Seminar Report

Project Strait Talk: Security and Stability in the Taiwan Strait

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East Asia Nonproliferation Program

MONTEREY INSTITUTE
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CENTER FOR NONPROLIFERATION STUDIES

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Executive Summary

The Center for Nonproliferation Studies at the Monterey Institute of International Studies hosted "Project Strait Talk," a unique seminar held in Monterey on May 12-13, 2000 with participants from mainland China, Taiwan, and the United States. A retired senior military officer and two academics from each side met to identify and discuss military, political, and economic events and trends that might destabilize the security environment in the Taiwan Strait.

The group identified nine key events and trends that might trigger a military confrontation:

- **Indicators that the PRC was preparing for an invasion of Taiwan**
- **A decision by Taiwan to develop weapons of mass destruction**
- **US decision to sell theater missile defense (TMD) systems to Taiwan**
- **PRC announcement of a timetable for reunification**
- **Economic meltdown/chaos in mainland China**
- **Trend towards "creeping independence" for Taiwan**
- **Trend toward overt American support for Taiwan**
- **Trend toward increasing "Taiwan identity" and indefinite delay of reunification**
- **Trends in overall military balance across the Taiwan strait**

Misperceptions and misunderstandings appeared to be a relatively small factor at the level of individual events. Although aggressive military actions could prompt dangerous responses, the group felt these events were unlikely to occur accidentally or inadvertently. Absent a political crisis, most small-scale military events were not considered to be that dangerous, although major military exercises were a possible exception to this rule. Similarly, the political actions (such as a declaration of independence by Taiwan) that would trigger a military confrontation were well understood. Discussions revealed considerable agreement about which individual events were most dangerous and where the "red lines" that might trigger conflict lay.

The group found that political context greatly colored interpretations of individual events. Most participants were less concerned about dangerous events occurring accidentally or inadvertently than about longer-term trends (and leadership perceptions of these trends) that might prompt political leaders to take dangerous actions despite awareness of the risks. Perceptions (and misperceptions) about what was really driving decision-making in Beijing, Taipei, and Washington were a critical factor. For example, Chinese participants noted that the perception that Taiwan's leaders were determined to move toward independence greatly influenced interpretations of Taiwan's statements and actions. The absence of political dialogue between mainland China and Taiwan exacerbated the problem of misperceptions and increased the danger that a trigger event or adverse trend might spark military conflict.

Discussions revealed several important differences in perceptions:

- Americans viewed talk of the PRC setting a "timetable" for reunification as an ultimatum, while other participants viewed this as a means of building domestic support.
- Chinese participants viewed the Taiwan issue as a barrier to Chinese democratization, while Taiwan hoped that democratization in mainland China would eventually make it easier to resolve cross-Strait issues.
- Mainland Chinese and Taiwan participants each worried that the trend in US policy was toward increasing support for the other side.
- Mainland Chinese participants saw military balance in the Taiwan Strait as destabilizing by permitting Taiwan to move toward independence, while participants from Taiwan and the United States viewed China's efforts to achieve military superiority as a destabilizing effort to compel Taiwan to negotiate on mainland China's terms.

Although some key actions such as TMD sales and US support for Taiwan had both military and political dimensions, participants stressed the importance of political causes over military factors. Political actions likely to trigger conflict included actions that promoted Taiwan independence, changes in the character of US unofficial relations with Taiwan, and Chinese actions to pressure Taiwan to move toward reunification. Chinese participants repeatedly expressed the view that US military support for Taiwan would encourage movement toward independence. American participants noted that mainland China's missile deployments were increasing pressure to provide Taiwan with TMD and that shifts in the military balance might lead to increased arms sales. Several participants suggested a Chinese decision to scale down or move military exercises would have a positive impact on cross-Strait relations.

The group's discussions revealed a mismatch between dangerous trends and available policy instruments. For example, Chinese participants felt that military threats were mainland China's only means of deterring Taiwan from declaring independence. Yet military means were unlikely to reverse the trend toward a separate Taiwan identity (and might even be counter-productive). Participants felt that unofficial "track two" discussions like the Monterey seminar allowed a deeper engagement with issues and long-term trends that had considerable value in clarifying issues and dispelling misperceptions. Participants from different sides often shared a similar analysis about particular trends and events, even if they differed on policy recommendations. Future discussions would benefit from having participants from Taiwan's Democratic Progressive Party and greater military representation.

The group noted a number of dangerous misperceptions and identified nine key events and trends that might destabilize the security environment. However the most critical factors were political perceptions, not military trends. Dialogue between mainland China and Taiwan can help prevent tensions from escalating into military conflict, but disagreements over the "one China" principle are preventing a resumption of talks. Seminar participants suggested one way to break the impasse would be unofficial "track two" discussions based on Taiwan's 1991 "Guidelines for National Unification." Mainland China would agree to discuss Taiwan's own proposal (which envisions short-term, medium-term, and long-term phases leading toward unification). Taiwan's new President Chen Shui-bian has already accepted the guidelines as a basis for policy. The United States might also play a useful role in facilitating discussion and clarifying issues.

Introduction

The seminar began with an explanation of goals and ground rules. Moderator Dr. Monte Bullard stressed that the purpose of the seminar was not to solve underlying political problems between mainland China and Taiwan, but rather to focus on the issue of military stability across the Taiwan Strait. Like it or not, the United States was involved in this issue. By taking an analytical approach, the group could identify potential events and trends that might trigger a war. The goal was to have a productive dialogue that identified dangerous misperceptions and misunderstandings. A follow-up seminar might consider confidence building measures that could reduce the chances of inadvertent or accidental conflict. All comments represent the personal views of seminar participants, not the views of their respective governments, and were given on a not-for-attribution basis.

Each member of the group summarized their professional background and described their previous personal and professional experience related to Taiwan. The group included two civilian analysts and one retired military general officer from each side.[1] Participants brought an unusually wide range of expertise to the seminar, including experience in military intelligence, military operations and operational planning, strategic and political analysis, service as a legislator, and diplomatic experience. Most had advanced degrees and have published widely on military and political relations between mainland China, Taiwan, and the United States. (See Appendix 1 for a participant list.)

Seminar organizers prepared a long list of potential military, political, and economic events that might trigger a military crisis. (See Appendix 2 for a list of events.) Participants were asked to review the list and select the military, political, and economic trigger events that they considered most likely and most dangerous. The original plan was to compare each participant's selections and quickly derive a list of events for further discussion and analysis. Because the process of selecting events produced interesting discussions as participants explained why they selected particular events as likely or dangerous, the time allotted to the selection process was expanded.

The first day was spent identifying and discussing military, political, and economic events that might trigger military conflict in the Taiwan Strait. The group's discussions suggested that the principal danger lay less in individual events than in conflicting political interpretations of their significance. These interpretations varied widely among the three sides and were colored by broader political and military trends. The second day focused on in-depth discussions of key events and trends. The group also developed a proposal for restarting unofficial dialogue between mainland China and Taiwan based on Taiwan's 1991 "Guidelines for National Unification" (See Appendix III).

