

Structures and Essence of Current Cross-Strait Relations

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Abstract

This article examines the current development of cross-strait relations between Taiwan and China through the two-level games mode. The role of the U.S. and the European Union, and also the South China Sea and East China Sea disputes are important external factors to explore in cross-strait relations. In addition, the structures of the bilateral relations, both Beijing's and Taipei's policies and tactics toward the other side and especially the CPC's 18th Party Congress Report concerning Beijing's Taiwan policy are the most significant internal factors of cross-strait relations. According to the Report, Beijing intends to reach a kind of interim agreement with Taipei before unification. But the author argues that under the current circumstances, it will not be easy for Beijing to reach its goal of the above mentioned political institutionalization of cross-strait relations in the near future.

Keywords: Cross-Strait relations; Internal factors; External environment; South China Sea; East China sea; Peace accord; CPC's 18th Party Congress Report; Xi Jinping era

Forward

The development of cross-strait relations over the last two decades has experienced some ups and downs which affect the security and development of the East Asian region. This article proceeds first through a theoretical framework and research methods to discuss the possible impact of how the external environment affects cross-strait relations. Following that is the premise and framework of cross-strait relations, as well as the policy and strategy from both sides, accompanied with cross-strait trade relations and cultural interchanges. Finally, we look ahead to the latest developments in current cross-strait relations and novel ideas. Based on this content, the author analyzes the vista and challenges of cross-strait relations.

Theory and Method

This article will adopt the two-level games theory proposed by Robert D. Putnam to analyze the development of current cross-strait relations from international aspects (external environment) and perspectives of both sides (internal factors) [1]. From the view of the international environment, the role of the United States and the European Union are of high importance, hence the author chooses neo-realism, which puts emphasis on national interests and security, proposed by Kenneth Waltz [2], to explore how the two major actors affect the cross-strait pursuit of peace and development.

As for the determinants of the mainland and Taiwan, such as the premise of cross-strait relations and their policies, as well as bilateral cultural and economic relations, apart from the aspect of neo-realism, the author also adapts Ernst B. Haas's neo-functionalism [3], which focuses on interconnection and reciprocity, to analyze the intensive cross-strait exchanges and their impact on current cross-strait relations. For this question, social constructivism, which stresses cognitive aspects and values, as proposed by Alexander Wendt, is also beneficial to the research.

Though it is not easy to confirm the impact on cross-strait relations generated by the two sides, their actions help clarify the development of this issue. Therefore, this article adopts these three theories for an interactive discussion. As for the data chosen, in addition to important academic work and papers, the basis for analysis was mainly openly available public media sources and documents.

External Environment: Resistance and Assistance Powers

In this section, the author tries to examine the impact of the external environment from the perspectives of resistance and assistance powers, which include the return of the United States to East Asia and the impact of the Euro debt crisis. Secondly, the impact of external factors will then be verified by the positions of the two sides on the East China Sea and South China Sea issues.

US's return to east asia: resistance

In the past two years, as the anti-terrorism policy of the United States since September 11, 2001 is drawing to a close, and the vigorous development of East Asia, especially mainland China's growing influence, in contrast to the Euro debt crisis, make the Obama administration sense a need to strengthen its role in East Asia. After the United States formally joined the Treaty of Amity and Cooperation in 2009 [4], U.S. Secretary of Defense Leon Panetta made clear in June 2012, that the U.S. would deploy over 60% of its naval forces in East Asia by 2020 [5].

Take foreign exchange reserves as an example. China possesses more than three trillion U.S. dollars, ranking first in the world, with one-third of the funds invested in U.S. state bonds [6]. What's more, the PRC has been frequently bailing out countries in Europe by purchasing their bonds, with a total value of up to 700 billion U.S. dollars [7]. In June 2012, Beijing offered to provide the IMF with \$ 43 billion during the most recent G20 Summit, specifying that the money be used to alleviate the Euro debt crisis, thus gaining considerable global attention. In contrast, the U.S. was very stingy while facing the Euro debt crisis because the IMF has agreed to reform its weighted voting system. Hu Jintao's aforementioned friendly gesture to Europe had also

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led to a significant positive impact, thereby enhancing the influence of the mainland vis-à-vis the United States.

This is only one example of the rivalry between two largest economies of the world. In addition to PRC-U.S. relations per se, issues from East Asia to Africa, the Middle East, Europe, as well as energy and climate change concerns, etc., involve aspects so broadly that almost all significant affairs of the world show marks of involvement and confrontation of mainland China and the U.S [8].

