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Discussion Paper
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**Implications of the New US Administration
on US-China and Cross-Strait Relations**

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President Obama took office on January 20 and his administration has since started to readjust the U.S. domestic and foreign policies. Although it is still premature to fully describe the contents and implications of the Obama Administration's policy towards U.S.-China and Cross-Strait Relations, it is possible to draw a general line of the relevant concepts, considerations and directions. The relatively smoother start of the Sino-U.S. relations and warming up between the two sides across the Taiwan Strait might direct a positive and cooperative relationship in the upcoming few years.

I. President Obama's Priority on His Foreign Affairs Agendas

President Obama came to power at a time full of challenges. On his immediate and urgent agenda he has to deal with the financial crisis and economic downturn both at home and in the world. President Obama has made it his first priority to strive for economic recovery. Besides, the Obama Administration has to prove itself in effectively meeting the challenges from extremism and terrorism by shifting the main theatre from Iraq to Afghanistan and Pakistan without repeating the Vietnam or Iraq Quagmires. Equally important, the United States must reassert itself on climate change and other global issues. Besides, President Obama also tries to reset the relationship between the United States and the Islamic/Arabic World.

In the mid- and long-term, President Obama has three major tasks. *The first and foremost is to rebuild the U.S. leadership in the context of multipolarization.* The Obama Administration is on the learning curve on how to maintain the U.S. primacy while sharing some of the leadership with other major players in the world. For example, the U.S. tries to work with the G-20 on the restructuring of the international financial system. Another case in point is that the United States is readjusting its relations with other major powers including China and European countries. *Secondly, the Obama Administration needs to form new strategic thinking and planning on its relations with other major players such as Europe, Japan, and Emerging Powers.* The U.S.-led alliance system will be kept but is in need of fundamental changes for tackling global issues ranging from counter-terrorism to food safety. The United States and the Emerging Powers of China, Russia, India, Brazil and South Africa are negotiating the reallocation of rights, powers and interests. *Last but not least, the Obama Administration has to strike a balance between the globalization and its constituency-driven system.* The U.S. political system is much constrained by various interest groups, thus often resulting in conflicts between their single objectives and the U.S. global agendas. However, President Obama has difficulties to carry on such profound political reform.

II. U.S.-China Relations in the Era of President Obama

That Sino-U.S. relations have a relatively stable start is a good omen. This bilateral relationship has the following features. **First of all**, the two countries take a strategic view and agree to work together to build a positive, cooperative and comprehensive relationship in the 21st century. Furthermore, President Obama emphasizes that the U.S.-China relationship is the most important bilateral relationship in the world. China and the United States have decided to elevate their communication by setting up a strategic and economic dialogue. **Secondly**, the two countries have backed up their intention for strategic cooperation by joint efforts of tackling the international financial crisis, international terrorism, and the North Korean and Iranian nuclear issues. In the same line, the two countries have enhanced their consultations on the Afghanistan/Pakistan issue. **Thirdly**, China and the United States are exploring ways of working with other major players in the world as well as in the region. Increasingly the two countries are working within the framework of G-20, G-8+G5, and trilateral dialogue of China, the United States and Japan. In the improvement of the existing system and the establishment of a new one both on global and regional levels, China and the United States also find some overlapping interests. **Last but not least**, the two countries do differ on, among others, history, culture, values, religions, and stages of economic development. If mishandled, these differences would greatly damage the Sino-U.S. relations.

III. The Obama Administration's Policy towards Taiwan

Compared with the Bush Administration, the Obama Administration's policy towards Taiwan features both continuities and changes. As his predecessors ranging from President Nixon to President George W. Bush, all the previous presidents had kept to "one-China" policy while adhering to the so-called *Taiwan Relations Act*. Moreover, President George W. Bush had managed to stabilize the situation of the Taiwan Straits and did not support the "Taiwan independence". President Obama will keep what has worked well in the past. However, there are changes in both the external and internal situation of the Taiwan question.