This report is divided into three sections: an overview of military, political, and economic trigger events; detailed discussions of key events and trends; and the group's proposal for resumption of dialogue between mainland China and Taiwan.

[1] The PRC was represented by an active duty PLAN Senior Captain participating in a personal capacity.

Part I: Overview of Military, Political, and Economic Trigger Events

Military Trigger Events

The group's discussions of military events produced several general conclusions. Seminar organizers had expected the group would identify several accidental or inadvertent military actions that might play a significant role in triggering a military crisis. Participants agreed that indicators of a PRC invasion of Taiwan, a decision by Taiwan to develop weapons of mass destruction, or a US decision to sell theater missile defense systems to Taiwan all might trigger a military crisis. However these events were unlikely to occur accidentally or inadvertently. They would be the product of broader trends and shaped by political perceptions on all three sides. (All three events are discussed in the section on key events and trends). Most participants stressed that political context and the state of political relations between the three sides were critical for interpreting the impact of military events and that individual events could not be considered in isolation. Perceptions (and misperceptions) of long-term trends were more important than individual military events.

The group felt that the most likely military events (such as air or naval incursions, border violations, or exchanges of fire during intelligence missions) had a low probability of escalating into conflict. An American noted that these small-scale events could be handled easily and were therefore not especially dangerous. A Chinese participant agreed that most events would be judged within the context of the broader situation, not on the basis of their individual characteristics. In a crisis atmosphere, however, when military forces were already on a hair-trigger alert status, an unexpected event might precipitate a military response.

One Taiwan participant agreed that single events were unlikely to escalate, but argued that multiple events occurring simultaneously or interactions between events might be more dangerous. For example, if mainland China conducted a military exercise that threatened Taiwan, and the United States responded with a military warning, the outcome would depend on Chinese intentions. If mainland China didn't intend to start a war, the warning would likely be effective. Individual events had to be understood within a complicated process of interactions.

Participants identified several "red lines" that might indicate a PRC invasion of Taiwan was imminent, such as:

- Assembling an armada of fishing boats
- Sabotage or attacks on Taiwan's early warning radars or intelligence collection facilities
- A major logistics buildup opposite Taiwan
- Forward deployment of PRC troops and equipment
- Major improvements in PRC sealift capability
- Publication of PRC invasion plans

Any of these events might escalate into a major crisis. However the danger lay not in the individual events themselves, but in the underlying decision that an invasion of Taiwan was necessary.

Military exercises might provide cover for invasion preparations, but most group members felt exercises were unlikely to accidentally trigger a conflict. Militaries respond to exercises by

raising their alert status and increasing surveillance efforts. Both mainland China and Taiwan have disciplined forces and relatively good command and control systems, which reduce the chances of accidents spiraling out of control.

A Taiwan participant challenged this assessment, noting that mainland China regularly used military exercises to intimidate Taiwan. He acknowledged the PLA's need to train, but noted that exercises were increasingly held in the coastal area opposite Taiwan and in the East China Sea. They had a political and social effect in Taiwan. For example, every time the PLA held a major exercise, the Taiwan stock market dropped. If PLA forces pushed across accepted boundaries during an exercise, Taiwan's military would have to intercept them. If military exercises were not taken seriously, there could be an accident. If Chinese exercises were conducted further away from Taiwan, this might improve the political atmosphere.

An American agreed that mainland China used both exercises and exaggerated press reports to increase pressure on Taiwan and to demonstrate its commitment to reunification. Once Taiwan got used to a given level of exercises, the PLA would have to increase the scale and intensity to have the same political effect. This increased the risk of accidents. Taiwan and the US military might mobilize forces in response to large Chinese exercises, increasing political tensions and reducing ambiguity about US commitments. If the PLA scaled down its exercises or shifted them to the South China Sea, this would have a positive impact on cross-Strait relations. He noted that the United States had scaled down its military exercises with South Korea to send a positive signal to the North. Another American agreed that Chinese exercises had a deterrent effect on Taiwan and that stopping or moving them would have a confidence-building effect.

Chinese participants focused on the political implications of military actions, especially those that increased US military ties with Taiwan. While mainland China objected to all US arms sales to Taiwan as a matter of principle, the major concern was arms sales and military ties indicated increasing US political support for Taiwan, which might eventually prompt Taiwan to declare independence. In that case mainland China would have no alternative but to fight.

The group identified three military events and two military trends that deserved extended discussion. These discussions are summarized in the "Key Events and Trends" section.

Key military events:

- Indicators that the PRC was preparing for an invasion of Taiwan
- Taiwan decision to develop weapons of mass destruction (nuclear, chemical, or biological)
- US decision to sell theater missile defense systems to Taiwan

Key military trends:

- Trend toward overt American support for Taiwan (includes both US actions and perceptions in Taiwan and mainland China)
- Trends in overall military balance across the Taiwan strait

Political Trigger Events

The group discussed a wide variety of political actions that could potentially trigger conflict. Participants identified three main categories of dangerous events: actions that promoted Taiwan independence, changes in the character of US unofficial relations with Taiwan, and PRC actions to pressure Taiwan to move toward reunification. There was clear agreement on which actions would be most likely to trigger a crisis. The group was less concerned about political leaders inadvertently taking dangerous individual actions and more concerned about longer-term trends that would make dangerous events more likely.

Participants identified several specific events that would symbolize a move toward Taiwan independence and might stimulate Chinese military reactions. These included:

- Formal declaration of independence
- Referendum on independence
- Constitutional changes that removed ties with mainland China
- Changes to national symbols such as the flag and national anthem.

Most people in mainland China and Taiwan clearly understood that these actions would be interpreted as provocations that might justify a military response. While any of these actions would be dangerous, participants agreed that this list was not complete. The PRC's sensitivity to any movement toward Taiwan independence and the perception that a separate Taiwan identity is gradually emerging suggested that more subtle expressions of independence sentiment might also stimulate reactions from the PRC. The perception of a trend toward "creeping independence" would color interpretations of individual events. However one American noted that although mainland China feared any changes in Taiwan's constitution, it was possible to imagine changes that might help stabilize relations.

Changes in US unofficial relations with Taiwan could encompass both military and political actions. The most sensitive areas included:

- High-level government visits that symbolized more "official" relations
- US support for Taiwan's admission to the United Nations
- Improvements in unofficial military ties and expanded arms sales

As the strong reaction to Lee Teng-hui's 1995 visit to Cornell University indicated, mainland China strongly opposes visits by senior Taiwan leaders to the United States or visits by senior American officials to Taiwan. China also worries about the political dimension of unofficial military relations between the United States and Taiwan. Chinese participants were especially concerned about the Taiwan Security Enhancement Act, US arms sales to Taiwan (especially the provision of theater missile defense systems), and any explicit American commitment to Taiwan's security. In each case, the principal Chinese concern was not the implications of enhanced security ties for the military balance, but the political effect of improved military ties. Chinese participants repeatedly expressed the view that US military support would encourage movement toward Taiwan independence.