In this configuration, East Asian nations, inclusive of Japan, South Korea, Taiwan, ASEAN, and even India, have formed a trend of separating the economy and the security. In the economic and trade sphere, these countries continue to develop with mainland China; due to the high ratio of trade, the mainland is the largest trading partner of nearly all these countries, and these countries have great trade surpluses [9]. But in strategic and security aspects, they have become increasingly close to the U.S. in order to balance the mainland's power.

It is clear that the U.S. did not support the opposition DPP presidential candidate Tsai Ing-Wen in Taiwan's election held in January 2012 [10]. It is understandable that the U.S. does not want to cause waves on the Taiwan issue, and may even allay Beijing's worries in the hopes that Beijing would reciprocate on other issues such as Iran and North Korea [11]. Nevertheless, the U.S. also does not want to see the development of cross-strait relations progress too quickly. For instance, the U.S. opposes contacts between retired military officers from both sides, so a dialogue on cross-strait military CBMs has not been initiated [12]. The U.S. also discouraged proposals by Taiwan's legislators to strengthen the military facilities on the Taiping (Itu Aba) Island [13].

In July 2012, 22 Pacific Rim countries held maneuvers led by the U.S. without the mainland's participation. Russia, India, together with ASEAN, the U.S., and Japan, have formed an encirclement of the mainland [14]. On the other hand, the U.S. is enticing Taiwan with the Trade and Investment Framework Agreement, TIFA [15], and the Trans-Pacific Partnership, TPP [16]. Thus, the U.S. called for not only no unification, no independence, and no use of force, but also no intimacy, otherwise intimacy between Taiwan and the mainland could mean the approach of unification, which would bolster the mainland's influence, something absolutely not in the interests of the U.S. Here we see the role of the U.S., as well as how it functions as an obstacle to cross-strait relations.

Euro debt crisis: assistance

The impact of the recent Euro debt crisis since 2010 on the global economy could be drastic again if handled carelessly, and both sides across the Strait could have a narrow escape [17]. The two sides bear the brunt of reduced orders from European enterprises, reducing exports while increasing unemployment domestically. Compared with 2011, Taiwan's exports in the first quarter of 2012 have decreased by 4.0%, while imports decreased by 5.9% [18].

Recently, the number of people on unpaid leave in Taiwan's high-tech industry has exceeded one thousand, and the number of company closures comes to 7,431 [19]. Thus, ECFA consultations on relaxing the mainland's capital regulations on investing in Taiwan may be a sound way to strengthen Taiwan's infrastructure and industrial competitiveness. However, if excessive European and U.S. debt causes the euro and the dollar to depreciate, Taiwan's foreign exchange reserves will be dragged down, and the yield on foreign exchange reserves will also be reduced.

This situation has quickened the pace of signing the currency settlement accord between Taiwan and the mainland which is effective in February 2013 [20]. Since then Taiwan's financial institutions could have a stable source of RMB and a portion of the nation's foreign exchange reserves could be held in RMB [21]. With proper use, higher interest income and appreciation profits could contribute to our finance budget and improve Taiwan's economic situation.

East and south china issues

The East China Sea issue mentioned in this article centers on the Diaoyutai Islands (Senkaku). In July 2012, the Japanese government purchased several of the Diaoyutai Islands, igniting a controversy on Taiwan, the mainland, and Japan over these Islands [22].

From Taipei's position, the Diaoyutai Islands actually form an inherent part of the territory of the ROC, and there's no space for negotiations on sovereignty with Japan. Taipei also protested Tokyo's moves to purchase the islands, but is not willing to form an alliance with Beijing against Japan, and is loath to ruin the friendly relations between Taiwan and Japan/US [23]. Washington once again stated that the Treaty of Mutual Cooperation and Security between the United States and Japan applied to the Diaoyutai Islands [24].

Beijing also claims that the Diaoyutai Islands form an inherent part of its territory, while as subsidiaries of Taiwan, and held aggressive military maneuvers in the waters surrounding the islands, giving an intense warning to Japan. Recently, Beijing made it clear that if the mainland went to war with Japan, Taiwan could remain neutral, as if revealing concern for the interests of Taiwan [25]. However, President Ma Ying-Jeou proposed the "East China Sea Peace Initiative (ECSPI)" in August 2012 which states that Taiwan "looks forward to all parties working together" on achieving the aims of the Initiative, without ruling out the possibility of cooperation with Beijing [26]. Due to Taiwan's limited power as well as an awkward position between the U.S. and mainland China, protesting in a low profile and not recognizing the agreements made by other concerned parties may be the best option for Taiwan. Nevertheless, as the relation between China and Japan worsens, the ECSPI was praised by U.S. Assistant Secretary of State for East Asian and Pacific Affairs Daniel Russel during his testimony before the House Foreign Affairs Committee's Subcommittee on Asia and the Pacific in February 2014 in Washington. Even U.S. vice president Joe Biden also stressed at the same time the significance of negotiations among concerned nations which implies indirectly to the ESCIP [27].

