resounding victory over ruling KMT. Only three seats were at stake, but none of them were won by the KMT. The KMT handed the option of developing a more effective parliamentary strategy to now 30-seat DPP on a plate. The KMT relied on the ECFA to overcome the negative electoral trends.

In spite of all, the ECFA was neither a panacea or a blessing, nor was it an absolute threat. It was an economic agreement that became more and more logical as trade between Taiwan and Mainland China increased. Taiwanese exports to the US, Japan or the European Union kept dropping, which would probably go on, with the ECFA or without it. However, in 2009, exports to the Mainland also fell -just by 2.41% compared to 2008, though- due to problems in the Chinese

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(65) Muyard, Frank: “Analyse de la présidence de a Ying-jeou à mi-mandat”. Perspectives Chinoises, no. 3/2010, pp. 5-23.

market, especially in the first semester. Exports to the EU dropped by 13.7%, in a context of general falls due to the crisis. During the first four months of 2010, at the height of the talks, the rose again by 67.9%, amounting to US\$ 44,260 millions.

On the other hand, foreign investments (Japan, the US and Europe) planned for Taiwan for the following years were estimated to amount to \$ 8,900 million after the signing of the agreement. The agreement could turn Taiwan into a more attractive operational base for leaping into the Chinese market. Some researches state that the ECFA could boost an average GDP increase by 5.3% until 2020<sup>(66)</sup>.

Similarly, KMT authorities underlined that the adoption of the FTA with strategical ally Honduras in 2008 had boosted a trade growth by 47%, with exports from Taipei to Tegucigalpa increased by 63%, disproving pessimism over the effects of a possible agreement. Economy would grow, not shrink, according to them.

The KMT fiercely defended the agreement as the best way to stop the decline of Taiwan, for it would encourage the development of economic and trade links, not only with the continent but with other markets, and thus saving third parties the trouble of taking sides. If the DPP or other secessionist forces argued that the agreement could dilute Taiwan's sovereignty by increasing interdependence with the Mainland, Ma insisted that the process already had a long history, and had even gained strength during the DPP's term of office in spite of the seek for closer relations with other trading partners in the region. The task to get rid off the Mainland's magnet was neither so easy, nor so difficult.

In his May 19<sup>th</sup> speech commemorating his 2 years of office, Ma assured that he would discuss on unification with China during his tenure even if it lasted 8 years, refusing dialogue on political issues insofar economic and trading debates were not over. The 'three No' were still the basis of the *status quo* between both sides of the Strait. Ing-wen in turn announced that, if they won in 2012, they would repeal or amend the ECFA by referendum or legislative initiatives. Success or impasse?

Concerns in Beijing over the political implications of the agreement were focused on the short term, with the main aim of ensuring KMT's continuity in power beyond 2012. This request accounts for concessions and understanding of foreseeable behaviours from Ma to come, aimed at underlining the commitment to Taiwan citizens.

Everyone was aware that the signing of the ECFA would bear consequences on the strategic situation of Eastern Asia, as well as for strengthening Chinese influence over the region. Both Japan and South Korea would seek stronger links to China, giving the *de facto* leadership of the region

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(66) So was it pointed out by the World Bank in their 2011 Global Prospects Report. See: <http://www.roc-taiwan.org/MX/ct.asp?xltem=177240&ctNode=3967&mp=342> (Last viewed on February 2, 2012).

to this country. Nevertheless, it would also set the basis for a more profound, far-reaching peace, since the promotion of mutual interests helped to decrease the likelihood of a Taiwan Strait war.

The ECFA was signed on June 29<sup>th</sup>, 2010 in Chongqing. On July 1<sup>st</sup>, it was approved by the Taiwanese cabinet, which delivered it immediately to the Legislative Yuan for discussion and ratification, *sine qua non* condition for its entry into force. The parliamentary procedure fuelled, once more, the confrontations between the government and the opposition -between those praising the “new era” and those denouncing a ‘strategical conspiracy’- leaving several members of the parliament wounded.

Back then, opinion polls showed an increase in the popular support to the ECFA above 60%. So did Ma’s public image improve, with a 46.8% support in July -important data if we consider that his popularity was at a low ebb<sup>(67)</sup>. The expectations of growth in the Taiwanese economy rose in 2010 to 6.89%, which meant a 4.73% increase compared to December previous year, according sources from the Academia Sinica. The rise was attributed to the effects of the agreement. Eventually, they rose above 10%.

On January 1<sup>st</sup>, preferential tariffs set by the ECFA came into force, lowering tariffs on 800 . In this regard, China made the biggest effort, applying reductions on 557 Taiwanese of the most different kinds, from fish sales to bicycles, including chemicals, machine-tools, or metal constructions. On the other hand, Taiwan lowered tariffs on 267 imported Chinese products, from concrete to green tea, including petrochemicals, electronic devices, or automotive parts. The agreement, which also includes services and banks, provides three-year gradual reductions depending on the sector.