The third category of dangerous political actions would involve a Chinese effort to set a deadline for talks on reunification. This is discussed in the section on key events and trends.

The group also discussed the potential impact of political instability in mainland China. Chinese participants worried that political instability or economic chaos inside mainland China might provide an opportunity for Taiwan to declare independence. This might occur if divisions emerged in mainland China's leadership or if the authority of the Chinese government was weakened by political liberalization. Democratization would not necessarily be a smooth process. One Chinese participant argued that the government must proceed cautiously and gradually with democratization so that it did not lose control. A strong government was necessary to avoid political chaos; mainland China did not want to become a second Russia. If that happened, Taiwan would certainly separate from mainland China forever. Another participant noted that Taiwan had missed an opportunity to declare independence during the Tiananmen incident in 1989, when the Chinese government was internally divided. Now that the pro-independence Democratic Progressive Party (DPP) was in power, internal divisions would be even more dangerous. Mainland China should avoid domestic political instability so that Taiwan was not presented with another opportunity to declare independence.

Several Taiwan participants commented that Chinese participants viewed the Taiwan issue as a barrier to democratization, while Taiwan hoped that PRC democratization would eventually make it easier to resolve cross-Strait issues. A Chinese participant countered that Taiwan's leaders used the argument that reunification must wait until mainland China democratized as a pretext to avoid serious discussion of reunification. If mainland China set up a new government through democratic elections tomorrow, Taiwan would still not agree to reunification.

American and Taiwan participants questioned whether Taiwan would take the risky step of declaring independence while mainland China was distracted by political instability. One Taiwan participant noted that a single Tiananmen-style incident would not provide a pretext for independence, although a major Chinese civil war might. An American noted that the Taiwan public would hesitate to risk their lives and livelihoods to seize this kind of opportunity. A Taiwan participant agreed that that the great majority in Taiwan wanted the status quo and would be reluctant to take the risk of declaring independence. This included many Chen Shui-bian voters. For most people, independence was not a life or death issue. A Chinese participant agreed that the majority of people in Taiwan did not want to risk their lives for independence.

The group identified one political event and three political trends for extended discussion.

Key political events:

- PRC announcement of a timetable for reunification

Key political trends:

- Trend towards "creeping independence" for Taiwan
- Trend toward overt American support for Taiwan (including both US actions and perceptions in Taiwan and mainland China)
- Trend toward increasing "Taiwan identity" and indefinite delay of reunification

Economic Trigger Events

The group discussed a series of economic actions that might trigger a military confrontation. For the most part, economic events were viewed as "second order questions" that were unlikely to

trigger military actions. However economic sanctions might be part of US or Chinese responses to political or military actions involving Taiwan, and this might affect strategic relations between the United States and China. One Chinese participant noted that economic relations were currently the only substantial part of Sino-US bilateral relations; if they were cut off there would be no basis for relations. An American agreed about the importance of Sino-US economic relations, arguing that revocation of China's MFN status would have a negative impact on relations that might indirectly increase the chance of war. There was general agreement that WTO entry would be good for the PRC in the long-run, but one participant noted that the Chinese government didn't dare publish the bilateral agreement on WTO entry. Prime Minister Zhu Rongji was heavily criticized following the concessions he made in April 1999 in an abortive effort to reach agreement with the United States on WTO entry. A Chinese participant argued that the United States would be forced to approve Permanent Normal Trade Relations in order to gain access to mainland China's market after it entered the WTO.

The one economic event that participants felt might trigger a military crisis was a major economic collapse in mainland China that caused widespread political instability. An economic collapse could lead to sudden political change inside mainland China, either in the direction of democratization or toward military rule. Chinese participants worried that the resulting political instability could give Taiwan an opportunity to declare independence while mainland China was distracted by internal turmoil. A few American and Taiwan participants suggested that mainland China might seek to divert attention from economic problems by fomenting a crisis over Taiwan. [Editor's note: Political or economic turmoil in mainland China would likely lead political actors to greater reliance on Chinese nationalism as a unifying force. If Taiwan attempted to take advantage of turmoil to move toward independence, this might well bring mainland China together behind a nationalist leader.]

Key economic event:

- Economic meltdown/chaos in mainland China

Chinese participants felt that continued Chinese economic growth was a precondition for political liberalization and would also make peaceful reunification more likely. An American noted that the economic gap between mainland China and Taiwan would need to close, but that economic convergence would not happen in the next 10-15 years. A Chinese participant argued that economic growth was essential because mainland China did not want to follow the USSR in democratizing before economic reforms succeeded.

Part II: Key Events and Trends

The group's initial discussions identified nine key events and trends that deserved analysis:

- **Indicators that the PRC was preparing for an invasion of Taiwan (PRC initiator)**
- **A decision by Taiwan to develop weapons of mass destruction (nuclear, chemical, or biological) (Taiwan initiator)**
- **US decides to sell theater missile defense systems to Taiwan (US initiator—but trend in PRC missile deployments also a factor)**
- **PRC announcement of a timetable for reunification (PRC initiator)**
- **Economic meltdown/chaos in mainland China (PRC initiator)**
- **Trend towards "creeping independence" for Taiwan (Taiwan initiator)**
- **Trend toward overt American support for Taiwan (including both US actions and perceptions in Taiwan and mainland China)**
- **Trend toward increasing "Taiwan identity" and indefinite delay of reunification (Taiwan initiator)**
- **Trends in overall military balance across the Taiwan strait (All three parties involved)**

Each of the nine key events and trends are discussed in detail below.

Indicators that the PRC was preparing for an invasion of Taiwan (PRC initiator)
The group discussed a number of PRC military actions that would indicate an invasion was imminent, include signs such as massing of fishing boats, attacks on early warning/intelligence facilities, and a major logistics or missile buildup opposite Taiwan. However the critical factor would not be these military indicators, but the political calculus in Beijing about whether a military conflict over Taiwan was necessary.

The PRC's February 2000 Taiwan White Paper announced three circumstance that might prompt the use of force: Taiwan's separation from mainland China (e.g. a declaration of independence), foreign occupation of Taiwan, or Taiwan's indefinite refusal to negotiate about reunification. These make up the so-called "three ifs." US policy has sought to maintain a military balance across the Taiwan Strait in order to deter conflict. The United States defense commitment to Taiwan has also remained ambiguous in order to deter Taiwan from declaring independence in the expectation that the United States would intervene on its behalf.