On the South China issue, both Taipei and Beijing have almost the same claim because the PRC government has inherited the 1940's ROC legacy. But it is notable that Taiwan did not protest the Mainland's decision to name the three Sansha Islets (known in the West as the Paracel Islands, Macclesfield Bank, the Spratly Islands). Moreover, Beijing not only specifically excluded the Dongsha (Pratas) Islands, which Taiwan controls, but held its tongue when Taiwanese students landed on Itu Aba Island, which is visible sign that a tacit understanding still remains between both sides [28]. In addition, scholars and researchers of the both sides jointly hold conferences and even issue joint position declarations suggesting that the South China Sea is the common interest of the Chinese nation. This is another way the two sides express their intentions.

Comparison

Eyre Crowe, a renowned British diplomat, once warned in his memorandum (1907) of the rise of Germany and the confrontation with the UK before the First World War. In this regard, Henry Kissinger

disagrees with the comparison between the former case in Europe and the situation in East Asia today, namely the rise of China and possible collision with the U.S [29]. Because the present constellation in East Asia is not a zero sum game as was the early 20th century Europe, but a highly interwoven one among states within East Asia and with the outside world under the process of globalization.

Nonetheless, the author sees more parallels between the rise of Germany in pre-war Europe in the 1930s and present day East Asia in terms of the rise of mainland China, arms races in all relevant states in the region and their confrontational attitude towards the mainland on the one hand, and Japan's denial of war crimes and U.S. security commitment to its allies to create a balance of power structure in the region on the other. Also the rise of nationalism in the mainland and Japan as well as ideological and value differences between the mainland and some other countries contribute to the confrontation.

In this sense, the author would argue that the current situation in East Asia can be defined as a "New Cold War Constellation," which is different from the Cold War era after World War II. Because in the latter, the confrontation involved few exchanges and relations were distant; while in the former, exchanges are frequent but confrontations sharp in spite of maintaining close correlations.

Summary

To sum up, the U.S. headwinds (strong political influence accompanied by a weakened economy and active intentions) to the cross-strait development deserve attention, and the Euro debt crisis tailwinds (strong economy accompanied with weak political influence and passive intentions) cannot be ignored. In addition, tailwinds could emerge when conflict between Taiwan and Japan escalates or when it comes to casualties or disaster relief. Under these circumstances, Taipei could feel compelled to cooperate with Beijing. According to ESCPI, Taiwan's decision not to rule out cooperation with all parties concerned is indeed a change. Nonetheless, the situation in East Asia really causes concern to all relevant actors. According to functional school theory, the possibility of the use of force between countries to resolve disputes is lower with higher correlation. Consequently, it increases the possibility of the mutual restraint of the conflicting parties.

Premise and Framework

Premise

Taiwan and China were split in 1949 as the consequence of the civil war. To date, what is the status of the civil war? Does this status present a starting point for the current cross-strait relations? In addition, the "1992 Consensus" is the significant prerequisite of the current cross-strait rapprochement and deserves closer examination.

"Ending hostilities"? : Although Hu Jintao mentioned in his December 31, 2008 speech (henceforth 1231 speech) "ending hostilities and signing a peace accord", the CPC's 18th Party Congress Report (henceforth 18th Report) ignores hostilities and civil war issues [30]. According to Beijing's latest interpretation of the 18th Report, both sides should start from the "current status" which clearly indicates the tacit endurance of the existing of the ROC Constitution [31]. It seems that Beijing intends to shelve the civil war dispute and is trying to create a new start with Taiwan.

The "1992 Consensus" and the "China Roof Concept": The two sides were able to break their icy relations in 2008 mainly based on the premise of the "1992 consensus". For the KMT, the "1992 consensus"

is the idea of "One China with Respective Interpretations", while the essence of "One China" is the ROC [32].

However, the CPC contended that the "1992 consensus" is equivalent to "Respective Interpretations of One China". The façade is consistent with the KMT's interpretation, but in essence is different, "One China" means the PRC. But in the 18th Report, the "1992 consensus" was formally accepted for the first time, and this consensus shall serve as the fundament to create a roof structure of China [33]. Does that indicate the tacit endurance of the ROC?