Thus, even if the ECFA is not the solution for all the problems -according to experts, many of them will require at least five years to come to a due solution- it will certainly normalise exchanges at this level, showing the way for strengthening trade relationships, and easing economic integration. Furthermore, Beijing seems ready to make great sacrifices in order to become more attractive for the business community and the whole Taiwanese society as well, and also to politically strengthen the two main supporters of this policy in the Island -Ma and the KMT.

Yet as it is to expect, not all is necessarily good in the agreement. Main final concerns affect the textile and the agricultural areas. This requires conducting relations with China as normally as possible yet always managing the situation carefully in order to avoid extreme dependence, promoting domestic consumption and other potential markets. The ECFA could be described as the most significant event in cross-Strait relations since 1949. However, everybody agrees that once the initial excitement is over, details on the implementation and talks for further agreements may give rise to significant, increasing tensions. The negotiators agree to this, repeatedly admitting

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(67) Global Views Survey Research Center: Survey on President Ma Ying-jeou’s Approval Rating. June 21, 2010.

that their strategy is consists in dealing with the easiest issues first, and and then tackling the most complex ones.

Investments in Mainland China authorised by the Taipei Government hit the record of US\$ 12,230 millions in 2010 -this is, more than twice the level authorised for 2009 (US\$ 6,060 millions). Moreover, an important qualitative value was added -this growth was mostly due to the services sector, while traditionally being accounted for by the industrial sector. The growth of the Chinese domestic market and the investment liberalisation following the signing of the ECFA supported it. According to independent estimations, lacking this investment dynamic might have reduced the Island's economic growth by 0.6%, down to 1.2%, while trade surplus would have fallen by US\$ 508 to 864 millions. However, the rate of Taiwan sells to China dropped -from 43.3% in 2010 to 40.7% in year 2011.

After a GDP contraction in 2009 (1%), and export drop by 20%, Taiwanese economy recovered in 2010. In 2011, the GDP increased by 4.5%, and the trade surplus reached its highest level in history: US\$ 26,690 millions.

The signing of this Agreement has brought two kinds of advantages for Taiwan. In the first place, it ensures the increase of the exports to China thanks to lower tariff rates. Benefits for investments and the effects in job creation are as important as caution concerning the sectors likely to be damaged -especially the agricultural one. Taiwanese exports entitled to special tariffs are twice as numerous as those from China. The imbalance shows the singularity of this economic agreement as the expression of a far-reaching political will, that gives priority to the affirmation of interdependence to ease the way for unification.

In the second place, it leaves the door open to the regional economic integration process for Taiwan. As already mentioned, the agreement signed by China and ASEAN countries came into force in 2010. Staying out of of this process would mean a significant loss of competitiveness affecting exports, a key factor for its growth. The ECFA not only allows Taiwan to gradually achieve equality with third countries, but enables the Island to negotiate similar agreements with them, playing an active role in the regional economic integration. However, this could be affected by hostile bilateral relations. The ECFA shows the real commitment that China will not suffocate Taiwan. Yet, nothing has been said on the right of Taiwan to sign other FTAs with other countries after the ECFA.

The political scope of the agreement -with details to be completed by other minor agreements- contributes to ease the bilateral climate, and sets a precedent of in essential issue that can be extended to other areas, including politics in due course. The ECFA attaches the conflict to a positive transition dynamic, avoiding the hypothetical need for measures of force in other areas -wether in security or international relations field.

The ECFA's nature is equivalent to that of a FTA, yet the lack of mutual recognition has compelled both governments to resort to non governmental organisations credited by them to put it into

practice. The SEF and the ARATS play an irreplaceable role, being the proof of the ingenuity and creativity displayed in this process where all and nothing is written. Since the steps are specified as mutual exploration and knowledge advance.

The ECFA has a the significant added valour of providing mutual trust, a key variable for further progress in the rapprochement, and to grant that hypothetical unification is materialized without affecting the dignity of both parts. This could be the first step in the way to higher integration scenarios, such an Economic Community<sup>(68)</sup>.

Viewed in this light, the ECFA could constitute the first step for getting involved in the regional economic integration, with the creation of a Chinese-Taiwanese economic area to restart growth. Taiwan's recent economic problems are attributed to deficits in this issue. Nevertheless, the picture would be incomplete if we fail to take into consideration other shortfalls such the imbalanced growth, the strong technological dependence on external sources, the lack of internationally recognised brands, etc. All of this would explain the advance of South Korea to the detriment of Taiwan at the regional level. Furthermore, a more balanced, diversified, model of development with 'indigenous' technological innovation will be required to improve the Island's economy beyond the ECFA.

A distinction can be drawn between the historical-economic logic and the political logic of the agreement. Regarding the first category, the ECFA is the natural outcome of a process which started in the eighties last century, when the Mainland welcomed their SMEs allowing the Island to maintain its international competitiveness through low-cost production. This also provided opportunities for expansion –indeed, significant opportunities if we consider the size of the Mainland's market. From an economic point of view, the process moved forward in a smooth, spontaneous way. The main challenge is the dispute left unresolved since 1949, whereby economic and political interests are linked.