An American participant asked whether an explicit American commitment to Taiwan would increase the effectiveness of deterrence by removing ambiguity and therefore reducing the chance of conflict. The PRC knows the United States would win a conflict and is prepared for US involvement. The American noted "no one starts a war expecting to lose it." A Chinese participant disagreed, citing several examples in Chinese military history when leaders had fought wars knowing they would lose. Losing a war but maintaining domestic legitimacy was better than not fighting and losing legitimacy. Political factors would dominate military factors. An American participant noted that miscalculation of one's chances of winning could also play a

role, especially when the nature of warfare was changing. He worried that military officers on both sides over-estimated their capabilities. A Chinese participant responded that while war was always the last option, if the PRC had no alternative it would fight. An American raised the question of a package deal where the United States would make a conditional commitment to defend Taiwan so long as it did not declare independence.[2] A Chinese participant responded that removing ambiguity about the US commitment would strengthen nationalist voices in mainland China.

Beijing's calculus about the use of force is clearly a complex question that involves many factors, perceptions, and trends. Other aspects of the group's discussions help illuminate some of these factors.

A decision by Taiwan to develop weapons of mass destruction (Taiwan initiator)
Most members of the group agreed that a decision by Taiwan to develop weapons of mass destruction (nuclear, chemical, or biological weapons) would be a dangerous development that might precipitate military conflict. Even though Taiwan had an advanced nuclear weapons program that was stopped in the late 1980s under US pressure, the group felt Taiwan was unlikely to revive the program. Participants noted that the time required to develop nuclear weapons and effective delivery systems (and the high likelihood that a secret program would be discovered) would give mainland China the opportunity to launch a pre-emptive conventional attack to destroy Taiwan's nuclear facilities. One American participant noted that a senior PLA officer had recently warned him that mainland China would launch such an attack if Taiwan tried to develop nuclear weapons. The time gap between a decision to pursue nuclear weapons and the point at which weapons would become operational would create a dangerous situation.

The broader question was whether nuclear weapons would help Taiwan guarantee its security. Absent a compelling security rationale, most participants felt Taiwan was unlikely to develop nuclear weapons. The group discussed parallels between Taiwan and Israel. An American participant noted the similarity was only superficial. Taiwan's physical separation from the mainland negated much of mainland China's military advantage and made Taiwan less vulnerable than Israel. None of Israel's potential enemies possessed nuclear weapons or delivery systems, while mainland China already had sufficient missiles and warheads to have an overwhelming advantage. He noted that it was hard to imagine a scenario where a small number of nuclear weapons would help Taiwan survive. Other participants accepted this argument about the lack of a persuasive military rationale for Taiwan to develop nuclear weapons. One argued that Taiwan's earlier nuclear weapons program had been in the context of a policy based on a possible invasion of the mainland, a set of circumstances very different from what Taiwan faced today. One American participant noted that even though developing nuclear weapons was very risky, if the United States renounced its security commitment to Taiwan, this might create a military and political rationale for nuclear weapons.

Some participants felt that even if nuclear weapons had little military utility for Taiwan, they might still have considerable domestic political value. Two participants noted that Taiwan's Vice-President-elect Annette Lu had called for Taiwan to develop weapons of mass destruction, although a knowledgeable Taiwan participant argued this had been an emotional outburst, not a serious proposal. A Chinese participant cited the role of domestic politics in India's 1998

[2] MIT Professor Thomas J. Christensen proposed a conditional American commitment in "Clarity on Taiwan," *Washington Post*, March 20, 2000, p. 17.

nuclear tests, arguing that electoral competition might encourage the Democratic Progressive Party (DPP) to develop nuclear weapons. Participants from Taiwan rejected this parallel, arguing that the international costs of developing nuclear weapons were too high. However these costs might be reduced if other countries believed Taiwan was forced to develop nuclear weapons due to mainland China's threats. Only under these circumstances would a decision to develop nuclear weapons provide a domestic political boost. Because a Taiwan nuclear program would create major security risks, all sides had an interest in taking steps to avoid such a scenario.

A Chinese participant argued that India's nuclear tests had also been intended to raise India's international status and worried that Taiwan might use the development of nuclear weapons to seek the same goal. A Taiwan participant argued that nuclear weapons would not raise Taiwan's international status but instead would hurt Taiwan's reputation. He could only envision one scenario in which Taiwan might develop WMD: if President-elect Chen Shui-bian was determined to declare independence and able to create a scenario where the rest of the world believed Taiwan had no alternative to developing nuclear weapons to protect itself. Participants agreed that the negative impact nuclear weapons development would have on American support was a very important factor deterring Taiwan from pursuing WMD.

A Chinese participant argued that Taiwan and North Korea were different because North Korea could not get help from others while Taiwan relied on the US for its security. If the United States cut off support for Taiwan, that might increase Taiwan's interest in WMD. A US participant noted it was rare to see someone from the PRC discussing the utility of a US security commitment to Taiwan. The Chinese participant responded that US security ties made Taiwan less likely to pursue nuclear weapons, but more likely to pursue independence, which was equally dangerous.

Sale or Deployment of TMD to Taiwan (US initiator)
An American participant presented some facts about theater missile defense (TMD), arguing that many misconceptions existed. Ballistic missiles were similar to aircraft dropping bombs; TMD was therefore similar to anti-aircraft systems and not especially destabilizing. He argued that Chinese experts had correctly judged that projected TMD systems could be overwhelmed by large numbers of missiles, but incorrectly concluded that TMD deployment to Taiwan implied a formal US military alliance. There were numerous TMD variants, ranging from stand-alone point defense systems to upper-tier systems fully integrated with US satellite networks. Patriot PAC-3 and lower-tier missile defense systems could readily be used for point defense without creating an alliance with the United States, especially if Taiwan had its own early warning radars.

The American noted that Taiwan was overrating the accuracy and effectiveness of ballistic missiles, thereby yielding the psychological advantage to Beijing. Hardened and passive defenses could provide a lot of protection. Misconceptions about the extent of the threat and the potential efficacy of TMD were distorting the debate. A Taiwan participant noted that many were skeptical about the cost of the system and questioned whether the Taiwan military had the capability to handle such a complicated system. An American agreed that the military viewed it as a money pit, but argued that political pressure from the DPP had forced the Taiwan government to pursue the system. It was mainly a domestic political issue, not a military issue.

A Chinese participant noted that mainland China had both political and military concerns about TMD. When the United States had sold Taiwan Patriot PAC-2 systems, there had not been an immediate threat of Taiwan independence. Now independence was an increased threat, so mainland China's opposition was much greater. An American noted that the build-up of Chinese missiles opposite Taiwan increased pressure for the United States to sell TMD to Taiwan. A Chinese argued that mainland China would respond to a PAC-3 deployment by building more missiles to overwhelm the system; this would lead to an arms race in the Taiwan strait that increased tensions and raised the risk of war. An American questioned why the risk of war would increase if the two sides maintained a military balance. The Chinese participant responded that an arms race was a political indicator of willingness to fight; if one side gained the advantage it would strike. American participants noted that a defensive arms race might have different dynamics and that a Chinese military buildup would affect other countries like India and Japan.

