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Taiwan and China Agree to Enhance Communication, but Cross-Strait Economic Agreements Face Uncertainty

by

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On February 11, 2014, the Republic of China (Taiwan) and the People’s Republic of China (China) announced the creation of the first communication mechanism between the heads of Taiwan’s Mainland Affairs Council (MAC) and China’s Taiwan Affairs Office (TAO) since Taiwan and China split in 1949 following the Chinese Civil War. Beijing does not formally recognize the government in Taiwan, which it regards as a rogue province, and semiofficial representatives or representatives of commercial associations, instead of government officials, have convened all previous formal meetings between the two sides. The agreement takes place in the context of warming cross-Strait relations, as reflected in policies pursued in both Taipei and Beijing since 2008 to reduce tension and increase economic, cultural, and educational ties.

The creation of this communication mechanism likely will contribute to cross-Strait stability by reducing the chance of misunderstanding and miscalculation. It also signals that the two sides will try to sustain progress on economic and other cooperation agreements, despite the persisting deadlock over political sovereignty. However, the recent protests against a cross-Strait services trade agreement in Taipei, upcoming elections in Taiwan, and Taipei’s and Beijing’s continued divergent political goals will likely impede the pace of progress and minimize the potential for political breakthroughs before Taiwan President Ma Ying-jeou leaves office in 2016.

Meeting Overview

The two sides conducted the meeting in Nanjing, China, marking the first time the heads of MAC and TAO have held formal talks. Wang Yu-chi, minister of MAC, and Zhang Zhijun, director of TAO, led the meeting. MAC is a cabinet-level agency in Taiwan’s executive branch that is responsible for overseeing Taiwan’s cross-Strait policies. TAO is an agency within China’s State Council that is responsible for overseeing China’s cross-Strait policies.

Despite the signing of 21 cross-Strait agreements since 2008, the heads of MAC and TAO have never conducted a formal meeting. All previous cross-Strait negotiations have been convened by Taiwan’s semiofficial Straits Exchange Foundation (SEF) and its Chinese counterpart, the Association for Relations Across the Taiwan Strait (ARATS). Both Minister Wang and Director Zhang, according to a TAO spokesperson, emphasized that the emerging MAC-TAO relationship will not replace existing SEF-ARATS talks.

The meeting occurred during a trip by Minister Wang to China from February 11 to February 14. In addition to meeting with Director Zhang in Nanjing, Minister Wang met with Director Zhang for an informal conversation over tea at a hotel in Shanghai, delivered a speech and answered questions from students and professors at Nanjing University, visited the mausoleum of the founder of the Republic of China Sun Yat-sen, exchanged ideas with scholars at the Shanghai Academy of Social Sciences, and visited a school for the children of Taiwan businesspeople working in China.

The talks in Nanjing followed an informal meeting between Minister Wang and Director Zhang in October 2013 in Indonesia. The two briefly met there on the sidelines of the annual Asia Pacific Economic Cooperation (APEC) Leaders’ Meeting, where they reportedly laid the groundwork for the February meeting.

* Although SEF and ARATs are semiofficial organizations, they receive direction from their respective governments. Also, Richard Bush, director of the Center for East Asia Policy Studies at the Brookings Institution, explains, “Representatives of SEF and ARATS may open their joint meetings and then attend to preserve the fiction that these are not governmental interactions, but the individuals who are conducting the negotiations are officials from the relevant government agencies.” Richard C. Bush, Uncharted Strait: The Future of China-Taiwan Relations (Washington, DC: Brookings Institution Press, 2013), p. 59.
**Key Achievements**

During the meeting in Nanjing, the two sides agreed to create a communication mechanism between MAC and TAO. Although prior to the meeting, there was communication between the two agencies at the working level, officials at the highest level could not directly contact one another. At a press conference after the meeting, Minister Wang said the mechanism would allow direct communication between the heads of the agencies, their assistants, and their deputies. The new mechanism also aims to facilitate future visits by the heads of MAC and TAO, enhance the existing channels for communication between these agencies’ respective departments and bureaus, and make it more convenient for personnel from one side to enter and exit the other side when they visit. According to the TAO spokesperson, during the meeting Director Zhang said the mechanism will “eliminate and reduce miscalculation, misunderstanding, and various kinds of interference.”

In addition, both sides agreed to move forward with efforts to allow students from each side who are studying at universities and research institutes on the other side to be eligible to participate in local health insurance programs. They also agreed to advance cross-Strait cultural, educational, and science and technology exchanges, though specifics are not available.

During the meeting, Director Zhang addressed his Taiwan counterpart as “Minister Wang,” using his official title, as he had done when they briefly and informally met in Indonesia. Beijing typically uses euphemisms to describe Taiwan’s government, such as the “Taiwan authorities” instead of the “Taiwan government” and the “Taiwan leader” instead of the “Taiwan president.” Although the use of “minister” represents a minor concession to Taiwan by the Chinese government, it does not reflect a change in China’s policy regarding Taiwan’s sovereignty. The TAO spokesperson and official Chinese press did not use “minister” to refer to Wang Yu-chi. Instead, they both called him the “responsible person for the Mainland Affairs Council on the Taiwan side.”