In fact, the author will argue that the reason why Beijing accepts the "1992 consensus" is to assure that Taiwan and Taiwanese will not remain outside of China or the Chinese nation, or regard itself as a foreign state and foreigners. Otherwise, Beijing will find it more difficult to engage with Taiwan and even fail to treat it rationally. Therefore, in Beijing's view, Taiwanese are neither foreigners nor nationals but something in between. So long as Taiwanese do not consider themselves foreigners, everything is open for discussion.

It might appropriately be called a matter of faith. It is as if we both believe in God, things can go on. But if I believe in God and you believe in Allah, the conversation is hard to continue. And the fact is, how can Beijing ask Taiwan to explicitly accept this kind of identity? Moreover, as Taiwanese are so sensitive to be locked in by the "One China" issue, the "1992 consensus" sounds more moderate.

As mentioned above, Beijing's attitude towards the ROC has turned from a de jure nonexistence to a constructive stance of ambiguity namely a step forward towards its de facto recognition of the ROC. Hence, it is also a step closer to the German "Roof Theory" of "One Nation, Two States" connotation. Whether the cross-strait case will move toward the German case in the future remains to be observed (Tables 1 and 2).

Framework

Definition of cross-strait bilateral relations: In September 2008, President Ma Ying-jeou proposed a "special relationship" to define cross-strait relations [34]. Literally, this is exactly the same as the late West German Chancellor Willy Brandt's definition of the so-called "inter se relations" between West and East Germany [35]. But President Ma's definition is derived from the ROC Constitution and the "Regulations on the relation of people between Taiwan and mainland China", according to which the mainland and Taiwan are both regions of the ROC.

Beijing in contrast, regulates the relationship between mainland China and Taiwan through the Preface of PRC Constitution as well as the 2005 Anti-Secession Law (Articles 2 & 5; henceforth ASL). The former stipulates that "Taiwan is a part of the sacred territory of the People's Republic of China," which constitutes the legal basis that Taiwan belongs to the mainland, while the latter is intended to extend its jurisdiction to Taiwan.

It is worth noting that the ASL does not mention the country's official title even once, the only PRC law to do so. If the ASL had been named the "Anti-Secession Law of the People's Republic of China", its scope might have only applied to Xinjiang and Tibet, etc., but not to Taiwan. By this means, Beijing apparently is inclined to expand its jurisdiction to Taiwan to rebut the DPP's stance that PRC laws have never been applied to Taiwan. This indicates Beijing's meticulous design and the significance of the ASL.

As early as 2002, Beijing defined the air routes between Taiwan

	Expl. non-Recognition	Implicit Recognition	Semi-explicit Recognition		Explicit Recognition
	Total denial	Mutual non-denial	de facto Recognition	semi-de jure Recognition	de jure Recognition
Inner-German Relation	1949-1969			FRG to GDR 1969-1990	GDR to FRG 1969-1990
Cross-Strait Relations	1949-2008	ROC to PRC since 2008; PRC to ROC?	International Activities (Olympic Games, under the title of Chinese Taipei, etc.) PRC to ROC?	International Organizations (only annual observer status in WHA) PRC to ROC?	

Table 1: Stages of Recognition.

GDR	DPP	FRG	KMT-now	CPC	KMT-Sun
Two nations, two states	One country on each side/State-to-state	One nation, two states	One state, two areas	One country, two systems	One nation, one state
DPP (ideal type)	no mention of Chinese nation	GDR is not a foreign state to FRG	Ma Ying-jeou (ROC=Taiwan Area + Mainland Area)	China (since the 18 th Report : a roof structure of Chinese nation?)	SunYat-Sen: Chinese nation=ROC=Nation State

Table 2: Structural Arrangements of Nation and State.

and the mainland as “cross-strait air routes”, which is a sui generis arrangement different from both domestic and international routes. This is completely in line with President Ma’s “special relationship” mode [36]. At the end of July 2012 CPC’s discourse of “both sides are one country” and “cross-strait relations are not state-to-state relations”, etc., were more or less accepted by the KMT. Since the two sides are unable to mutually recognize each other, they can at least acquiesce to Ma’s mutual non-denial of jurisdiction concept.

“One Country, Two Areas” vs. “One Country, Two Systems”: In March 2012, KMT Honorary Chairman Wu Poh-hsiung raised the “One Country, Two Areas” formula [37]. In fact, this discourse is simply a return to the ROC Constitution. Beijing did not react directly because it lacks a legal basis in the mainland, especially in view of the status of Hong Kong and Macau. Thus, Beijing’s response came ten days later which indicates that it would be conducive for both sides so long as the one country position is upheld, while avoiding the mention of two areas. Accordingly, Beijing must consider this KMT discourse as a positive step forward in direction of national unity.