The group differed over how the issue of TMD deployment in Asia arose. A Taiwan participant noted a structural asymmetry in the debate over TMD deployment in Taiwan. Mainland China could increase the number of missiles deployed in the coastal area, but insisted that the US should not sell defenses to Taiwan. This was perceived as unfair. A Chinese participant saw TMD as a derivative of the Reagan-era "Star Wars" program. The revision of the US-Japan defense guidelines had stimulated interest in regional TMD deployments, not Chinese missile deployments. American participants argued that mainland China's 1995/96 missile tests had played a critical role in creating political support for TMD deployments to Taiwan. Chinese participants feared that TMD sales would create the perception that Taiwan was invulnerable and therefore stimulate movement toward independence. A Taiwan participant asked whether a US guarantee that new weapons sales would not facilitate Taiwan independence would satisfy Chinese objections, but Americans doubted that such a guarantee would be possible or credible.

PRC announcement of a timetable for reunification (PRC initiator)

Press reports have suggested the Chinese military has pressed the Chinese government to set a timetable for reunification. The PRC's February 2000 White Paper on Taiwan announced that Taiwan's indefinite refusal to enter negotiations about reunification would constitute grounds for the use of force (the so-called "third if"). Seminar participants agreed that setting a public deadline for reunification or for the start of negotiations would be dangerous, but felt the PRC was unlikely to take such a step. Discussions revealed major differences in the understanding of the word "timetable" between American participants and participants from mainland China and Taiwan. For Americans, "timetable" implies an ultimatum demanding that Taiwan negotiate by a certain date or face the consequences. The mental picture was of a clock counting down to a deadline, like the clock in Tiananmen Square that counted down the seconds until Hong Kong's reversion to Chinese sovereignty. In the Chinese context, "timetable" implies a goal that everyone should work to attain. The emphasis is on mobilizing popular efforts to achieve the goal, not on a specific deadline. A Taiwan participant argued that a deadline implied a single action, while a timetable implied a gradual process or a series of steps toward a goal. An American participant noted that the "third if" had been wrongly interpreted in the United States as a deadline.

Chinese participants noted that Jiang Zemin had stated in a 1999 interview that unification should not take longer than 50 years, implying that no timetable existed. One noted that Deng Xiaoping had set a target for reunification in the 1980s, but that no one took it seriously. The

PRC should not announce a target again without implementing it. If the PRC did give Taiwan an ultimatum, it would last only twenty-four hours, not years. Participants from both mainland China and Taiwan agreed that a timetable was important for its domestic role in mobilizing support, not in forcing Taiwan to the negotiating table. An American participant noted that setting a public timetable to increase pressure on Taiwan would be dangerous. If Taiwan refused to comply, Chinese leaders would either have to fight before they were ready or back down and face severe domestic criticism. A public timetable also gave the US military time to mobilize and deploy forces to the area.

Several Americans suggested the PLA might use a secret internal timetable to argue for increased defense budgets and defense capabilities. In bureaucratic terms, a timetable could be a useful tool for planning and for building the capability to have a military option to invade Taiwan by a certain point. Such a timetable would not necessarily imply a commitment to use a military option, but would bring pressure to bear on Taiwan. They suggested a period of seven to ten years was likely for such an internal timetable.

Economic meltdown/chaos in mainland China (PRC initiator)
A major economic collapse in mainland China that caused widespread political instability might trigger a military crisis. An economic collapse could lead to sudden political change inside mainland China, either in the direction of democratization or toward military rule. Chinese participants worried that the resulting political instability could give Taiwan an opportunity to declare independence while mainland China was distracted by internal turmoil. A few American and Taiwan participants suggested that mainland China might seek to divert attention from economic problems by fomenting a crisis over Taiwan. A Chinese government weakened and distracted by a major economic crisis might behave erratically or lose control over military forces. The implications of political instability for Taiwan were discussed in the earlier section on political trigger events and trends.

Trend towards "creeping independence" for Taiwan (Taiwan initiator)
Chinese participants noted the widespread perception in the PRC that Taiwan's leaders sought to move toward independence step by step. Measures such as constitutional change, referendum, and a declaration of independence would be the end point of this trend, but smaller steps would happen first. Although the "red lines" that would lead to war were fairly clear, widespread distrust of Taiwan's leaders in the PRC meant that even modest steps toward independence might provoke strong Chinese reactions. Chinese leaders did not trust Lee Teng-hui and were extremely suspicious of Chen Shui-bian given his membership in the pro-independence Democratic Progressive Party. One Chinese participant noted that Chen "did not dare to say that he was Chinese." Suspicion and the lack of cross-Strait dialogue on reunification colored how the PRC interpreted the actions of Taiwan's leaders and various political, military, and economic developments. This was the area where misunderstanding and misperception seemed most likely and most dangerous. Actions that people in Washington and Taipei regarded as innocuous or modest political gestures tended to be regarded in Beijing as part of a slippery slope toward independence.

An American asked why Lee Teng-hui's "special state-to-state relations" announcement had not been regarded as a declaration of independence. A Chinese participant replied that the Chinese government had regarded it as akin to a declaration of independence, but was not prepared militarily to launch a war. Few people in mainland China had expected Lee Teng-hui would go

that far. Mainland China had been focused on economic modernization, but Lee's statements and actions were forcing a reconsideration of priorities. Several American participants noted with concern that this statement implied that if mainland China had the military capability, it would have fought a war over Taiwan in 1998. A Chinese participant noted that Lee's statement had increased the urgency of negotiations on reunification. Mainland China must have negotiations or it would seem like they were accepting Lee Teng-hui's "two states theory." This was why mainland China was trying to pressure Taiwan into starting negotiations.

Trend toward overt American support for Taiwan (including both U.S. actions and perceptions in Taiwan and mainland China)

Chinese participants focused on the political implications of actions such as arms sales and TMD that increased US military ties with Taiwan. One noted that the sale or deployment of theater missile defense (TMD) systems, the Taiwan Security Enhancement Act (TSEA), and an explicit U.S. commitment to defend Taiwan differed only in degree. American participants asked what difference these actions would make, given that mainland China already assumes the United States would intervene. A Chinese participant said an explicit commitment would be qualitatively different from the current situation. A public announcement of an explicit commitment would be seen as a sign that war was imminent (and that the United States was ready for conflict) because the United States would have to expect a Chinese military response.

The group discussed the impact the Taiwan Security Enhancement Act (TSEA) would have if it became law. Some thought that the administration would maintain sufficient flexibility to implement the TSEA without offending mainland China too much. An American participant noted that some elements would have to be implemented publicly, and would therefore provoke Chinese reactions. The TSEA could not simply be ignored. Another American noted that while the TSEA would strengthen US military ties with Taiwan, it contained no explicit security commitment. Most Taiwan participants believed that if the TSEA became law the administration would still retain sufficient latitude in implementation to mitigate Chinese responses. American participants noted that the TSEA was intended to raise the profile of US unofficial military ties with Taiwan, which would make it harder to implement its provisions discretely.

