

Peace and Prosperity in the Taiwan Strait

Building a New Vision

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Distinguished guests, ladies and gentlemen:

Good afternoon. This is really a very pleasant homecoming for me to Cambridge. I came to Harvard exactly 30 years ago, and was very happy to have three and a half years of happy leaning right here. And today, I'm going to share with you my thoughts about Taiwan's cross-Strait relations and the future of that part of the world.

The topic today is "Peace and Prosperity in the Taiwan Strait – Building a New Vision." I will talk for about 20-25 minutes. I will cover, first of all, the political development across the Taiwan Strait ever since the year 2000, when Taiwan changed governments. And I will then focus on what went wrong. And then I will give you the perspective of the KMT, just in case we come back to power in 2008.

First of all, let me talk about the political and economic relations across the Taiwan Strait since the year 2000. There're eight important events -- political events -- related to cross-Strait relations since the year 2000.

First of all, it was President Chen's pledge of the "five no's". As you know, on May 20, 2000, the president announced that during his term of office, as long as the PRC does not demonstrate an intention to invade Taiwan, he will assure that, first of all, he will not declare Taiwan independence. Secondly, he will not change the country's name and the national flag. No. 3, he will not revise the Constitution to put into it "the state-to-state relations" (兩國論). And No. 4, he would not arrange a

referendum on independence or unification for the purpose of changing the status quo. And No. 5 is, there is no question of abolishing the National Unification Council and Guidelines.

Then, just nearly a month after his inauguration, he had an opportunity to meet with a delegation from the American Asian Foundation, including a prominent scholar, Harry Harding, in the delegation. He talked about the “92 consensus”. At one point, he said he would accept the “92 consensus” and it was actually printed in the presidential press release. But barely 24 hours later, the chairwoman of the Mainland Affairs Council, Ms Tsai Ing-wen hastily called a press conference, denying the president had said anything to that effect. So, from then on, the official line of the DPP government was to deny the existence of the “92 consensus”, which in our view means “one China, different interpretations.”

And No. 3, the Chinese mainland deployed hundreds of missiles targeted against Taiwan roughly since then. At the moment, the number is estimated at over 700.

And No. 4, the president came up with a new idea of “one country on each side of the Taiwan Strait” in the year 2002.

And then, No. 5, in 2003 to 2004, the president thought that Taiwan needs a new constitution which is to be adopted sometime in a couple of years after he is re-elected.

And No. 6, he decided to use the newly passed referendum law to have what he called “a defensive referendum” on issues of arms purchase and cross-Strait relations and the referendum would be tied with the presidential election on March 20, 2004.

And then, the seventh one was a move on the part of the PRC. They adopted the Anti-Secession Law in March of 2005.

And the last one, No. 8, is the president’s announcement on January 29 this year that he will seriously consider abolishing the National Unification Council and Guidelines.

And all this combined is just the cross-Strait political relationship in a nutshell. When President Chen was inaugurated, people really had very high expectations of the new administration. When he was elected, he got only 39% of the vote, but one month into his presidency, his rating in opinion polls shot up to almost 80%. That shows he must have done something right. For instance, he visited all the old guards of the KMT; he appointed a former minister of defense as his premier. And he announced his five no's, which instantly made our friends like the United States and our potential enemy like the mainland at least happy or at ease. So he had received overwhelming support at the time.

But when he began to deny the existence of the "92 consensus", obviously the other side of the Taiwan Strait became a little bit nervous and they started to use the strategy "to listen to what he says and to watch what he does" policy towards Taiwan. So the relationship -- political relationship -- actually changed from expectation to stagnation. And when he talked about one country on each side of the Taiwan Strait, the relationship was changed into confrontation. And when he tried to tie the referendum with the presidential election, the other side was highly alarmed, and the situation became quite tense. The United States had to come out to prevent what they considered as something quite dangerous from happening.