Can the aforementioned discourses of “both sides are one country” be seen as a response to Wu’s “One Country, Two Areas” and formula? Is it a new interpretations of the “One Country, Two Systems” vision? [38] Nonetheless, both Taipei and Beijing are at least in accordance with each other on the formula of “one country” and their interpretations are a bit closer than before.

Policies and tactics

For cross-strait relations to improve, the issue of renouncing violence is one of the significant prerequisites [39]. In addition, the issue of Taiwan’s diplomatic breathing space must be addressed. The tactics include dialectical thinking and seeking common ground as well as shelving differences.

Policies

The Issue of using force: So far, Beijing and Taipei have not yet reached a consensus on renouncing the use of force. According to Art. 8 of the ASL, Beijing will adopt non-peaceful means to deal with the situation if Taiwan seeks de jure independence [40]. In this case, it would be Taiwan which first changed the cross-strait status quo. Then, the questions of “fight for whom?” and “fight for what?” would cause highly divergent reactions in Taiwan because many Taiwanese would

not be ready to fight for Taiwan independence [41]. Meanwhile, the legitimacy of intervention in any Taiwan Strait war would be relatively low for the U.S. if it is to comply with the “One China Policy”.

Conversely, if Taiwan does not pursue independence and Beijing insists on attacking the island, it would be the mainland that first changed the status quo. Although, according to ASL, it is disputable that if all possibilities of a national unity are completely lost, in other words endless delay of the unification process, which could also be a causes belli for Beijing. Still, in this case, the will of the people of Taiwan to defend itself would be strengthened, and the legitimacy of U.S. intervention would be comparatively higher based on the policy of maintaining the status quo of the “One China Policy”. Nevertheless, from the view of the current cross-strait reconciliation, the two scenarios are less likely to happen so long as the KMT is in power, at least until 2016.

Diplomatic tag-of-war: Since 2008, the Ma government proposed a diplomatic truce policy, and the mainland has maintained good faith, but Beijing’s major concern must be the possible comeback of the DPP. Since 2009, Taiwan has participated in the World Health Assembly (WHA) as an observer with the title of Chinese Taipei by annual invitation, which is a good start. However, such invitations could cease to be issued if cross-strait relations deteriorate.

In addition, in November 2011, PRC golfers came to Taipei to participate in the LPGA World Golf Tournament. The fact that they returned without protest before the actual games started is mainly because ROC flags were raised at the venue [42]. This could be seen as a friendly gesture on Beijing’s part as the organizers should have shown only the “Chinese Taipei” flag.

Besides, Taipei won the honor to host the 2017 Universiade, which is the largest international sports event behind only the Olympic Games. This time Beijing not only did not intervene, but actually encouraged regions and countries such as Hong Kong and Mongolia to support Taiwan’s bid to host the event, which was an unprecedented expression of good will.

Furthermore, the ROC and Hungary jointly signed the letters of intent regarding economic cooperation and aviation. The important thing is that Hungary sent their incumbent Deputy Foreign Minister to Taiwan, which was a major breakthrough.

Also the U.S. Deputy Secretary of Energy Daniel B. Poneman visited Taipei in mid-December 2011, the highest ranking U.S. Government official to visit Taiwan in the past 11 years. Of course, this visit is closely aligned with the U.S.'s large-scale Strategic Rebalancing toward Asia policy in recent years. In addition, in October 2012, Washington had granted ROC passport holders U.S. visa waiver treatment. Currently, there are 131 countries around the world that offer the same treatment to Taiwan. All of Taipei's achievements can be seen as peace dividends of the current cross-strait situation, which is based to a certain degree on Beijing's good will.

Peace accord? : Along with the good will that Beijing has been showing to Taiwan since 2008, concluding a "peace accord" with Taipei is one goal Beijing hopes to receive in return, with the aim of institutionalizing cross-strait relations [43]. Regardingly, even if the DPP comes back in 2016 or later, the achievements between CPC and KMT governments could have been better safeguarded by written agreements. But the reaction from Taipei is still negative due to domestic dissent on this issue and the stance of the U.S. Therefore, it could be better for the both sides to discuss the issue in public to increase popular acceptance. KMT Honorary Chairman Wu Poh-siung's aforementioned "one country, two areas" discourse and Beijing's "both sides are one country" formula are good examples of this process. Over time, if the contents of the "peace accord" are all recognized by the people on both sides, then it could be signed when the time is right.