The group also discussed factors influencing US arms sales to Taiwan. One American participant noted that the TSEA's real target was internal: its goal was to influence conflicts between the State Department, the Defense Department, and the National Security Council over what weapons to sell to Taiwan. A number of legitimate sales of defensive weapons had been vetoed in the interagency process due to concerns about PRC reactions. [Editor's Note: According to the Taiwan Relations Act, the United States is not supposed to consider Chinese reactions in deciding what weapons it will sell to Taiwan]. Congress was trying to encourage more sales of defensive systems. There was also a perceived need for greater sophistication in the Taiwan military officer corps. Taiwan participants agreed with this criticism, but noted training and increased military contacts could be done quietly. An American participant observed that economic factors were also a driver for arms sales to Taiwan. The Aegis destroyers were an expensive system that happened to be built in key Congressional districts.

The group discussed the impact of the PRC's March 1996 missile tests and response to Lee Teng-hui's "special state-to-state" relations announcement in 1999. The PRC views military threats as the only way it can deter Taiwan independence. One Chinese participant noted that if

the maneuvers resulted in increased support for independence in Taiwan, as some argued, then they served no purpose.

Another Chinese participant asked two counter-factual questions:

1) If the PRC had not conducted a military exercise with ballistic missile launches in 1996, how would the situation be different today?
2) If the US had not deployed two aircraft carriers in response to the Chinese exercise, how would the situation be different today?

The group agreed that both events sparked a string of unanticipated consequences. The PRC's missile tests led directly to the US carrier deployment. American participants noted that the United States had been forced to act to uphold the credibility of its alliance commitments. Because the PRC had focused solely on deterring Taiwan independence and had neglected the broader regional context, it had not anticipated a strong US response. A Chinese participant noted that the exercises had never been intended as anything more than exercises, but that the absence of military ties or a hotline between leaders made American leaders worried that the crisis might spin out of control. American participants agreed that lack of communications had played a role. One noted that the possibility that the exercises might lead to war could not have been ruled out at the time.

American participants noted the exercises had deterred Taiwan's movement toward independence, decreased the likelihood of peaceful reunification, stimulated Sino-US strategic dialogue, and increased chances of TMD deployment. They had alarmed Japan, which saw itself in a similar position as Taiwan, and moved discussion about a possible "China threat" from a theoretical possibility to part of the mainstream American political debate. A Chinese participant noted that these consequences were all secondary to mainland China; stopping Taiwan independence was the most important issue. Most participants agreed that the tests had sensitized people on Taiwan to PRC concerns and had convinced Washington that Taiwan was a serious issue.

An American noted that the missile tests had decreased popular interest in reunification on Taiwan. A Chinese participant agreed that the majority in Taiwan wanted the status quo and that the missile tests had decreased support for peaceful reunification. One American noted that the carrier deployment had given people on Taiwan a false sense that the United States would support them no matter what, and had therefore increased pro-independence sentiment. US policymakers worried about Taiwan's overconfidence, which stimulated Clinton's "three nos" statement in Shanghai in 1998. This in turn had prompted Lee Teng-hui's "two-states" theory. Participants from all three sides agreed that the US carrier deployment had increased support for Taiwan's Democratic Progressive Party and was therefore indirectly responsible for Chen Shui-bian's election as President.

While participants from mainland China saw a shift in US policy toward overt support for Taiwan, most participants from Taiwan saw trends in US policy that favored the PRC. These differing perceptions underscored the extent to which both mainland China and Taiwan seek to influence US policy toward Taiwan. Both view US policy as a zero-sum game and seek to maximize American support for their position. American participants noted that the United States took no position on the ultimate outcome but wanted a peaceful resolution of the Taiwan

issue. US policy had two fundamental goals: avoiding war with the PRC and not allowing Taiwan's decisions about reunification to be coerced. Forcible reunification would damage US credibility in Japan and South Korea, reduce US influence in Asia, and impose major domestic political costs. Six administrations had sought to avoid having to choose between mainland China and Taiwan. A Chinese participant acknowledged that the United States had tried to pursue both goals, but argued "at some point you will have to choose." This was why US arms sales to Taiwan and the question of an explicit security guarantee were such sensitive issues.

An American participant noted that the PRC's successful efforts to choke off the flow of arms to Taiwan meant that the United States was now essentially the sole supplier. The PRC was trying to use its military buildup to deter the United States from intervening in a conflict over Taiwan. This would force Taiwan to accept reunification on mainland China's terms. This approach denied the US President any political cover and was intended to force explicit American concessions. He argued that a political strategy aimed at forcing your counterpart to agree to unconditional surrender was unlikely to succeed, though it would certainly raise tensions.

Several Chinese participants asked whether the United States would continue to adhere to the "three nos" [no support for Taiwan independence, no support for "two mainland Chinas" or "one China and one Taiwan", no admission into the United Nations or other international organizations that require statehood]. US participants noted that two of the three had been US policy since 1971. One American noted that there should also be a fourth no—no use of force. Another noted that the Taiwan Relations Act was a law and that the 3 communiqués were executive agreements. It was difficult to know which would prevail if they came into conflict. Ultimately the US response to a military conflict in the Taiwan Strait would be a political decision.

Trend toward separate Taiwan identity

Several Taiwan participants noted that the younger generation in Taiwan was developing a distinct sense of a separate Taiwan identity as a result of education and political socialization. The process was accelerating. One Taiwan participant noted that Lee Teng-hui had seldom used the Taiwanese dialect, but in recent months most of his speeches had used it. Some American participants questioned whether a separate Taiwan identity necessarily corresponded with support for Taiwan independence. One agreed that the emotional longing for reunification with mainland China was waning in Taiwan, but argued this was not the same as independence.

A Chinese participant cited Singapore as an example of cultural similarity but separate national identity. Taiwan was already starting a nation-building process via textbooks and education that emphasized Taiwan's separateness from China. This was very dangerous. Taiwan participants agreed that Chinese history was being de-emphasized in textbooks. They noted that anti-China and anti-Communist sentiment was a major part of developing a separate Taiwan identity. A Chinese participant suggested that the anti-Communist sentiment was actually cover for anti-China sentiment; Lee Teng-hui's goal was to get independence, not to topple mainland China's communist regime. An American participant noted that the trend toward a separate Taiwan identity posed a different kind of challenge for the PRC. National identity could not be influenced by traditional military or diplomatic means. If mainland China wanted to influence how people in Taiwan thought of themselves, it would need to find positive ways to appeal directly to them.

The group felt that the trend toward a separate Taiwan identity created a variety of political pressures on Taiwan that increased the chances of conflict. Awareness of this trend made mainland China more suspicious about the actions of Taiwan's leaders. At the same time, the PRC had a limited number of possible responses. The group agreed that the sources of a separate Taiwan identity and the extent to which this trend was proceeding deserved further study.