The final choice revolves around deciding whether to take advantage of the Chinese economy to develop or to provide the opportunity of controlling the Island through economy to the Mainland. A priori, this seems more a threat than an opportunity. The entire process of economic rapprochement in the last 25 years has developed alongside an increasing process of democratic reforms and Taiwanisation, that increased the estrangement both sides. With the exception of small gestures, China has not made significant concessions on political identity and democracy to the Island.

The social and political fears of the ECFA lie in its ability to intensify the Chinese threat. The country uses economy as an instrument to achieve its political goals and ambitions. A hypothetical economic union should help to ease reunification. It should be borne in mind that the agreement

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(68) Ríos, Xulio: "¿Una Comunidad Económica China?", in *Política Exterior* no. 130, July/August 2009, pp. 33-38.

is not an urgent need for China, but a political instrument. Taipei needs the agreement more than Beijing does. If not understood this way, it will be the source of misunderstanding between the CPC and the KMT. If Ma also regards this as a first step towards reunification, the misunderstanding would take place between him and a Taiwanese society that, so far, he has been trying to convince of the contrary.

## 4. The role of the United States and Japan

The role of Japan, and most importantly, the role of the United States, are of great importance and significance for the evolution of the dispute. Taiwan counts on both countries to maintain sovereignty, but their fears are expressed from a dual perspective. First, the importance of their relations with China may affect their commitment to Taiwan. Second, the rapprochement of China and Taiwan could move Taiwan away from its traditional strategic allies. The strategic significance of the Taiwan Strait, an essential transport route for the main economies in the region, is today the greatest deterrent of this relationship, together with hypothetical interest from the US to use Taiwan as a battering ram to contain China. On the other hand, especially cultivating the relationships with Tokyo and Washington to preserve minimal negotiation capabilities against the Chinese giant is convenient for Taipei.

However, the relations of Taiwan with both allies are not completely out of conflict. Here are two examples for this. In 2009, Taiwan's decision to relax restrictions on beef exports from the US, associated to the mad cow disease, led to a political crisis in the Island, showing the existing difficulties to resume the conversations on the Trade and Investment Framework Agreement. Talks had begun in 1997 and stopped in 2004, due to the same cause<sup>(69)</sup>. On the other hand, the arrest of a Taiwanese army officer on January 27th 2011, under the charge of spying for the Mainland (described by some as the worst case of espionage in the last fifty years), fuelled the reluctance of some social sectors and the opposition towards the rapprochement policy. Moreover, it affected the relationship with the US, always fearful the leaking of military secrets to China<sup>(70)</sup>. Back then, the KMT reminded that two Chinese spying for Taipei had been executed in 2008.

In Turn, Mainland China is well aware of the influence -both negative and positive- that the US can exert on the development of cross-Strait relationships. During the term of office of Shui-bian, China significantly increased requests to Washington to any hint of double-speak in view of the doubts raised by the greater tolerance showed by the increase in exchanges of -level visits -Vice-President Annette Lu, and Foreign Minister Mark Chen visited the US-, the support to the admission of Taiwan in the WHO, or the shadow cast over the future of the "three stops" (stop selling weapons to Taiwan, and halt military relations with Taiwan, to stop official communications

(69) Taiwan is the sixth biggest market for meat exporters from the United States. Ma tried to lift the ban, but the Legislative Yuan stopped the measure.

(70) Available at: [http://www.elpais.com/articulo/internacional/Taiwan/detiene/general/acusado/espiar/China/elpepuint/20110209elpepuint\\_15/Tes](http://www.elpais.com/articulo/internacional/Taiwan/detiene/general/acusado/espiar/China/elpepuint/20110209elpepuint_15/Tes) (Last viewed on February 2, 2012).

with Taiwan, and stop supporting the admission of Taiwan in international organizations that only sovereign countries can join).

Chen called on the US arguing that a Taiwan ruled by a political party with the aim of unification with China would challenge mutual trust and cooperation with the United States, and that a sovereign Taiwan is a long-term interest for the US.

The Pentagon's 2004 annual report to the US Congress on Chinese military power<sup>(71)</sup>, suggested the possibility of a counter attack from Taiwan against civilians in the Mainland in case of conflict, causing a wave of indignation in Beijing. In June 2004, the Taiwanese army conducted military exercises to responses to a hypothetical attack of Mainland missiles. The US-made simulation system, and the active presence of American advisors in operational scenarios, showed cooperation levels never seen in the previous 35 years. At the same time, the US performed joint exercises with Japan to analyse support strategies to Taiwan in case of a conflict with China. China in turn responded with the deployment of 18,000 troops in the Province of Fujian -in front of Taiwan- simulating the invasion of the Island. Furthermore, Washington enhanced its military presence in the region under the pretext of the uncertainty in Pyongyang. This a scenario showed a deterrent policy enough to discourage any military offensive.

Nevertheless, in spite of the heightened tensions, the weapons purchases planned by the Taiwanese government encountered the veto from the Legislative Yuan. The opposition, focusing on the erosion of the Government, demanded an exhaustive, one by one analysis of each purchase, in spite of the warnings of the representative of the American Institute in Taiwan Theresa Shaheen, who claimed that the refusal of the Legislative to support the proposal for acquiring weapons could damage the relations with the US.