Tactical approaches

Dialectic approach: Dialectics has long been proven to be an effective way to solve complex problems. Such as "internality vs. externality" and "appearance vs. substance" are both good examples of measures of dialectical problem solving tactics.

"Internality vs. Externality": In order to treat Taiwanese more amicably, Beijing also proposed preferential policies [44]. Beijing's diplomatic doctrine of "Taiwan is part of China" has another façade since 2002, namely "the mainland and Taiwan belong to one China" in order to accommodate Taiwan. Moreover, as mentioned above, the KMT's "one country, two areas" discourse has also an international aspect. Accordingly, although both sides see that they belong to one country, the ROC is still a sovereign state in the international arena, especially among 23 diplomatic allies. This kind of dialectic dichotomy of internality and externality is typical for divided nations to find common grounds to build a *modus vivendi* [45].

"Appearance vs. substance": Although Taiwan is not satisfied to use the name "Chinese Taipei" in the World Health Assembly (WHA) or the International Olympic Committee (IOC), it is still acceptable, which precisely reveals that actual participation outweighs insistence on a name. In this respect, Beijing takes corresponding actions.

Since mid-2007, some of Taiwan's diplomatic allies openly expressed their willingness in succession to switch diplomatic relations from Taipei to Beijing. However, the PRC did not agree until this date to ensure the stable development of cross-strait relations, and instead develops state-to-state relations with these countries [46]. In fact, this is an arrangement of interoperability in "appearance and substance" as Beijing emphasizes the establishment of substantive relations, but cares less about formalities.

Shelve disputes: Currently, the most complex issue in cross-strait relations is still the controversy over sovereignty [47]. Both sides are still at the stage of constructive ambiguity based on the "1992 consensus".

Beijing still finds it difficult to accept the "Republic of China" officially because the PRC took the place of the ROC in 1949 and the ROC is legally non-existent as far as the PRC is concerned. However, Beijing has to hold on to the ROC to prevent the DPP from overthrowing the ROC since 2000. Otherwise, Beijing could be forced into a showdown. Therefore, maintaining the status quo seems to be the better solution for the mainland.

Strengthen consensus: In President Ma Ying-jeou's inaugural speech in 2008, he repeatedly referred to the "Chinese nation" and "mainland compatriots" [48]. Accordingly, ROC official documents replaced the usage of "China" with "the mainland", and the "CPC" with "the Beijing authorities" in order to imply "the Chinese nation"; meanwhile, this distinguishes the KMT from the DPP, which considers the mainland as a foreign state [49].

For historical reasons, the CPC has its particular positions on the war against Japan in the 1930's and 1940's and the Chinese Civil War since 1945, and they are in sharp opposition to the KMT's historical views. However, Beijing has changed recently in this regard, and in particular it is rehabilitating the contribution of the KMT in the war against Japan, especially through its mass media; the CPC is conducting a new political education campaign for the public. The CPC's views have also been close to those of the KMT in high school history textbooks in particular to strengthen the cross-strait consensus and to set the foundations for future peace talks with Taiwan [50].

Constructive arrangements: To avoid involving sensitive concepts, on the basis of the "1992 consensus", "good-neighborliness and friendly relations" could also be thinkable as the content of cross-strait relations when it comes to a more precise definition in black and white. "Respect" instead of "recognize" the other side's "autonomous status" is another possibility. All of these phrases leave large room for interpretation thus more easily to be accepted.

Furthermore, when it comes to signing a peace accord, could both sides agree upon "the leader of the Taiwan region" and "the leader of the mainland region" as their signatories? If so, this is in accordance with the provisions of the ROC Constitution, but it remains to be seen if Beijing can accept it.

The German model: President Ma Ying-jeou brought up the German reunification model shortly after his inauguration on May 20, 2012. Whether this was intended as a message is worthy of attention [51].

In November 1989, shortly after the Berlin Wall came down, then West German Chancellor Helmut Kohl proposed his "Ten Points Program (Zehn Punkte Programm)" to respond to the rapid changes in East Germany [52]. Following that, he expected to set up various types of platforms for bilateral cooperation as a starting point to make it more convenient to sign future treaties to establish a "treaty community (Vertragsgemeinschaft)", mainly in the hope of reforming the East German system and closing the gap between both sides. In short, this is a way of gradual convergence to achieve the purpose of national unity. However, the two sides were unable to put the plan into practice due to the turbulent situation in Eastern Europe and East Germany [53].