I remember on Dec. 9, when President George Bush met his visitor, the premier from mainland China, Wen Jiabao, in the White House. Just half way into their meeting, he and Wen Jiabao came out of Oval Office and held a press conference. The President at the time said, he understands that the leader of Taiwan is trying to change the status quo and the United States is opposed to that. That was the first time an American president so openly criticized the president of the Republic of China on Taiwan in the last fifty years. And after the presidential election, the two bullets changed the whole picture on March 20, 2004.

And the mainland side, again, took the move by adopting the Anti-Secession Law in March 2005. Interestingly, I was one of the earliest politicians in Taiwan to criticize the Anti-Secession Law as early as Dec. 2004 when the idea first came out that the mainland side was ready to put the bill into the legislative process to be adopted by the

People's Congress, to be convened in March 2005. I thought that piece of bill was both unnecessary and unwise – unnecessary because the PRC does not need any legal authority to launch attack against Taiwan. After all, the PRC is not particularly noted for being a country under the rule of law. On the other hand, it's unwise because it would unduly antagonize the independence-minded people in Taiwan and will certainly give rise to a strong reaction.

So when it actually became law on March 14, 2005, I again was the first one to call an international press conference with the participation of twelve other county magistrates and city mayors of the local governments. Together, thirteen of us issued an open letter to the international community; we protested against that move and criticized it on basis of three reasons: First of all, we believed that the PRC needs to understand the mainstream public opinion in Taiwan – in Taiwan, a majority of people support maintaining the status quo, not Taiwan independence; PRC should not have taken Taiwan independence as the mainstream public opinion. Secondly, cross-strait relations have to be handled on the basis of bilateralism, not unilateralism. And No.3, cross-strait relations should be handled by peaceful means, not non-peaceful means. Nevertheless, at the end of the letter, we called upon the PRC to resume negotiations with Taiwan so as to resolve our differences.

So when that happened, the DPP government organized a large rally on March 26, 2005 to protest that. That was the second largest rally in Taiwan's recent history, with the participation of 275,000 people. And as you know, just about a year ago, the president decided, after a serious defeat in local elections, to seriously consider the abolition of the National Unification Council and Guidelines. But he met with a lot of criticism, particularly those from the United States. So on February 27, he decided to terminate the operation of the National Unification Council and terminate the application of the Guidelines. We don't know exactly whether the Council and the Guidelines still exist. When the question was raised in the Legislative Yuan (立法院), no government officials could answer that question; everybody just repeated that we "terminated the operation, we terminated the application", but never said anything about whether they still existed.

But the American side took the view that the Council and the Guidelines were merely frozen, and the latest version of the American perception was conveyed to the DPP government by the newly arrived AIT Director Stephen Young. He said the Council and the Guidelines were put in abeyance – that was a very interesting characterization of what actually happened.

But in any case, let me just repeat: The political relations have changed from expectation to stagnation and then to confrontation. And we don't know what's going to be followed in the next three years when the president still wants to have a new Constitution for Taiwan and to apply for admission to the United Nations in the name of Taiwan instead of in the name of the Republic of China.

Well, let's come to the economic relationship across the Taiwan Strait. In spite of the political stagnation and confrontation, the cross-Strait economic activities moved ahead in a very prosperous way. The bilateral trade across the Taiwan Strait had a record high of US\$71 billion, of which Taiwan enjoys nearly US\$ 50 billion in trade surplus. Taiwanese investment on the Chinese mainland reached also a record high of over US\$ 100 billion, with 100,000 Taiwanese companies currently investing there. And there're an estimated 1 million Taiwanese currently working, studying or doing business on the Chinese mainland, which is about 4% of Taiwan's population. For travel, in the year 2005, over four million trips were made by Taiwan to the mainland, whereas around 200,000 to 300,000 people made trips from the mainland to Taiwan.

So you have a very different picture: on one hand, the political picture is a bit tense; on the other hand, the economic picture is quite active and booming. So, what actually had gone wrong? I think everybody can point to the lack of mutual trust across the Taiwan Strait and they don't have a consensus on what constitutes the status quo. Most importantly, they don't have a shared vision of the future.

