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Taiwan and its Relations with the People's Republic of China

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Executive Summary

Since the Kuomintang (KMT) came back to power and President Ma Ying-jeou's election in Taiwan in 2008, relations across the Taiwan Strait have witnessed an unprecedented improvement. Ma's reelection in 2012 has confirmed this evolution.

This political change has allowed the Taiwanese government to return to the so-called '1992 consensus', understood by the KMT as a verbal recognition made by Taipei (during meetings in Hong Kong with mainland officials) that there is one China, even though each side has its own interpretation as to what 'one China' refers to. This marked a change from the previous position where neither side would confer any recognition on the other.

The Democratic Progressive Party (DPP), Taiwan's main opposition party, has never endorsed this consensus, claiming that Taiwan is not part of China but is an independent country, whose official name is the 'Republic of China' (ROC). Although today some DPP leaders are ready to demonstrate more flexibility, there is little chance that this party will change its basic stance.

Since Ma's election in 2008, Taipei and Beijing have signed 19 technical accords, including an Economic Cooperation Framework Agreement (ECFA) in 2010. These agreements have contributed to accelerating Taiwan's economic dependence on China.

Since 2008, spurred by the opening of direct air links, Chinese tourism in Taiwan has also emerged as an important new source of revenues. More generally, people-to-people interactions across the Taiwan Strait have expanded, contributing to a steady increase of cultural and educational exchanges, as well as mixed marriages.

More agreements are currently being negotiated and both governments should open representative offices in each other's capitals by the end of 2014.

However, many of these trends preceded the KMT's return to power and were initiated under Chen Shui-bian, President from 2000 to 2008, or even his predecessor Lee Teng-hui. Conversely, important hurdles will continue to prevent any real deepening of this rapprochement in the foreseeable future.

For economic but also political reasons, many Taiwanese fear their economy's over-dependence upon China. While Chinese investments on the island are still small because of strict controls by official bodies, since 2009, Taiwanese Foreign Direct Investment (FDI) has often moved to other Asian countries, such as Vietnam and Indonesia, where production costs are cheaper. Some Taiwanese firms have also started moving back from the mainland to Taiwan.

In view of the growing military imbalance in the Strait, the People's Liberation Army (PLA) may be tempted to persuade the PRC's new civilian leadership to exert more pressure on Taiwan; but at the same time, de facto protection supplied by the United States, flowing from the Taiwan Relations Act of 1979, means that Taiwan has the capability to keep a small but credible defense force and enjoy some technical support from the US. The PLA has also become busy with new priorities over the last three years, including in the South and East China Seas. On this issue, the Ma administration has refrained from cooperating with China.

Contrary to the expectations of many Taiwanese following the signing of the ECFA and the return of a more conducive atmosphere to Cross-Strait relations, China has not tolerated Taiwan enhancing its international status, only allowing it to join the World Health Assembly as an observer. This has created a lot of frustration on the island.

The increasing interactions across the Taiwan Strait as well as the KMT's attempt to re-sinicize the island have not weakened but, on the contrary, strengthened Taiwan's own identity and distinct culture.

The DPP is having difficulties adopting a more workable China policy and competing with the KMT for the presidency in 2016. But the Ma administration's own flaws have contributed to increasing the opposition's electoral space. And because of the public's concern, any opening of cross-Strait political talks have had to be postponed.

Finally, even if political discussions open, it is unlikely that both sides will be able to resolve their basic disagreement about overlapping sovereignties. Taiwan considers itself part of the ROC while the People's Republic of China (PRC) sees itself as the only legitimate representative of China.

For all the reasons above, the current rapprochement across the Taiwan Strait may lead to some kind of proto-normalization of relations whereby the two states do not officially recognize each other. The opening of political negotiations and the conclusion of a peace agreement seem unlikely before 2016 and unification will remain out of reach, unless China democratizes.

The EU should support the development of peaceful relations across the Taiwan Strait. At the same time, it should deepen its quasi-official relations with the Taiwanese democracy and strengthen its support, through various means, for the expansion of Taiwan's international status.

Background Briefing: Taiwan and its relations with the PRC

Background

Since the Kuomintang (KMT) came back to power and Ma Ying-jeou was elected as president of Taiwan in 2008, relations across the Taiwan Strait have witnessed an unprecedented improvement. Ma's reelection in 2012 has confirmed this 'rapprochement' (a KMT qualification) as well as the Taiwanese voters' support for it.