If we compare the "Ten Points Program" with the 1991 Taiwan's "Guidelines for National Unification", there are many similarities. After the initial stage of strengthening exchanges between both sides, the "Three Links" and high-level visits as well as negotiations could be carried out. Finally, both sides could commence negotiations on a

unified constitution in order to achieve the goal of national unification. Despite Beijing's "peaceful development" policy, the vast majority of Taiwanese oppose the unification of both sides. Therefore, Beijing still needs some time to reach its ultimate goal of unification.

Trade and cultural relations

Cross-strait trade: According to the statistics of Taiwan Customs [54], Taiwan's 2011 trade with the mainland accounted for 22.8% of its total foreign trade volume (28.7% including Hong Kong); of which exports accounted for 29.6% (40.2%), and imports accounted for 15.5% (16.1%), with a trade surplus of \$47.5 billion. Taiwan's full-year trade surplus of \$26.69 billion, thus the surplus with the mainland even exceeded \$20.81 billion. Meanwhile, investment of enterprises in the mainland accounted for 62.8% of total foreign investments [55], and since 2006, the mainland has become Taiwan's largest trade partner over the U.S. and Japan [56]. According to Taiwan's statistics, more than one million Taiwanese live on the mainland due to corporate interests. In 2012, 4.76 million trips have been made to the mainland, and over 2 million trips from the mainland to Taiwan [57].

According to the data of the mainland's General Administration of Customs, the total amount of cross-strait trade was \$ 75.02 billion from January to June 2011, accounting for 4.1% of the mainland's total imports and exports in the same period, down from 5.2% in 2011, of which exports to Taiwan decreased by 5.8%, and imports from Taiwan decreased by 5%. The cross-strait trade volume in the same period last year was \$79.09 billion, for a year-to-year increase of 14%. The annual cross-strait trade volume was \$160.03 billion in 2011, and the annual growth rate was 10.1%. Cross-strait trade volume accounted for 4.39% of the mainland's exports and imports. This shows that of the mainland's foreign trade, the proportion accounted for by cross-strait trade decreased significantly in the first half of 2012. Fortunately, as a result of the ECFA early harvest list, 94.5% of products receive zero tariff treatment, and imports and exports reached \$ 3.91 billion, with a year-to-year increase of 1.04 times, so it is apparent that the effectiveness of ECFA is expanding at a rapid rate. In addition, ECFA also attracts foreign manufacturers, especially those in Japan to build joint-ventures with Taiwan's firms to enter the mainland's market which benefits Taiwan a lot [58].

These statistics show that Taiwan depends on the mainland to a high degree, as the mainland counts for up to 30% of its total trade volume. On one hand, it is a solid foundation for cross-strait relations to flourish [59]. In accordance with neo-functionalism, the large bilateral trade volume may increase mutual investments, multilateral cooperation and mutual impression and final political decision will have spillover effects. On the other hand, it offers Beijing a powerful tool to manipulate Taiwan.

Cultural exchange: In the era of the Chen Shui-bian Government, exchanges of people between both sides continued to increase despite the intense cross-strait political confrontation. Between 1998 and 2008, 47 million trips were made from Taiwan to the mainland, and 1.63 trips from the mainland to Taiwan [60].

Moreover, Beijing has been promoting a Confucian revival since the 1980s. Since 2004, Beijing has set up "Confucius Institutes" worldwide, which also helps close the gap with Taiwan. On the other hand, it might be too premature to confirm the impact of Taiwan's democracy on the mainland [61]. However, the function of "change via contact" (Egon Barr, 1963) cannot be underestimated [62].

Beijing hoped to sign a bilateral cultural framework agreements

similar to ECFA, but Taiwan preferred to sign individual agreements and hold cross-strait cultural forums before moving on to the next stage [63]. This is mainly because cultural workers in Taiwan are mainly in the private sector, and may develop freely in the mainland without any agreements, while the signing of agreements may in contrast limit their development.

The CPC's 18th National Congress Report concerning Cross-Strait Relations

The main feature of Hu Jintao's 18th Report in November 2012 [64], is the "five-in-one" overall plan for promoting economic, political, cultural, social, and ecological progress, which plans to complete the building of a moderately prosperous society in all respects by 2020 . It also seeks to realize "modernization of socialism and renewal of the Chinese nation" as a fundamental task, with an attempt to "establish socialist modernized nation" by 2049. The 18th Report further proposed to advance the glorious and arduous tasks of China's reunification, which was the first time in an official report for Beijing to link cross-strait reunification with the revival of the Chinese nation. Accordingly, the PRC is prepared to complete the reunification in self-development progress in a five-in-one way, which is the blueprint of Beijing's reunification policy towards Taiwan.