China was and will always be very critical of the arms sales to the Island, justified by the DPP because of the aggressive predisposition of the Mainland, with enough power to attack the Island at any time thus putting an end to the peaceful existence of its citizens. Back then, Ma stated that, if chosen for the Taiwanese presidency in 2008, he would request China to remove its missiles pointing at Taiwan as a non-negotiable condition to resume official contacts.

The Taiwanese question has always been a constant and strong feature in the many political and military discussions between delegates from Beijing and Washington. During the term of Chen Shui-bian, China was specially careful in prevent that "wrong signals" were sent to Taiwanese secessionist forces. The apparent ambiguity of some American leaders -including the then-Speaker of the House of Representatives Nancy Pelosi- was shocking. This pressure resulted in the US opposition to Chen's proposal of calling a referendum for the Island to be able to apply for admis-

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(71) Kern, Soeren: "¿Se dirigen China y EEUU hacia un conflicto bélico por Taiwán?". Real Instituto Elcano de Estudios Internacionales y Estratégicos, March 16, 2005.

sion to international organisations under the name of Taiwan, contradicting former promises and challenging the prevalence of the *suatus quo*. However, at the same time the House of Representatives unanimously adopted a resolution that appealed the suspension of the restrictions to the Taiwanese leaders on visit or transit through the United States, disregarding Beijing's demands. The Mainland is always fearful of what they call the US "strategic ambiguity"<sup>(72)</sup>.

The most disturbing point in this triangle is the sale of arms to Taiwan by the US<sup>(73)</sup>. Reports from the US, and authoritative Taiwanese opinions such as that of Admiral Lee Jie, China's military superiority in weapons and surveillance satellites, as well as the substantial increase in electronic war games against the Island. According to official figures, Taiwanese government has spent an average of US\$5,200 million on weapons purchases, in comparison to President Lee Teng-hui's annual ,350 million average , or 1,050 million one in Chen Shui-bian's term. Thus, Ma seeks to protect himself against those who accuse him of lowering security in the interests of better understanding with Beijing.

A new report from the Pentagon on the Chinese military power released on August 17<sup>th</sup>, 2010, highlighted the evolution of the correlation of powers in the Strait area -clearly balanced in favour of Mainland China. According to the document, the expansion of the Chinese armed forces aims at "anticipating, delaying or avoiding" US support to Taiwan in case of conflict. The 74-page document reiterates the denounce of the "utmost confidentiality" behind Chinese intentions, and recalls that the PLA's main aim in the short term is acquiring enough power to conquer Taiwan by force. The capacities for deploying a rapid, surprise attack to maintain a sea blockade on Island, or for resorting to sophisticated cyber war have significantly increased, yet not enough as to deliver the final blow to gain full control over the "rebel" Island, they say.

Assuming that the probabilities for a military conflict in the Strait are minimal nowadays, and that the gradual normalisation of bilateral relations outlines a somehow stable scenario, the Taiwanese Ministry of Defence reacted to this report by highlighting the importance of keeping the weapons supply from the US at all costs in order to maintain an optimal level of self-defence capability. President Ma himself urged Washington to sell the advanced F-16C/D fighter jets to stop the military power from shifting towards Beijing. In an interview to the Japanese newspaper *Sankei Shimbun*<sup>(74)</sup> on August 18<sup>th</sup>, 2010, Ma revealed that the Taiwan had not lowered its guard concerning the military capacity of the Mainland, underlining their determination to stay at good odds with the US in the military.

(72) Feng Changhong: "¿A dónde se dirige la política estadounidense hacia Taiwan?", *Renmin Ribao*, September 2, 2002. Available at: [http://spanish.peopledaily.com.cn/spanish/200209/02/sp20020902\\_57333.html](http://spanish.peopledaily.com.cn/spanish/200209/02/sp20020902_57333.html) (Last viewed on February 2, 2012).

(73) "La venta de armas a Taiwán tensa las relaciones entre China y EEUU", January 7, 2010. Available at: [http://www.elpais.com/articulo/internacional/venta/armas/Taiwan/tensa/relaciones/China/EE/UU/elpepuint/20100107elpepuint\\_7/Tes](http://www.elpais.com/articulo/internacional/venta/armas/Taiwan/tensa/relaciones/China/EE/UU/elpepuint/20100107elpepuint_7/Tes) (Last viewed on February 2, 2012).

(74) President Ma interviewed by Japan's *Sankei Shimbun* newspaper, August 19, 2010. Available at <http://english.president.gov.tw/Default.aspx?tabid=491&itemid=22205&rmid=2355> (Last viewed on February 2, 2012).