Most nations have welcome this positive evolution, in staunch contrast to the tension that dominated the eight years of Chen Shui-bian's presidency (2000-2008) and the late Lee Teng-hui's era (1995-2000), which contributed to deteriorating relations between Taiwan and the United States.

However, many cross-Strait disagreements have their roots in the Chinese civil war from 1946 to 1949 and, since then, the often fractious coexistence of two competing regimes -- the People's Republic of China (PRC) on the mainland and the Republic of China (ROC) in Taiwan -- which have never recognized one another. At the core, is the issue of sovereignty and the contesting claims of each entity. The situation was further complicated by Taiwan's democratization in the late 1980s: while late president Chiang Ching-kuo (1906-1988), Chiang Kai-shek's son, allowed for the first time indirect contacts and trade across the Taiwan Strait, in granting political freedoms and supporting democratisation of the island, he also ensured that the future of Taiwan cannot be decided without the consent of the Taiwanese electorate.

It was in this context that president Lee Teng-hui, Chiang Ching-kuo's successor and a local Taiwanese, established the political, constitutional and legal frameworks that would allow the development of unofficial relations across the Taiwan Strait. In 1990, the ROC adopted the 'guidelines for national unification' that postponed any unification of the Chinese nation to a distant -- and democratic -- future; a new ministry, the Mainland Affairs Council (MAC), was set up, as was the Straits Exchange Foundation (SEF), a non-official organization representing the MAC. In 1991, Beijing established the Association for the Relations Across the Taiwan Strait (ARATS), which was empowered to negotiate with Taipei on behalf of the State Council's (or government) Taiwan Affairs Office (TAO).

The Origin and Importance of the '1992 Consensus'...

Before negotiations could start, the ARATS demanded that both sides endorse the 'one China principle'. After lengthy discussions, in late-1992 the ARATS and SEF *verbally* agreed that there was 'one China'. Beijing noted that both sides had refrained from defining the content of this concept while Taipei indicated that 'each side kept its own interpretation'. For Taiwan (and the KMT), the ROC is a sovereign country and is not part of or subordinated to the PRC. Taiwan believes that there is one China, the ROC, and as a result does not and cannot recognize the PRC. In addition to Taiwan, the islands of Kinmen, Matsu and the Pescadores (Penghu) constitute the only areas under the ROC's jurisdiction (*guanxia*), while the Chinese mainland lies under the jurisdiction of the 'Chinese communists' (*zhonggong*). This represents a unique case of overlapping sovereignties.

After the KMT lost power in 2000, this loose compromise was elevated by KMT scholar and political adviser Su Chi to a 'consensus', a formula that was immediately adopted by China as a condition to open negotiations with the DPP-controlled Chen Shui-bian administration. After some hesitation, in June 2000, president Chen refused to recognize the now famous '1992 consensus'. This led China, not to suspend all contacts with Taiwan, but to keep ARATS-SEF talks functional at a low level.

In 1999 the DPP adopted a resolution that clearly stated that Taiwan was an independent and sovereign country that was not part of China, and whose official name, due to historic reasons, was the ROC. Although since the mid-2000s, some DPP leaders, such as Frank Hsieh Chang-ting, have proposed bridging the gap with the PRC by recognising that, according to the ROC constitution there is 'one China' (*xianfayizhong*) (or, more recently (2012), 'two constitutions but one China' [*liangxianyihong*]), these ideas have up to now remained a minority view in the party. In other words, the 1999 resolution continues to prevail and, even if the DPP returns to power in 2016, there is little chance that it will endorse the '1992 consensus'.