Trends in overall military balance across the Taiwan Strait

Participants had different interpretations about whether a military balance across the Taiwan Strait would promote stability. Chinese participants saw military balance as destabilizing by protecting movement toward Taiwan independence. In their view only a PRC military advantage could deter Taiwan from seeking independence. Chinese participants stressed that the purpose of mainland China's military buildup across the Strait was to deter Taiwan independence, not to compel reunification. Military threats were one of the few tools mainland China had available to prevent Taiwan's leaders from moving toward independence, and so far they have worked. Chinese participants recognized the political and diplomatic costs of using military threats, but felt mainland China had few alternatives.

Participants from Taiwan and the United States viewed mainland China's efforts to achieve military superiority as a destabilizing effort to compel Taiwan to negotiate reunification on mainland China's terms. The "third if" in the PRC's Taiwan White Paper had reinforced this perception. An American participant noted that the United States was committed to maintaining a military balance across the Strait, while the PRC now viewed a military balance as destabilizing. This was a recipe for an arms race and a major crisis in relations. Many Americans suspected the goal of mainland China's military modernization was to raise the costs of military intervention so that the United States would permit coerced reunification. This stimulated anti-China sentiment in the United States and might foster a new Cold War if hard-liners in both countries began driving policy.

Part III: Conclusions and Recommendations

The group's discussions suggest several conclusions about key events and trends that might destabilize the security environment across the Taiwan Strait.

First, misperceptions and misunderstandings appeared to be a relatively small factor at the level of individual events. The group's discussions revealed considerable agreement about which individual events were most dangerous and where the "red lines" that might trigger conflict lay. Indeed, members of the group were surprised at the degree of agreement between participants from mainland China, Taiwan, and the United States. Most participants were less concerned about dangerous events occurring accidentally or inadvertently than about longer-term trends (and perceptions of trends) that might back decision-makers into a corner. Perceptions (and misperceptions) about what was really driving decision-making in Beijing, Taipei, and Washington were a key factor in interpreting individual events.

Second, most participants felt political factors tended to dominate military factors. Although some key actions such as TMD sales and US support for Taiwan had both a military and political dimension, most participants stressed political causes and political implications rather than purely military factors. Chinese participants were more concerned about the political implications of the Taiwan Security Enhancement Act or TMD deployment than about the military implications. The principal exception was the possibility of changes in the military balance across the Taiwan Strait triggering a political crisis. American participants noted that mainland China's missile deployments were increasing pressure to sell TMD systems to Taiwan and that shifts in the military balance might lead to increased arms sales to Taiwan.

Third, there is a mismatch between dangerous trends and the policy instruments available to influence or respond to those trends. For example, Chinese participants felt that military threats were mainland China's only means of deterring Taiwan from declaring independence. However it was also noted that military means are unlikely to reverse the trend toward a separate Taiwan identity (and might even be counter-productive). Moreover some potentially dangerous events (such as an economic crisis) would not be caused by deliberate government actions at all.

Fourth, unofficial "track two" discussions have considerable value in clarifying issues and dispelling misperceptions. They allow a deeper and more direct engagement with issues and long-term trends. Because unofficial participants are not focused solely on current policy issues, they are often able to take a more analytical and creative approach to problems. One interesting aspect of the seminar was that participants from different sides often shared a similar analysis about particular trends and events, even if they differed on policy recommendations. At the same time, the seminar clarified some misperceptions, such as the differing interpretations of the term "deadline" in the Chinese and American context. Participants agreed that the seminar was a useful exercise. Future discussions would benefit from having participants from Taiwan's Democratic Progressive Party and greater military representation.

The most important conclusion from the Monterey seminar was that dangerous misperceptions and misunderstandings exist on both sides of the Taiwan Strait. Although participants identified

a number of key events and trends that might destabilize the security environment, the most critical factors were political perceptions, not military trends. Resumption of cross-Strait dialogue may not resolve the political issues dividing the PRC and Taiwan, but dialogue can be a vital tool for preventing tensions from escalating into military conflict.

A Proposal for Unofficial Dialogue

Although the Monterey seminar was not intended to resolve political issues, participants suggested a new proposal for restarting unofficial dialogue between mainland China and Taiwan.

The group agreed that leadership perceptions and the state of relations between Taiwan and mainland China directly influenced the impact of individual events and trends. Absent political dialogue, dangerous actions and trends were much more likely to escalate into war. Official dialogue between the two sides has been halted due to mainland China's insistence that Taiwan explicitly accept the "one China" principle before talks can begin. Taiwan's new President Chen Shui-bian has indicated willingness to discuss the "one-China" principle, but has refused to accept it as a precondition for talks. The inability of political leaders in mainland China and Taiwan to find a way to resume cross-Strait dialogue exacerbates misunderstandings and misperceptions and makes a future security crisis much more likely.

To bypass disagreements over the "one China" principle, participants from all three sides suggested unofficial "track two" discussions based on the "Guidelines for National Unification" adopted by Taiwan in 1991. The PRC would agree to discuss Taiwan's proposal for unification (which envisions short-term, medium-term, and long-term phases leading toward unification). Tsai Ing-wen, the new head of Taiwan's Mainland Affairs Council, has already stated that Chen's administration will retain the existing reunification guidelines. Discussions on the basis of the 1991 guidelines would incorporate the "one China" principle without requiring Taiwan to reaffirm it explicitly.

Unofficial discussions would be conducted on a regular, recurring basis with no deadline or agreed final outcome. Both sides would accept that an extended period of *discussions* might be required before conditions became conducive for formal *negotiations* at a higher level. Whatever the level, discussions of the reunification guidelines would take place alongside discussions of practical issues of cross-Strait cooperation. Mainland China and Taiwan would each nominate representatives who enjoy the support and confidence of senior political leaders. A combination of serving officials, former officials, and scholars would make the best team.

Most participants agreed that the United States could play a useful role in restarting cross-Strait dialogue. The US role should not be to mediate a political resolution of the conflict or to broker a deal, but to facilitate discussions and help clarify issues. American participation in unofficial dialogue should be headed by a former US government official acceptable to both sides. The talks could occur in the United States at an isolated setting outside Washington. (Hawaii and the West Coast are possible venues). All participants would share the results of their discussions with their respective governments.

Appendix I: Project Strait Talk Participant List

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Mainland Participants
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Appendix II: Preliminary List of Trigger Events

The seminar will attempt to identify potentially destabilizing actions or trends that might "trigger" reactions that escalate toward a military crisis. We will attempt to understand why actors might take a particular destabilizing action and discuss likely reactions from the other two sides. Destabilizing actions could be accidental or deliberate. The decision to take a potentially destabilizing action is often based upon miscalculation about how the other side will react. In turn, the other side's reaction can sometimes be based on misunderstanding about why the original actor chose to make the destabilizing action in the first place.