Furthermore, on August 25<sup>th</sup>, 2010, the United States Department of State notified to the Congress the decision to authorise the direct sales of defensive weapons, together with a certain number of services to ensure the maintenance and the adjustment of electronic defence systems by US companies to Taiwan. means a significant step beyond simple proceedings: until then, offers, production, and sales of weapons had been in the hands of the government, under the FMS (Foreign Military Sales) system, which the experts viewed as safer, more transparent, but yet more expensive for the purchaser. Now, it is possible to place them on the market under the DCS (Direct Commercial Sales) system, which, although subject to the Arms Export Control Act, requires lighter proceedings, and has security. The decision shows Washington's much more determined tone when it comes to dealing with Beijing on the Taiwanese dossier, turning a deaf ear to criticism, and adding spokes in the wheel of bilateral relations<sup>(75)</sup>.

Without reducing their intransigence a bit, but avoiding being carried away with a temperamental reaction, and taking good care of preventing confront from spoiling the relaxed atmosphere in the Strait area, Beijing assumes the particular, changing geometry of the cross-Strait rapprochement building, stressing the prevalence of commercial aspects, trusting interdependence and growing confidence to get everything in place -Washington included. At that time, the then-Governor of Guangdong province Huang Huahua, negotiated the purchase of commodities by \$ 7,000 millions in a visit to Taiwan leading a delegation of more than 1000 people.

On September 21<sup>st</sup>, 2010, the Obama Administration reported the authorisation of a six million dollar arms sale to Taiwan. It would allow Taiwan to update their obsolete F-16A/B fighter jets aircraft. In spite of the criticism from the Republicans accusing Washington of 'abandoning a valuable ally', the sale of more modern fighter jets F-16 C/D was ruled out. Nevertheless, Taipei rushed to "thank" to the US for the decision, even if it did not completely fulfil their expectations.

Operations of this kind have always heated relations between Mainland China and the US. Beijing insists that everything related to Taiwan belongs to their "central concerns". In January, 2010, China broke military exchanges with the US in protest against a similar deal for \$ 6,400 million, which included the delivery of Patriot missiles, Black Hawk helicopters, and equipment for the F-16 aircraft. However, exchanges were resumed at the end of that year.

Beijing did not charge Washington for this. China is well aware that the capacities gained by Taiwan through this purchase do not greatly threat peace in the area, and that the solution of the Taiwanese question requires deepening the exchanges in other fields, until improvements in the confidence between of both parts drive security matters to the background.

Obama's decision reinforced Ma Ying-jeou's electoral expectations. He was Beijing's less feared and favourite candidate. His victory was an essential condition for a further development of

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(75) Ríos, Xulio: "Taiwán versus República de China: ¿ser o no ser?" in Vanguardia dossier, October 2011.

the cross-Strait relations. Less than three months to Taiwan's crucial legislative and presidential elections on January 14th 2012, this announcement from Obama could be understood in terms of a political preference for the renewal of the KMT's rule. This approach was supported by the visit of DPP candidate Tsai Ing-wen to Washington seeking support for her campaign, which was of no help in inspiring confidence to those sectors that had experienced Chen Shui-bian's term of office as a negative experience.

Bonded to Taiwan through the Taiwan Relations Act, Washington plays a key role in granting the security of the Republic of China. However, in Taipei they are well aware that the mere *détente* based on their only means can help to avoid the military pressure of the Mainland. Direct involvement of the US in case of an armed conflict is not conceivable. For Washington, the interest in Taiwan is mainly strategic. Under a change in circumstances -for example, if the US lost their interest in the hypothetical use of Taiwan as a means to contain Mainland China- the future of the Island would be compromised, and the scope for action would shrink. In turn, Beijing's military modernisation process considers the development of the capabilities to keep the US at bay in the area as a major aim.

Under current circumstances, the odds are that Washington "allows" relations to go as far as they can, but not more. Considering that only a minority is clearly in favour of unification, rapprochement can only limit itself to economic and few other issues, without affecting the strategic interests in the region, an essential territory for Mainland China where Washington steps up efforts to keep its influence in a scenario of progressive loss of its economic and trading influence. Korea and Japan to the north, and Taiwan to the south, are key pieces of the strategic influential scenario of the US at the gates of the Chinese empire.

Regarding Japan, during Shui-bian's term of office, China demanded the fulfilment of its commitments to Tokyo, reminding importance of not fuelling expectations on the recognition of the Island's independence. This explains the complete rejection to allow visits from Taiwanese political personalities to these countries -even to private trips, such as the visit of ex-President Lee Teng-hui to Japan. His elder brother had died wearing the Japanese imperial uniform and is honoured, together with numerous Japanese war criminals, in the Yasukuni temple. The former colonial power has a leading economic and trading role in the region. During the visit, Lee Teng-hui was awarded the Shinpei Goto prize, which was established in honour of a Japan's colonial administrator in Taiwan, and arises a strong indignation from Beijing.

China demanded greater moderation in the exchange of high-level visits, as well as regarding gestures of sympathy towards overtly philo-Japanese ex-President Lee Teng-hui. The neutralization of Japan could be of help for a better development of ongoing conversations, and to a quick strengthening of common language.