...And its Limits

The '1992 consensus' opened the way for several functional agreements and the first historical summit between the SEF and the ARATS in Singapore in April 1993, respectively chaired by Ku Chen-fu and Wang Daohan. But it did not put an end to the diplomatic competition between Beijing and Taipei. Neither did it change Taiwan's strategic environment: while Taiwan had de facto protection from the US in accordance with the Taiwan Relations Act (TRA), in 1979 Washington 'de-recognized' Taipei and normalised its relations with Beijing. Since the early 1990s, the island has been under growing military pressure from the People's Liberation Army (PLA). Former Taiwan President Lee Teng-hui's unofficial visit to the USA in 1995 intensified this pressure, leading China to test missiles over the Taiwan Strait in 1996 just before Lee was reelected with 54% of the vote in the first ever democratic presidential election organized in a Chinese society. Although SEF-ARATS talks briefly resumed in 1998, Lee felt that too rapid a development of economic relations with China would jeopardize Taiwan's international status and security. In 1999, he declared that the relations across the Strait were 'quasi-state to state relations', triggering another rise of tension with Beijing. In dividing the KMT and contributing to ex-KMT leader James Soong's maverick candidacy for the presidential election, these events helped Chen Shui-bian to get elected a few months later in March 2000 in a triangular ballot that provoked a deep split and crisis in the KMT.

Chen's victory (and reelection in 2004) underscored the growing consolidation of the Taiwanese identity. Favored by Lee Teng-hui who as early as 1994 compared Taiwan to a 'community of life', this identity finds its origins in the peculiarity of the island's history: Japan's fifty-year colonization (1895-1945); the 28 February 1947 revolt by local people against the ROC's authoritarian rule and heavy-handed policies; the nearly 40-years of martial law imposed by Chiang Kai-shek after his regime lost control of the rest of China (1950-1987); and the blatant political privileges enjoyed by the KMT mainland elites. Although the Taiwanese-mainlander opposition has become less meaningful as the majority of ROC citizens are now born on the island, this historical memory is unlikely to fade away quickly.

Beyond the 1992 Consensus: Consolidation of the Status Quo

At the same time, Chen and the DPP could not ignore China, and even less the US. With the former, Chen played a soft game until the summer of 2002, and then, seeing Taiwan become increasingly diplomatically isolated, he opted for a more confrontational strategy that convinced China to adopt an unprecedented 'anti-secession law' in 2005. The law forced Chen to take several nativist political initiatives that complicated his relations with US President George W. Bush. For Washington, its relations with Beijing had become too crucial to be destabilized by a small and unpredictable partner such as Taiwan. In spite of its strong military support for the island, the Bush administration frustrated Chen's efforts to get Taiwan out of the 'one China' framework or 'cage', by stepping in with its own definition of the status quo, based on the US 'one China policy' and negation of Taiwan's statehood.

In this environment the reorganized KMT decided in April 2005 to restore party-to-party relations with China's Communist Party (CCP) and draft an alternative mainland policy on the basis of the '1992 consensus'. This put additional pressure on the DPP which then decided to expand charter flights across the Strait and relax some of the rules restricting economic relations with the PRC.

These new trends were interpreted as stabilizing factors by the PRC and convinced president Hu Jintao to adopt in 2007 a new Taiwan policy, privileging the 'peaceful development of cross-Strait relations' over any speeding up of the reunification process favoured by his predecessor Jiang Zemin after the missile crisis. Prioritizing the preservation and perhaps, as with the US, the consolidation of the status quo in the Strait, this policy laid the ground not only for the KMT and Ma Ying-jeou's electoral victory in 2008 but also the opening of a new era in cross-Strait relations.

Ma Ying-jeou's mainland policy and achievements

The mainland policy developed by the KMT and president Ma since 2008 has not been based just on the '1992 consensus' but also on the consolidation of the status quo and officially supported by a 'strong defense' (e.g. a rise in Taiwan's defense budget to 3% of the GDP).

Ma's 'three nos' -- no unification, no independence, no use of force -- underline the importance of this objective.

This new policy, which also marks a return to the mainland policy developed by the KMT government prior to 1993-94 or the full democratization of the regime, has not just led to a détente but also a genuine rapprochement between Taipei and Beijing, as well as what can be described as a 'creeping normalisation' of relations across the Taiwan Strait.

Firstly, since 2008, both sides have negotiated and approved many technical accords (19 by August 2013), including the important and symbolic Economic Cooperation Framework Agreement (ECFA) in June 2010. As its name indicates, the ECFA represented a shell to be gradually filled with more specific and detailed agreements about trade in services, trade in goods, etc. For instance, in August 2012, the SEF and the ARATS signed a number of additional agreements, including an Agreement on Investment Protection and Promotion and a Customs Cooperation Agreement. One year later, in June 2013, both sides concluded a Cross-Strait Services Trade Agreement (STA) that has opened 64 Taiwanese domestic service sector industries to Chinese investment and 80 Chinese businesses to Taiwanese investments.