So, what can we do about the situation? Before 2008, and after 2008, if the KMT has a chance to come back to power – well, before 2008, there's not very much our party can do, because we are in the opposition. But on

the other hand, we are now the majority – KMT along with allies of the KMT, including the People First Party, the New Party and the independents – we have altogether 212 seats, which is two seats more than half. So we could, to some extent, remove some of the obstacles for economic exchanges across the Taiwan Strait. For instance, the legal ban on direct transportation between Taiwan and the Chinese mainland.

As you know, for those who want to go to the mainland from Taiwan, they have to go through Hong Kong or other third places. A normal trip from Taipei to Shanghai, for instance, will take a flight that will be about one hour 20 minutes. But if you go through Hong Kong, it could be five hours or even, if you have a bad connection, seven hours.

It was lucky that the two sides negotiated a charter flight during the Chinese New Year. The charter flight is a much more simplified format. The flight from Taipei to Shanghai or Shanghai to Taipei takes only three hours. Why three hours, instead of one hour 20 minutes? Three hours because the flight is to touch the air space of Hong Kong just to show that it's indirect. And the planes didn't land in Hong Kong – because all they have to do is to touch the Flight Information Region (or FIR) of Hong Kong. Again, even that detour doubles the travel time. So you can see how much time and money have been wasted in the travel.

And that's also the reason for some Taiwanese companies to move their headquarters to the mainland or to move their families to the mainland because of the difficulty in travel.

So, in view of all these circumstances, I think before 2008 what the KMT as the leader of opposition can do is to remove some of the obstacles.

And there is another restriction on Taiwanese companies investing on the Chinese mainland: They could not go against the 40% ceiling of the percentage of their investment on the Chinese mainland. And, there are other things that could be done: for instance, to allow the tourists from Mainland China to Taiwan; and to, say, hopefully, to institutionalize the way to export Taiwanese fruits to the Chinese mainland.

Again, during this period, there's not much we can do. But if we are able

to come back to power in 2008, I think there are quite a number of things that we could do to change the course of our relations with the Chinese mainland. I think this new vision is based on a shared consensus.

First of all, the shared consensus is peace and prosperity. The first thing we'd do is to keep the "Five No's"— in other words, all the promises the DPP government can make will be made by the KMT government. And we consider that's minimum we could do to maintain the status quo. By status quo, we mean that we will retain the constitutional structure of the Republic of China without pursuing either unification or independence in the foreseeable future.

The second move which we will take is not just "Five Don'ts" – we want to have "Five Do's". We don't want to be very passive, just keeping the minimum. We want to do something to change the course, to make the cross-Strait relations very lively and profitable to both.

So, first of all, we will resume cross-strait dialogue based on the "1992 consensus", namely, "one China, different interpretations". For us, one China means the Republic of China on Taiwan. For them, one China means the People's Republic of China. These two concepts seem not to be reconciled. But on the other hand, we could shelve the issue for indefinite future and change our focus to something that needs our immediate attention.

And No. 2 that we want to do is to negotiate and conclude a peace framework -- it could be an agreement, an accord that could last for 30 to 50 years. And this framework certainly should include a confidence-building mechanism in military affairs, or military CBM, so that we could terminate the state of hostility right away.

No. 3, we will normalize economic relations between the two sides, and that includes quite a number of things. First of all, the most urgent one is to establish direct air links with the mainland. Air links always take precedence over ocean links because as far as the cost of detour by ocean-going ships is concerned, the increase in the cost is actually not much. But for air links, direct flight and flight through Hong Kong make significant differences.

I remember meeting with a high-tech businessperson in Silicon Valley two years ago. He was in Taiwan on a business trip. When he was about to leave Taiwan, he got a phone call from his client in Silicon Valley, California and his client asked him to make a side trip to Shanghai. And this businessman said to his client, “Listen, a trip to Shanghai is not a side trip; it’s a major trip.”