It is important to bear in mind that Japan is an important regional reference in the disagreement that confronts China and Taiwan. The country the occupying power of Taiwan from 1895

to 1945, leaving a significant economic, politic, and cultural footprint still surrounded by controversy. Unlike the Mainland, there are still many guardians of the Japanese commitment to the economic and education development in the Island which would settle the basis for the from the Mainland. In 2005, Japan was Taiwan's third bigger purchaser and its first supplier (25%), above the US (12.9%). Furthermore, Japan is a key factor in the defence of Taiwan with the US, too. Both economic and defensive issues found relevant complicity from the governments of Koizumi (2001-2006) and Chen Shui-bian and allies, being especially supported by former President Lee Teng-hui's TSU. In the search for the institutionalisation of bilateral relationships, the DPP demanded the of a law from Japan similar to the Taiwan Relations Act.

However, not all was rosy in Taipei-Tokyo relationships. In those days, the aboriginal MP Kao Chin led a protest in Tokyo to demand an apology and reparations to those who had died in the service of the Japanese Imperial army, forcibly recruited into the imperial land troops. Claims on the Diaoyu Islands or the fishing dispute are examples of other frictions indirectly pushing towards -Strait cooperation. Taiwanese fishermen even threatened with flying the Chinese flag from their boats if their government did not protect them properly. Much to their amazement, the fishermen, who obtain a quarter of their catches in the area, saw how Japanese patrols did not accost the fishermen from the Mainland. Even considering Tokyo as a necessary ally in the strategy to drift away from Mainland China, Chen had then no option but to dispatch a boat to the area.

Ma in turn put significant effort in improving relations with Tokyo during his first term of office. Those relations were a priori tarnished by an alleged lack of sympathy. His groundwork achieved success in April 2010, when Taiwan and Japan signed a memorandum to encourage cooperation and exchanges<sup>(76)</sup>. At the same time, it is advisable to bear in mind that Taiwan was the first donor of funds donor after Japan earthquake on March 11th 2011.

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(76) Williams Martin: "Taiwan, Japan Sign Memorandum to Enhance Ties", in Kyodo, April 30, 2010.

## 5. Conclusions and expectations

During the term of office of Hu Jintao, both sides of the Strait have managed to leave confrontations behind in a record time, to enter a new era of reconciliation and negotiation. In a surprise twist, a direct, public dialogue between the KMT and the CPC began in June 2005, opening a new period in cross-Strait relations. This third period of understanding among the major historical rivals in Chinese contemporary history joins two previous periods. First, when the communists entered the ranks of the KMT to fight together and defeat warlords in early 20<sup>th</sup> century. The alliance would fall apart after the White terror unleashed by Chiang Kai-shek in 1927. Second, to fight together against Japan in 1936, bringing to an end civil strife to be resumed in 1945.

These temporary alliances share the fact of having occurred in exceptional circumstances, with the underlying shared need to overcome serious risks that threaten the survival or the identity of the Chinese nation. What shadow cast upon China in 2005, accounting for cooperation between KMT and CPC? Without any doubt, the rise of secessionism in Taiwan, that seriously jeopardized the preservation of the *status quo* emerged in 1949, and threatened to drive Taiwan further away from the Mainland. Such circumstances could lead to an armed confrontation capable of destabilising all East Asia and ruining China's peaceful emergence process.

Understanding between CPC and KMT first crystallized in the two first meetings of Hu Jintao and Lien Chan. Nowadays, such meetings are a part of the institutional routine. Understanding first promoted an asymmetrical paradiplomacy that allowed to overcome the confrontation instigated by Chen Shui-bian and the DPP. The political action of the KMT, combined with the mistakes of the DPP, led the latter to a double defeat (in legislative and presidential elections) in 2008, which earned victory to the KMT. From then on, the first signs of normalisation in relations rapidly emerged -in both the so-called 1992 consensus (under the "one China" motto, although admitting different views on the subject), and in resuming contacts between the Straits Exchange Foundation (Taiwan) and the Association for Relations Across the Taiwan Straits (China), after a 10 year halt.

To a great extent, Ma recovered the traditional discourse of the KMT by encouraging dialogue between the KMT and the CPC. His rhetoric was full of references to the common Chinese identity, and other ROC-related symbology, opposing the idea of an exclusive Taiwanese identity. In this sense, the parties in favour of unification have gained ground in the KMT against those that had spearheaded the national construction process in Taiwan. However, two qualifications on the matter should be taken into account. In the first place, the rapprochement between KMT and CPC does not equal that between the Republic of China and the People's Republic of China. Moreover,

it is unlike that Beijing recognises the existence of both realities -more on the contrary, the country may choose to ignore the problem and to give priority to economy and other subjects.

In the second place, Ma and the KMT need a Taiwanese discourse to win. The pro-unification government and the increasing economic integration are not enough to promote common Chinese identity and make the Taiwanese people long for unification with the Mainland. Public opinion is strongly divided on considering benefits and drawbacks of the relationship with China. So far, polls show that the number of people considering themselves as Taiwanese grows, with a bigger number than those admitting a double identity. This is especially evident among the younger generations, where the number of self-confessed Taiwanese reaches 75%. This is not only about a confrontation between past and future, dictatorship and democracy. There is also a sense of belonging to two different societies and a latent or express desire for secession that increases in spite of contention attempts. Yet, it is true that the concept of Taiwanese identity, so deeply-rooted among the youngest generations, is open and flexible as well. Most of the Taiwanese might probably opt for sovereignty if this would not imply war, but if this is not possible an uncertain unification scenario could be imagined. Flexibility exists, and stands as one more reason to demand respect for their right to choose.

