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Discussion Paper

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The Outlook of Cross-strait Relations over the Next Three Years

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Cross-strait relations have enjoyed a peaceful development since 2005. After Ma Ying-jeou was elected in 2008, the momentum of peaceful development of cross-strait relations was greatly enhanced. In 2012, Ma Ying-jeou won the re-election. In early 2013, the new Chinese government took office. In the next three years, the two sides should seize the historical opportunity to promote the institutionalization of exchange and strengthen the development of institutionalized cross-strait relations.

Main Contents of the Future Development of Cross-strait Relations in the Next Three Years

First, with the development of cross-strait relations, both sides begin to seek to solve the most difficult issues, the political issues. Under the principle of “addressing easy, primarily economic issues first, reserving more difficult issues”, the two sides start with solving easy issues in the economic field. Mainland and Taiwan opened the three links, signed ECFA, and began follow-up negotiations and implementation. With the more frequent people-to-people contacts and cultural exchanges, Taiwan's international space has gradually expanded. However, both sides came to realize political divergence is restricting the level and speed of the development of cross-strait relations. Therefore, both sides began to consider how to solve political issues through negotiations. Nevertheless, the so-called “political issues” are complicated. It includes historical issues, issues coming up during development process and also issues about external interference. Currently, the negotiation of political issues between mainland and Taiwan government is temporarily unfeasible. However, unofficial think tanks have begun research and political dialogue on the "Cross-strait Peace Forum".

Second, ECFA follow-up consultations will continue to focus on difficult problems. ECFA is a cross-strait economic cooperation framework agreement, and its follow-up consultations involve the signing of four major agreements. They are the Cross-strait Investment Protection Agreement, the Cross-strait Agreement on Trade in Goods, the Cross-strait Agreement on Trade in Services and the Dispute Settlement Mechanisms Protocol. Last August, the two sides signed the Cross-strait Investment Protection Agreement in Taipei. In the first half of this year, the two sides signed the Cross-strait Agreement on Trade in Goods and the Cross-strait Agreement on Trade in Services. In the second half of this year, the two sides will focus on the signing of the Trade in Goods Agreement and the Dispute Settlement Mechanism Protocol. Currently, there is opposition against the signing

of the agreement on service in Taiwan. It requires Ma Ying-jeou's government to enhance people's understanding of the policy and explain it to common people as well as workers in related industries; it also requires both sides to consider the interests of Taiwan people from all classes when implementing the policy.

Third, the cross-strait cultural and personnel exchanges will enter a golden period of rapid development. In 2012, the number of people participating in across strait personnel exchange exceeded 8 million. With the lift of various bans, this number will continue to grow. The cultural and educational exchange used to be relatively unidirectional. For instance, no Chinese students and artists but only Taiwan students and artists went across the strait to study and perform. No Chinese TV programs but only Taiwan TV programs broadcasted across the strait. Now the situation is changing, mainland students also study in Taiwan; mainland TV shows are popular and influential in Taiwan. For instance, "I am a singer", the TV show produced by Hunan Satellite TV caused a sensation in Taiwan. With increasingly frequent educational and cultural exchange, both sides start to call for the signing of "cultural ECFA". On the other hand, with the continuous development of science and technology, the interactions between the two sides in virtual space have become increasingly frequent.

Fourth, the two sides are actively discussing the issue of establishing offices of the Association for Relations across the Taiwan Straits and the Strait Exchange Foundation on each side. Taiwan media comment that this initiative truly "serves the people" for it makes the exchange between the two sides more convenient. Taiwan businessmen, students and compatriots are able to go to offices close to them to solve problems. It fully demonstrates the pragmatic spirit of both sides when solving problems concerning the interests of people.

The Major Factors Affecting Cross-strait Relations in the Next Three Years

Over the next three years, the development of cross-strait relations will be subject to the following two major factors. The first factor is the island's politics. 2016 is the election year in Taiwan. Whether the KMT or the DPP will come to power still needs sustained observation. The rivalry between the two parties will certainly affect cross-strait relations. Based on simple analysis, there will be two major trends of future cross-strait relations. Firstly, contained by the DPP, Ma Ying-jeou will be relatively conservative about promoting the development of cross-strait relations. The government will "emphasize foreign relations and de-emphasize cross-strait relations". However, we are also very pleased to see that KMT Honorary Chairman Wu Poh-hsiung visited mainland and met Chairman Xi this June. Wu's proposal of a "One China Framework" shows the KMT has made progress in cross-strait relations and indicates its agreement on the "One China"

principle. This visit enhances the mutual trust between the KMT and the Communist Party, and also increases mutual trust of the two sides.