The first change is that the Obama Administration has decided not to be provocative in starting its Taiwan policy. President Bush displayed a strong pro-Taiwan tendency in the presidential campaigning of 2000 and early of his first term in 2001. The Obama Administration concentrates its attention on the financial crisis, Afghanistan, Pakistan, Iraq, and the North Korea and Iranian nuclear issues, the dealing with which need the Chinese cooperation and should not be distracted by the Taiwan Question or the so-called human rights, democratization and values. In the meantime, the Obama Administration also

changed the conduct of U.S. foreign policy. It advocates and practises smart power, and tries to be listening rather lecturing. All this contributes to the improvement of the atmosphere and the maintenance of stability on the Taiwan question.

The second change is that peace and development have become the main theme in the cross-Strait relations, which has made it possible for the U.S. to make a more positive policy readjustment. President Obama has expressed his welcome of this change and feels comfortable dealing with this new situation. With rapprochements across the Strait, the urgency of the Taiwan question is going down. Consequentially, the thrust of the Obama Administration's Taiwan policy is shifting from preventing pro-independence to encouraging positive interaction trilaterally.

The third change is the United States realizes that its strategic interests increasingly lie more in the Chinese mainland rather than Taiwan. With closer cooperation and growing elements of strategic coordination, the United States tries to work with both China and Japan towards a new framework to govern their trilateral relations and for a new regional sub-system and order. In the meantime, the U.S.-Japan collaboration on the Taiwan question has become decreasingly urgent and increasingly irrelevant. Therefore, in terms of the trilateral relations among the United States or Japan, the Chinese mainland and Taiwan, the three parties might have a chance to redefine their inter-relations in a new manner.

Having said so, the Taiwan question remains the most important and sensitive one at the core of the Sino-U.S. relations. *In terms of military and security aspects,* the two militaries still see each other as adversary in a would-be war over Taiwan. China insists on no-arms-sales to Taiwan and the United States calls for the removal of the Chinese missiles aimed at Taiwan. *In terms of international interactions,* the United States pursues more international space for Taiwan, especially its participation in some of the international organizations, such as WHA, WHO, IMF and World Bank. *In terms of political and ideological matters,* the United States attaches importance to the demonstrative effects of the Taiwan experiences and tries to influence the Chinese mainland in the same or similar way. Besides, in the United States, there are some people who are concerned that the rapprochement would weaken the U.S. role on the Taiwan question. Therefore, uncertainties and negative factors are still lying in the future development course of this trilateral relationship.

IV. Global and Regional Implications

Given the fact that the United States is the most important and influential international factor in the Taiwan question, the Obama Administration's related

strategic thinking and actual policy exerts the following impacts on global and regional affairs:

Firstly, the Obama Administration's stress on major power cooperation rather than differences in tackling the international financial crisis and main strategic challenges goes along with the times of peace, development and cooperation. The right direction of major power relations promotes the ongoing peaceful transition of the international system towards a fairer and more equitable direction. This also coincides with the peace and development of cross-Strait relations. These two trends are mutually reinforcing in the interest of world peace and stability.

Secondly, the Obama Administration's downplaying of the confrontational elements and emphasizing the cooperative side on the Taiwan question has reduced the possibility of conflict between the two major powers in the world, thus benefiting the Europeans and Japanese in their policies towards Taiwan, and relieving the Asian-Pacific countries from being forced to choose sides in case of a cross-Strait crisis.

Thirdly, the closer economic cooperation and interdependence among the United States, the Chinese mainland and Taiwan are in favour of an earlier economic recovery in the world. The predictable political relations among the three sides have created a favourable environment not only for themselves but also for East Asian economic cooperation and the world economy at large. Especially on the rebuilding of the international financial and trade system, the Chinese mainland and Taiwan can make joint contribution towards a win-win end.

Fourthly, the incompleteness of the U.S. one-China policy has some negative impacts. Not all U.S.-Europe-Japan coordination on their policies towards Taiwan results in positive results. For instance, the non-lifting of the arms embargo by the EU hurts the Sino-Western relations. With its core national interests at stake, China could hardly trust the West strategically. The U.S. advocacy for Taiwan's greater participation in international organizations has sometimes made things more complicated. Premature discussion about Taiwan participation in the IMF and World Bank, for example, will delay the current system improvement and rebuilding. Another example of the same nature is Taiwan's participation in Asia-Pacific economic integration, which will be counterproductive to the ongoing regionalism. The U.S. arms sales to Taiwan stand as a major barrier in the way of stable and smooth relations not only between China and the United States, but also the trilateral relations of the United States, the Chinese mainland and Taiwan.