The Mainland policy performed by Ma and the KMT is based on five premises. First, progressive normalisation of the contacts between institutions. Second, economic and trade cooperation. Third, civil rapprochement. Fourth, demanding of room within the global scenario. Fifth, a peace agreement. The biggest handicap is the difficulty to encourage the participation of other social sectors and to broaden the social base of this strategy. This is a consequence of DPP's stubborn opposition, together with its quick electoral recovering, that kept its electorate intact, and China's relatively few concessions.

The KMT's 'active approach', together with the surge of sinocentrism, accompanied by a clearly pro-Chinese rhetoric concerning the Island's leadership, are faced by a society where 'only-Taiwanese' feelings have exponentially increased. The KMT needs to contain and reorientate this ground trend in order to keep its relevant social and electoral support.

Ma Ying-jeou has reiterated that under the current circumstances bilateral relationships are heading towards peace, not towards unification, which is impossible without political change in the Mainland, in spite of the (much) closer links in other fields. In such terms, the main political obstacles to reunification are democratisation and pluralism, which, by the way, are not scheduled by Mainland's agenda. The only democracy accepted by the CPC to date is the one that helps to increase its leadership.

Completing unification is the biggest ambition of Beijing. There may be economic, military or security agreements to ease tensions and keep the current *status quo* in stable conditions, but moving towards unification will require more than smooth talk and small gestures from the Mainland. Democracy is the excuse to condition unification, and without it, the support of the Taiwanese

people seems unlikely. The dialogue with Taiwan (a small country in demography, but big in economic, technological, and defensive significance, among other fields) can have a precise influence on the nature of the all-powerful China to come. Leaving aside the decisive role of Washington, success will not be possible if things are done behind the Taiwanese people's back, or against its will. The political pluralism and dynamism of the Taiwanese society will not allow the CPC-KMT alliance to simply prevail over 23 million Taiwanese people.

Nevertheless, Mainland China can only be satisfied by the general evolution of relationships with Taiwan since Ma Ying-jeou assumed his duties as a President in May 2008. The rapprochement of both sides has a strategic nature, going beyond the mere surface of a four-year or longer term, but tactically it has the hypothetical power of guaranteeing the continuity of the KMT's leadership in Taipei, for its main opponent the DPP is clearly positioned against it.

Being Taiwan -the sixteenth exporting power worldwide, in possession of the fourth largest currency reserves- a *de facto* (but not legitimate) state as it is, the current dynamic seems to point to an also *de facto* unification, doubly based on the rapprochement in social and economic issues, and awaiting for the right conditions to settle a politic dialogue to regularise a reality that begins to take shape very quickly in some fields, while in others it will require all the proverbial oriental patience. Only through a *de facto* unification will it be possible to create the necessary conditions for both parts to decide freely, free from foreign pressures or interferences, the end of one of the cold war's last traces remaining in Asia and worldwide.

The key of this process, in any case, revolves around the KMT's ability to achieve the essential social support to its policy. According to recent research by the Global Views Survey Research Centre, before and after the signing of the ECFA less than 10% of the Taiwanese people were in favour of unification, compared to 30% in favour of independence and more than 50% advocating for the preservation of the current *status quo*. Results are even more enlightening if the question is formulated on eventual unification: nearly 70% reject this possibility<sup>(77)</sup>.

In his second term of office, Ma could act more boldly when dealing with touchy questions, but first he needs to overcome fears existing among certain social sectors of the Island. These groups are less reluctant to the intensification of the economic and trade exchanges than to the political implications of a rapprochement that pulverises the *status quo*. In this sense, the search for common points with the DPP does seem complicated but unavoidable: on the contrary, a greater part of the population will oppose the process.

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(77) Opinion polls on the subject are very common. They can be followed through <http://www.gvm.com.tw/gvsrc/eng/index.asp>. The analyses made by the Election Study Center of the Chengchi University are also authoritative -although often reiterated by media such as the TVBS group or publications like the Common Wealth Magazine or Global Views Magazine.

Therefore, rapprochement is expected to be longer and much harder to achieve in the political field than in any others. Counteracting this will take large discussions on democracy, with all qualifications and reservations necessary. Maybe new forms of association -temporary, complex ones- will have to be conceived. Right now, this seems a very distant question, but history evolves quickly, and the democratic aspirations of a part of the Chinese society also find a powerful ally in Taiwan.

It must be kept in mind that if the first four years of Ma's term have not changed the underlying trends -that still remain to a big extent- the emergence of new channels for bilateral relationships has forced the DPP itself to rethink its strategy. Indeed, the rapprochement promoted by the KMT is positively translated not only into the improvement of electoral prospects for the opposition, but also in the internal tensions between those defending the need to maintain the traditional positions and those suggesting a pragmatic adaptation to the new circumstances.