Actually, the lack of direct flight between Taipei and Shanghai in effect moves Taipei to where Jakarta, Indonesia is now – you need 6-7 hours to fly from Taipei to Shanghai which effectively decreases the competitiveness of Taiwanese companies, deter foreign investors who want to use Taiwan as a gateway to Mainland China, and to make economic interchanges with the mainland quite difficult.

So establish air links, and also let tourists from the mainland visit Taiwan in large numbers. People are talking about 1,000 a day, so that means 365,000 a year. The number could be higher because many many people on the Chinese mainland want to come to Taiwan. Last year, it was a record number of about 50,000. I was quite struck by the places they want to go: they want to go to Chiang Kai-shek Memorial; they want to go to Dr. Sun Yat-sen Memorial and they want to visit the headquarters of the KMT. I was quite struck, as there’s nothing really special about our headquarters. The reason they want to visit is to see the office of former chairman Lien Chan because he made a wonderful speech last year at Peking University. So inadvertently the headquarters of the KMT has become a tourist attraction.

All this combined will eventually, we hope, lead to formation of a common market across the Taiwan Strait.

And No. 4, about Taiwan’s international participation. This is the most intractable issue between Taiwan and Mainland China, because behind the question of international participation is exactly the issue of sovereignty. We don’t have an answer right now. But obviously the mainland side also wants to explore the possibility of developing some kind of a modus vivendi in order to make the issue less thornier in the future.

And the last one, the fifth do, in my view, should be devoted to cultural and educational exchanges. We have a lot of cultural exchanges with the mainland – artists and art groups. But for educational exchanges, at the moment, they are limited to that of scholars, and some visiting student groups. There're now 5,000 students from Taiwan currently studying on the Chinese mainland. But unfortunately the degrees they earned are not recognized by Taiwan. On the other hand, there are no students from Mainland China studying on Taiwanese campuses. We hope we could change that.

If we could make an adequate arrangement to offset the security considerations, we should first of all recognize the degrees Taiwanese students earned from the Chinese mainland. And, we'll also, as part of the package, ask the mainland to let their high school graduates to come to Taiwan to study. In Taiwan, today, each high school graduate has more than one place in our universities because we have 169 universities in Taiwan. We certainly have an overcapacity. So it would be very difficult for high school graduates in Taiwan not to get into college. But on the Chinese mainland only 18% of high school graduates can find a place in mainland universities. And the mainland spends about Renminbi ¥ 15 billion (人民幣) for their students to study abroad.

I recently discussed the issue with a knowledgeable Taiwan educator who's currently working in Shanghai. And he told me that if we open up our universities to mainland students, they will have a very positive response. But I don't know whether the mainland government will allow them to come, because they probably will be afraid that they will be brain-washed in Taiwan. But I can promise you that we don't do that any more.

So I think this is an area we should focus upon if the KMT returns to power. Obviously there are many more things that could be discussed and implemented. I only give the examples of a few. If that can be done, I think the cross-Strait relations will be much smoother than they are now.

And, by doing that, I think Taiwan will be a peace maker, not a trouble maker. Taiwan will be a responsible stakeholder in the region, in the sense that we will not rock the boat in regional waters.

And what is the prospect of the United States' role in all this? I think the United States, in this context, will not worry about anybody in Taiwan that will rock the boat, to make cross-Strait relations difficult, because we will stick to the status quo without pursuing either independence or unification. And we will maintain the constitutional structure of the Republic of China. And the security relations between Taiwan and the United States will not only be maintained, but be enhanced. In addition, the United States' role, particularly its security role, in East Asia will be made much easier and more stable. As you know, there're two flash points in East Asia – one is North Korea, one is Taiwan Strait.

By having the kind of action I just mentioned, I'm sure the situation across the Taiwan Strait will be stabilized. And we think the terms of the peace accord, or peace framework, will ensure peace and prosperity across the Taiwan Strait. Thank you very much.