Below is a long list of potentially destabilizing trigger events that have been discussed in various media reports. The events are divided into military, political and economic categories. Our first task as a group will be to categorize these events in terms of the chances that they will occur (likely, possible, unlikely) and the potential for reactions to escalate into a military crisis (dangerous, serious, secondary).

A. Military

1. Air/Naval incursions across accepted lines
2. US sells or deploys TMD to Taiwan
3. Accidents or border violations during intelligence missions
4. Accidental missile firing
5. Intimidating exercises
6. Blockade (or quarantine) practice
7. PRC searches ships en route to Taiwan
8. Conflict in Spratly Islands
9. Submarine incident
10. US sails aircraft carrier through strait
11. Fishing boat armada assembled
12. Taiwan announces development of nuclear, chemical, or biological weapons
13. Taiwan withdraws troops from Jinmen-Mazu
14. PRC missile deployments
15. US deploys troops or naval task force to area
16. Information warfare attack on military forces
17. Hijacking or defection of military planes
18. Incidents in which it is not clear that military is operating within authorization
19. Sabotage of early warning/radar capability
20. Large logistics build-up
21. Surge in sealift capability
22. Arms transfers that substantially increase military capability
23. Establishing formal intelligence links
24. PLA invasion plans published (whether true or not)
25. PRC tries to build anti-US coalition in Asia
26. PRC resumes nuclear testing
27. PRC makes nuclear threats against Taiwan or US
28. Taiwan Security Enhancement Act passes
29. US makes explicit commitment to defend Taiwan

B. Political

1. Formal declaration of independence
2. Referendum conducted on independence
3. Constitution changed
4. Other separation (splittist) indicators
5. Taiwan admitted to UN or US official support for Taiwan's admission
6. Pro-reunification movement causes violence
7. Pro-independence movement causes violence
8. High-level visits from Taiwan's leaders to US or from US to Taiwan
9. Unacceptable Taiwanese conditions for talks
10. National symbols (flag/song) changed
11. Dissolution of communications channels
12. Spy scandals
13. Violent incident in PRC involves Taiwan tourists
14. Assassination of leaders
15. Sudden change in political leadership
16. Congressional, National People's Congress or Legislative Yuan resolutions
17. Individuals speaking out
18. Mass rallies/student protests in PRC
19. Students/PLA call on President to get tough on Taiwan
20. PLA influence on Taiwan policy gets stronger
21. Leadership struggle in which Taiwan becomes key issue
22. PRC sets deadline for milestone in talks or for reunification
23. Violent human rights crackdown in PRC (e.g., Tibet or Hong Kong)
24. Ex-president Lee Tenghui invited to address US Congress
25. Congressional bills that explicitly discriminate against mainland China
26. Visa prohibitions against visits by other sides' leaders or officials
27. Hong Kong no longer recognized as separate customs area
28. US policy review upgrades Taiwan representation in US

C. Economic
1. Political instability due to government gridlock or economic collapse
2. Actions taken against Taiwan investors/businessmen in mainland China
3. Riots from unemployment, put down with force
4. US seeks to prevent Chinese membership in WTO
5. Gross discrimination against US or PRC imports
6. PRC's MFN/NTR status revoked
7. Trade sanctions against PLA enterprises
8. US urges allies to adopt technology export controls against mainland China
9. Economic sanctions for intellectual property rights or trade cheating
10. PRC bans shipments of goods through Hong Kong
11. Consumer boycotts against imported goods

Appendix III: Guidelines for National Unification

Adopted by the National Unification Council at its third meeting on February 23, 1991, and by the Executive Yuan Council (Cabinet) at its 2223rd meeting on March 14, 1991.

I. Foreword

The unification of China is meant to bring about a strong and prosperous nation with a long-lasting, bright future for its people; it is the common wish of Chinese people at home and abroad. After an appropriate period of forthright exchange, cooperation, and consultation conducted under the principles of reason, peace, parity, and reciprocity, the two sides of the Taiwan Straits should foster a consensus of democracy, freedom and equal prosperity, and together build anew a unified China. Based on this understanding, these Guidelines have been specially formulated with the express hope that all Chinese throughout the world will work with one mind toward their fulfillment.

II. Goal

To establish a democratic, free and equitably prosperous China.

III. Principles

1. Both the mainland and Taiwan areas are parts of Chinese territory. Helping to bring about national unification should be the common responsibility of all Chinese people.

2. The unification of China should be for the welfare of all its people and not be subject to partisan conflict.

3. China's unification should aim at promoting Chinese culture, safeguarding human dignity, guaranteeing fundamental human rights, and practicing democracy and the rule of law.

4. The timing and manner of China's unification should first respect the rights and interests of the people in the Taiwan area, and protect their security and welfare. It should be achieved in gradual phases under the principles of reason, peace, parity, and reciprocity.

IV. Process

1. Short term--A Phase of exchanges and reciprocity.

(1) To enhance understanding through exchanges between the two sides of the Straits and eliminate hostility through reciprocity; and to establish a mutually benign relationship by not endangering each other's security and stability while in the midst of exchanges and not denying the other's existence as a political entity while in the midst of effecting reciprocity.

(2) To set up an order for exchanges across the Straits, to draw up regulations for such exchanges, and to establish intermediary organizations so as to protect people's rights and interests on both sides of the Straits; to gradually ease various restrictions and expand people-to-people contacts so as to promote the social prosperity of both sides.

(3) In order to improve the people's welfare on both sides of the Straits with the ultimate objective of unifying the nation, in the mainland area economic reform should be carried out

forth- rightly, the expression of public opinion there should gradually be allowed, and both democracy and the rule of law should be implemented; while in the Taiwan area efforts should be made to accelerate constitutional reform and promote national development to establish a society of equitable prosperity.

(4) The two sides of the Straits should end the state of hostility and, under the principle of one China, solve all disputes through peaceful means, and furthermore respect--not reject-- each other in the international community, so as to move toward a phase of mutual trust and cooperation.

2. Medium Term--A Phase of mutual trust and cooperation.

(1) Both sides of the Straits should establish official communication channels on equal footing.

(2) Direct postal, transport and commercial links should be allowed, and both sides should jointly develop the southeastern coastal area of the Chinese mainland and then gradually extend this development to other areas of the mainland in order to narrow the gap in living standards between the two sides.

(3) Both sides of the Straits should work together and assist each other in taking part in international organizations and activities.

(4) Mutual visits by high-ranking officials on both sides should be promoted to create favorable conditions for consultation and unification.

3. Long term--A phase of consultation and unification.

A consultative organization for unification should be established through which both sides, in accordance with the will of the people in both the mainland and Taiwan areas, and while adhering to the goals of democracy, economic freedom, social justice and nationalization of the armed forces, jointly discuss the grand task of unification and map out a constitutional system to establish a democratic, free, and equitably prosperous China.