Secondly, the DPP's will continue to adjust its mainland policy which will have a direct impact on the mainland policy of the current Taiwan government. In June 2013, DPP Chairman Su Tseng-chang visited the United States and proposed the "3R": "responsibility", "reconciliation" and "rebalance". "Responsibility" aims to change the bad impression that the DPP is a "troublemaker" which was made by Chen shui-bian; "reconciliation" stresses that Taiwan should be confident to have dialogues with the mainland and promote non-governmental exchanges. This policy is designed to ease U.S. concerns about the DPP's mainland policy; "rebalance" intends to comprehensively strengthen Taiwan-US relations. The U.S. is discontent with Taiwan's small spending on defense. The DPP stresses that the DPP will increase spending on defense. Su's purpose of making the policy public is very clear. However, the policy failed to meet the requirements of the U.S. due to the lack of consensus within the DPP. After proposing of "Two Sides, Two Constitutions, former DPP Chairman Frank Hsieh went to Hong Kong as the president of the Taiwan Reform Foundation with 30 DPP members and academics to exchange opinions with mainland scholars. Although the difference of opinion between the two sides is still huge, this exchange indicates some party members of the DPP think the party needs to adjust its mainland policy.

By the end of the year, the DPP will have completed nine rounds of a cross-strait policy symposium. This shows that the DPP has realized mainland policy will be its weak point in 2016 election. In order to return to power, the DPP must make adjustments. However, further observation is needed to estimate the adjustment of the DPP's mainland policy and the direction that the symposium will head to.

The second factor is the Sino-US relations. Sino-US relations encountered some difficulties in the latter half of Obama's first term. Last year, China sent the signal of building a "new model of major country relationships" to the US and got positive response from the U.S. government. In early June this year, the two leaders met in Annenberg manor (California) and changed opinions on the strategic issues that both sides are concerned with. Currently, the bilateral relations of China and the U.S. appear to pick up momentum. To avoid the so-called "historical destiny" and build a new model of major power relations, the two countries need to make achievements in the following five fields: management of structural contradictions such as the Taiwan issue; avoidance of crises such as military security crisis and cyber security crisis; healthy competition such as competition in the economic and trade field; promotion of effective cooperation such as cooperation in strategic and diplomatic fields as well as on regional issues; vision construction regarding values, order, rules of understanding. If China and

United States are able to effectively manage structural contradictions, the prospects for the development of cross-strait relations will be brighter.

The third factor is whether both sides can further enhance mutual trust by solving certain issues cooperatively. Mutual trust is an important guarantee for sustainable peaceful development of cross-strait relations. Although mutual trust of the two sides leaves much to be enhanced, it is undeniable that, under the "One-China" principle, the economic, cultural cooperation as well as cooperation in expanding Taiwan's international space between both sides is pragmatic and effective. Cooperation in these fields has already created opportunities for both sides to build mutual trust. In the future, both sides should accumulate mutual trust by solving different issues together. For instance, unofficial political dialogue between the two sides is an excellent platform to accumulate mutual trust. Both sides should take advantage of it. In addition, the mainland has said the issue concerning Taiwan's hope for obtaining observer status at the International Civil Aviation Organization (ICAO) could be solved in an appropriate way. This interaction is the first interaction the two sides had regarding Taiwan's bid for observer status at international inter-governmental organizations after Taiwan got observer status at the WHO. Hopefully, it will also help both sides to strengthen mutual trust. However, the U.S. Senate and House recently passed a resolution supporting Taiwan's bid for observer status at the ICAO and president Obama signed the bill. This event sends out two signals. One is that the United States continues to support Taiwan's bid for observer status at international intergovernmental organizations. Secondly, Taiwan still focuses on building relations with the United States and letting the United States give pressure to the mainland. This approach doesn't help enhance mutual trust between Taiwan and the mainland. As long as Taiwan is unwilling to face the political dialogue aiming at institutionalizing the peaceful development of cross-strait relations, the solution to the issues regarding Taiwan's international space can't be institutionalized.