In Nanjing, Minister Wang also invited Director Zhang to visit Taiwan and Director Zhang accepted the invitation. Director Zhang’s visit was first scheduled for April 2014 but then was postponed due to the recent protests of the Cross-Strait Services Trade Agreement (CSSTA) in Taipei. Neither side has announced when the visit will take place or what Minister Wang and Director Zhang will discuss when they meet again.

**Key Differences**

Taipei and Beijing are currently negotiating about the establishment of SEF offices in China and ARATS offices in Taiwan. While Minister Wang and Director Zhang discussed establishing “reciprocal offices” for SEF and ARATS, they were not able to reach an agreement on whether these offices will be able to conduct “humanitarian visits” to their citizens who have been detained on the other side.

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† The two sides did not produce a joint statement at the end of the meeting on February 11. Thus, this account of the discussion between Minister Wang and Director Zhang is based on press releases and statements by MAC and TAO as well as media reporting in Taiwan and China.

‡ In June 2013, Taiwan and China signed a services trade agreement to eliminate investment restrictions and other barriers across 11 service sectors in both countries. Taiwan investors will gain access to 80 services sub-sectors in China, including those in e-commerce, printing, construction, transportation, tourism, entertainment, and funeral services. In return, Chinese investors will gain access to 64 service sub-sectors in Taiwan, including those in car rental, cargo transportation, beauty parlors, online gambling, and funeral services. Taiwan’s legislature has yet to ratify the agreement. Elizabeth Hsu, “Publishing sector not included in cross-strait service trade pact,” Central News Agency (Taipei), June 21, 2013.  
MAC stated that although Minister Wang told Director Zhang that the representative offices should have the function of conducting humanitarian visits, the two sides only “agreed to more proactively discuss feasible measures and pragmatically handle issues related to the establishment of” SEF and ARATS reciprocal offices.\textsuperscript{16} China’s state news agency Xinhua reported the two sides said that they will “pragmatically and appropriately handle the detention issue and achieve the establishment of reciprocal institutions as soon as possible.”\textsuperscript{17}

The TAO spokesperson stated the two sides’ disagreement was about “how to make a reasonable arrangement that respects regulations related to all aspects, that adheres to the functional positioning of the administrative institutions, and is beneficial to protecting the rights of the individuals involved and their families.”\textsuperscript{18} Minister Wang explained in an interview after returning to Taiwan that Beijing was concerned that the SEF office in China would resemble a diplomatic facility in its functions.\textsuperscript{19}

Since the meeting the two sides have made progress on this issue. On March 27, Minister Wang announced that SEF and ARATS reached an agreement that the reciprocal offices should be allowed to conduct humanitarian visits. Although Minister Wang said details of how this visitation function will be implemented have yet to be agreed upon, it appears one obstacle to establishing reciprocal offices has been removed.\textsuperscript{20}

The meeting also highlighted differences between Taipei and Beijing regarding cross-Strait and regional economic and trade relations. Both governments have shared interests in expanding and deepening cross-Strait integration, but their end goals are different. Taipei seeks to leverage cross-Strait economic agreements to enhance Taiwan’s integration into the Asia Pacific economy and prevent isolation, whereas Beijing aims to use expanding cross-Strait economic ties to bind Taiwan closer to China and make progress toward Beijing’s long-term goal of unification.

According to MAC’s press release, Minister Wang said pursuing Taiwan’s inclusion in the Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership\textsuperscript{5} is an economic and trade priority for Taipei. He proposed that China and Taiwan could jointly participate in regional economic integration and that the two sides should pursue this at the same time as they continue to develop cross-Strait economic cooperation.\textsuperscript{21} Minister Wang also stated that a greater connection between Taiwan and the regional and global economies will increase the support of the Taiwan people for expanding cross-Strait economic cooperation.\textsuperscript{22}

Regarding the two sides’ discussion of economic and trade issues, the TAO spokesperson said the priority for the two sides is the ratification of the CSSTA. He said the next most important issue is signing agreements on cross-Strait trade in goods and a dispute resolution mechanism. With regard to regional economic and trade relations, he said the two sides stated their desire to explore ways to link cross-Strait economic development and regional economic cooperation.\textsuperscript{23} In another press conference, Minister Wang said Director Zhang told him that he understands Taiwan’s desire to participate in regional economic integration, but hopes Taiwan will place equal emphasis on cross-Strait economic integration and exchange.\textsuperscript{24}

\textsuperscript{5} The Trans-Pacific Partnership (TPP) is a U.S.-led free trade agreement among 12 Pacific Rim countries. The Regional Comprehensive Economic Partnership (RCEP) is an initiative to link the Association of Southeast Asian Nation (ASEAN) member states and their free trade agreement partners. China is not one of the countries negotiating the TPP, but China is involved in the negotiations over RCEP. U.S.-China Economic and Security Review Commission, \textit{2013 Report to Congress}, (Washington, DC: Government Printing Office, November 2013), p.72.
Finally, the conversation between Minister Wang and Director Zhang in Shanghai revealed a disagreement between Taipei and Beijing about the details of a potential meeting between President Ma and Chinese President Xi Jinping that will have to be overcome before the two sides are able to arrange such a meeting.\textsuperscript{25} Myriad factors already complicate a potential Ma-Xi meeting.