Some outstanding military men that took part in the Mainland meetings organised by the KMT and the CPC were dismissed on the spot. However, the claims of leaders of important populations such as Kaohsiung or Tainan, ruled by the DPP, have been more problematic. They consider that it is essential to walk towards the improvement of relations with the Mainland. Kaohsiung's Mayor Chen Chu has already visited China (Beijing and Shanghai), while Tainan's Hsu Tain-tsair travelled to Xiamen. In spite of the institutional nature of both actions, divisions on the opinion regarding the appropriateness of their visits were plentiful in their political party. In both cases, the need to strengthen ties to avoid marginalisation in investments and tourism, encouraged, among other fields, by the Mainland, is highlighted. The Mayor of Kaohsiung further distanced herself from her political party after announcing her conditioned support to the ECFA regarding those questions that she judged as positive for farmers and fishermen.

Needless to say, the Mainland Taiwan Affairs Office of PRC's State Council welcomed such behaviour of some DPP members, encouraging them to break the ice, and to reshuffle cross-Strait policies.

Before her resignation, Tsai Ing-wen herself alluded to the possibility of opening new communication channels with the Mainland, yet through third parties and never in a direct way, in order to prevent the KMT from being considered the only voice of Taiwan. The gesture was immediately saluted by Beijing, yet accompanied with the invitation to abandon aspirations for sovereignty. A certain degree of unofficial dialogue with the DPP is interesting for Beijing, in order to support the less hostile groups. Last election results favoured the more realistic, moderate sectors of the DPP<sup>(78)</sup>. As bilateral relationships get deeper and broader, the process also reaches other entities supporting the DPP, which demand the party respect for their interests.

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(78) "Le DPP appelle à voter une nouvelle résolution sur les relations entre les deux rives", CNA, January 19, 2012.

That is where China must split hairs, proving its ability to build confidence, avoiding humiliating and provocative gestures, and admitting that neither the CPC, nor the KMT, can erase the advances already made in the field of Taiwanese identity –and that the celebration of the same may provide new loyalties.

Mainland China directs its action within a medium- to long-term perspective, assuming as many concessions as possible in order to ease rapprochement and showing an increasingly appealing attitude to dispel fears of important Taiwanese social groups. Chinese influence over Taiwan has increased, and it will keep growing in the next years, which may result in the reduction of Taipei's room for manoeuvre. However, the will to preserve the Taiwanese identity and the fear of a slight mistake that might lead to *de facto* economic unification do not seem easy to overcome.

Taiwanese society is used to challenges. Its trajectory through the 20<sup>th</sup> century tells us about innate abilities to overcome great difficulties such as poverty or dictatorship. When all is said and done, the reality that Taiwan represents today –a developed country with one of the highest democratic levels in Asia– demonstrates the abilities of its political elites in complicity with a hardly negligible civil society. The process has taken place at the same time that the development of a third pillar –Taiwanisation. Thus, that 1912-founded ROC, renamed as Taiwan in 1949, progressively gave way to an adaptation to new political circumstances through constitutional reforms, always endorsed by elections. This has allowed the 90% of the population conformed by the native society (including Hoklos, Hakkas, aborigines, and Taiwanese natives) to finally become the master of its own institutions.

Such mechanisms were gradually reasserted in a context marked by the changes undergone on the other side of the Strait. This implied challenges to the Island –primarily, regarding economy– solved by Taiwan through accelerating the shift in the productive model, redirecting emphasis from low costs to the production of added-value commodities, especially computers and electronics. Nevertheless, this turn has not been enough to prevent dependence on China –with an increasing important flow of economic and human resources– from growing. Economic interdependence translates into an imbalance that demonstrates the vulnerability of Taiwan at facing China, and adds the power factor, to be used by China as a means for political influence. While lessening perception that may lead to conflict, the ties established open the way to realise unification, too –indeed, in an unavoidable way, no matter which political party rules the Island. The consolidation of a two-party system, mitigated by power switching, is inseparable from the taiwanisation process, that has run into the hostility of a highly realistic international scenario that limited its ambitions to preserve the *status quo*. The internal confrontation between two opposite nationalisms (the Taiwanese and the Pan-Chinese) has not been solved after the election of Ma. More on the contrary, it opened the door to the development of national identity in accordance to the expectations of unification with China. The 2000s decade has provided clear evidence of an effective consolidation of Taiwan's diversity and complexity, with the affirmation of values like democracy, identity, or diversity as the proof of its singularity.

Nobody wants confrontation. But to avoid it, they hardly can be confident of leaving their future in the benevolent hands of a protective power. On the contrary: they will have to find by themselves a way to fit a reality that, in spite of only being supported by reduced minority -both within the KMT and in the Island- might finally achieve its goal.

Hu Jintao has co-starred the greatest shift of bilateral relations in history. May his boldness and patience find a place among his successors beyond the 18<sup>th</sup> Congress of the CPC.

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