Under this blueprint, Beijing suggests that Taiwan and China should "jointly explore cross-strait political relations and make reasonable arrangements for them under the special condition that the country is yet to be reunified and discuss the establishment of a cross-strait military security confidence-building mechanism (CBM) to maintain cross-strait stability, and reach a peace agreement through consultations so as to open a new horizon in advancing the peaceful growth of these relations."

First of all, is "the special condition that the country is yet to be reunified" another match of Ma Ying-jeou's 2008 "special non- state-to-state relations" remarks ?

Would a reasonable arrangement before cross-strait reunification be an interim arrangement? According to Wang Yi's explanation, China's Taiwanese Affairs Office Chairman, "reasonable is to take care of each other's concerns, no coercion, while fair is to obey the legal foundation, no 'two Chinas' or 'one China, one Taiwan'". This kind of "arrangements", reminds people of US scholar K. Lieberthal's proposal of an "interim agreement" in 1998, which suggests: Taiwan should accept the one-China position and give up independence, China should renounce the use of force; both sides do not sub-ordinate to the other before reunification (which implies increasing Taiwan's diplomatic breathing space); and regular meetings of high-level government officials across the strait; as well as a linkage between Taiwan's arms procurement and the mainland's military deployment; and to reduce tension through a change of the national titles of both sides.

The 18th Report further mentioned "the enhancement of national identity", and even mentioned four times "the Chinese nation" (linked with fundamental interests, community of common destiny bound by blood ties, the common home of Chinese nation, and the great revival of the Chinese nation.) Does this also imply that the cross-strait roof structure established through interim agreement is exactly the Chinese nation? In other words, could it be addressed as a design of "one nation, two regions", i.e. the "mainland area" and "Taiwan area" under "the Chinese nation"? Is it a modified version of the "one country, two regions" proposed by Wu Po-hsiung and Ma Ying-jeou? Regardless of "one nation, two areas" or "one country, two areas", it requires the two

parties to establish CBM and to sign a peace accord. According to the 18th Report, “cross-strait peace and development” has been redefined as an “important thought”. Does this mean that the peaceful development has indeed become a long-term process?

As mentioned above, plus the magnanimity in the 18th Report to admit errors in domestic policy (such as corruption and social inequality) and determination of correction (in form of political and economic reforms), it is clear to see that the PRC is quite self-confident on its position, which led to Beijing’s confidence on the cross-strait development and Beijing’s preponderance over Taiwan policy, which probably allows Beijing more patience in waiting for the finalité politique.

Epilogue

Beijing is extremely concerned about the sustenance of KMT rule in Taiwan and the possible reactions of the U. S. to the development of the cross-strait relations. Consequently, before the signing of a cross-strait peace accord, “constructive ambiguity” policies on the basis of the “1992 consensus” will continue to persist for a period of time. But given the current situation, the possibility of a cross-strait military conflict has decreased, while trade and cultural exchanges between both sides have rapidly increased in the stage of peaceful development. Thus, the interaction in the form of neo-functionalism, as well as social constructivism, will be greatly helpful to benign cross-strait interactions. Both Taiwan and the mainland converge towards each other with a rather quick pace, which is similar to Willy Brandt’s 1989 words of growing together of both Germans before reunification.

Since the financial crisis of 2008, most of incumbent elected officials failed to win re-election, including those in Japan in 2009 and again in 2012, the United Kingdom in 2010, the Philippines, the Netherlands, Thailand, Singapore (on the brink), Greece, Italy and Spain, etc. It can be considered a major exception that President Ma Ying-jeou successfully won a second term in office in January 2012, with the benefits from cross-strait relations naturally having played a vital role.

Nevertheless, the external environment is likely to have a considerable impact on the progress of cross-strait development. If the European debt crisis continues to worsen again, it will lead to closer trade and economic relations between Taipei and Beijing in order to cope with the crisis. In contrast, the increasing U.S. involvement in East Asia will pose more obstacles to Taiwan in its mainland policy. In addition, what impact will the disputes in the East China Sea and the South China Sea have on cross-strait relations if the conflict escalates? Could that lead to tactical cooperation between the two sides?

Judging from the current situation, cross-strait relations will continue to develop in a positive direction in the foreseeable future, and the mainland will become more pragmatic, so whether or not Taiwan will be more proactive needs continued observation.

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