- Taiwan’s Central News Agency reported that an unnamed MAC official who was present at the meeting said Taipei wants the meeting to take place in an “appropriate” setting, under “appropriate” conditions, and for the leaders to attend the meeting in their “appropriate” capacities, a reference to President Ma attending the meeting in his capacity as president not Kuomintang (KMT) chairman.\textsuperscript{26} Minister Wang said that Taipei prefers for President Ma and President Xi to meet at the November 2014 APEC Leaders’ Meeting in Beijing.\textsuperscript{27}

- However, Director Zhang told Minister Wang that Beijing does not want to hold the meeting at the APEC forum.\textsuperscript{28} Beijing likely judges that holding the meeting at a forum of international heads of state would be an affirmation of Taiwan’s sovereignty and equal status with other countries.

**Outlook for Cross-Strait Relations and the Near-Term Political Environment in Taiwan**

It is difficult to predict the impact on cross-Strait relations of the meeting in February between Minister Wang and Director Zhang given the recent protests against the CSSTA and upcoming elections in Taiwan. The protests appear to have introduced a new factor in Taiwan that is outside of the two primary political parties, the KMT and Democratic Progressive Party (DPP). It is uncertain how the KMT, the DPP, and the Chinese government will respond. The protests also appear to have called into question the political viability of President Ma’s approach to cross-Strait relations and the fate of the CSSTA will be a test of that approach's sustainability.\textsuperscript{29}

Protestors, who asserted that the Ma administration negotiated the CSSTA in an opaque manner and tried to force it through the legislature without a proper review, occupied Taiwan’s legislature on March 18. On March 30, more than 100,000 people demonstrated outside the presidential office.\textsuperscript{30} The protestors expressed concern that the agreement will hurt Taiwan’s small and medium-size enterprises and increase China’s influence over Taiwan.\textsuperscript{31} President Ma argued that Taiwan must ratify the agreement to increase its economic competitiveness and that the advantages of the agreement outweigh the disadvantages.\textsuperscript{32} The occupation ended on April 10 after legislative speaker Wang Jin-pyōng, a member of the KMT, promised that the legislature would create an oversight mechanism for cross-Strait agreements before the KMT and DPP meet to discuss the CSSTA.\textsuperscript{33}

Should the KMT, the majority party, agree to carry out Speaker Wang’s promise, this process could further delay the agreement’s ratification. It may even lead Taipei to push Beijing to renegotiate the pact, potentially causing tension between the governments. Furthermore, increased public and legislative scrutiny on Taiwan as well as continued activism by a flourishing civil society may also slow the ratification of future cross-Strait agreements.

In addition, Taiwan’s municipal elections in November 2014 and legislative and presidential elections in 2016 could create political dynamics on both sides of the Taiwan Strait that may slow down or limit advances in cross-Strait economic and other cooperation agreements. Previous elections have tended to be accompanied by heightened tension in the cross-Strait relationship, particularly when Beijing perceived the risk that Taipei’s policy might shift toward the pursuit of de jure independence. Furthermore, building on recent progress on cross-Strait cooperation could become less important for President Ma as he focuses on domestic priorities, including improving the economy and positioning the KMT for success in the 2014 and 2016 elections.
Cross-Strait dialogue on political issues also is unlikely to take place during the remainder of President Ma’s term. Political talks with Beijing are a sensitive issue for the Taiwan public, because of concern that such talks might move the sides closer to unification. According to the most recent survey of attitudes in Taiwan regarding cross-Strait relations, the vast majority of the Taiwan people supported maintaining the status quo in cross-Strait political relations for the time being. Furthermore, the negative reaction by the Taiwan public to President Ma’s call for a cross-Strait peace agreement during his 2011 reelection campaign likely will curb his interest in pursuing a cross-Strait political breakthrough.

** These responses included preferences for “maintaining the status quo and unification later,” “maintaining the status quo and deciding on independence or unification later,” “maintaining the status quo indefinitely,” and “maintaining the status quo and independence later.” Mainland Affairs Council (Taiwan), “Summarized Results of the Public Opinion Survey on the “Public’s View on Current Cross-Strait Relations (December 5 to 9, 2013),” December 27, 2013. http://www.mac.gov.tw/public/Attachment/42514382542.pdf.


29 Robert Sutter (Professor of Practice of International Affairs at the Elliott School of George Washington University), telephone interview with Commission staff, April 16, 2014.