There are also additional accords in the pipeline that should be completed and signed before the end of 2013, such as a Trade in Goods Agreement and a Dispute Settlement Agreement. More cooperation agreements in the field of culture, education and science and technology are also under discussion. On its side, Taiwan is gradually easing restrictions imposed on PRC students and white-collar managers working in Taiwanese companies, granting them work permits more easily.

The ECFA and the other agreements signed since 2008 have contributed to an accelerated integration of both economies and the Taiwanese economy's deepening dependence on the PRC. The PRC has also consolidated its role as a key growth factor in the Taiwanese economy. In 2012, bilateral trade between the ROC and PRC continued to increase,¹ although at a slower pace than previous years. The PRC overtook the US as Taiwan's primary trade partner in 2005 and now represents more than 40% of Taiwan's exports and 30% of its external trade.

¹ reaching US\$169 billion (Taiwan exports: US\$132.2 and imports US\$36.8 billion, according to mainland statistics)

Secondly, one of the Ma administration's big achievements has been the country's opening up to Chinese tourists and the official establishment in summer 2008 of regular direct air and sea links across the Strait. By the end of 2012, the number of scheduled flights and destinations had gradually increased to reach 616 flights per week to 49 destinations on the mainland and 10 in Taiwan. As a result, the number of PRC visitors to Taiwan has rapidly increased (2.5 million in 2012 compared with 1.78 million in 2011) while the number of Taiwanese visiting China has remained large but rather stable (5.3 million in 2012, + 1.5%). This flow of tourists has brought a lot of fresh business to the Taiwanese tourist industry, including hotels, restaurants, the entertainment industry and museums. Moreover, in January 2013, the first cross-Strait submarine communication cable was completed and, later this year, the ROC-controlled coastal island of Kinmen should start importing part of its fresh water (although not more than 40%) from Fujian.

Thirdly, there are also many signs of a silent normalization of cross-Strait relations. Chaired by KMT heavyweight Chiang Ping-kun and former ARATS chairman Chen Yunlin until late April 2013 (and since then by former KMT secretary general Lin Joine-sane and former PRC Minister of Commerce Chen Deming), the SEF and the ARATS have held regular meetings since 2008, alternately between Taiwan and the mainland. In August 2012, at the 8th meeting, both sides praised the stronger 'institutionalisation of cross-strait negotiations'. The 9th meeting was held in June 2013.

In addition, often together with SEF and ARATS personnel, ROC and PRC government officials and even ministers increasingly frequently meet and negotiate directly, in areas such as trade and economics, finance and banking, transportation and tourism, as well as culture and education. Only the ministries of foreign relations and defense are not allowed to have direct relations. While the MAC and the TAO do not have any formal contacts yet, it is likely that, as the request of the PRC, the situation will change soon.

For more sensitive and political talks across the Taiwan Strait, the KMT and the CCP have largely relied on the direct channel of communications that has been in place since 2005. Almost every year since 2008 senior KMT leaders have held summit meetings with top CCP leaders. Participants have included former ROC vice-presidents Lien Chan and Vincent Siew

(Hsiao Wan-chang) and ex-KMT chairman Wu Po-hsiung on the ROC side, and former president Hu Jintao, current president Xi Jinping, and former chairman of the Chinese People's Political Consultative Conference Jia Qinglin and his successor Yu Zhengsheng on the PRC side.

At their 8th meeting in August 2012, the SEF and ARATS decided to address the possibility of setting up representative offices in one another's states. Negotiations started in March 2013 and should allow the opening of 'integrated representative offices' (*hexing banshijigou*) by the end of 2014, including one ARATS office in Taipei and three (possibly up to five) SEF offices in mainland China, owing to the size of the Taiwanese community there (1-2 million). There are still difficulties that need to be settled but it is likely that ad hoc solutions will be found. These non-official offices will be staffed with officials from both governments who will be given 'substantive functions' (or de facto consular functions) such as issuing travel and official documents, and visiting imprisoned nationals. It has already been decided that the heads of these offices will be of vice-ministerial level.

Limits to the Taiwan-China rapprochement

There are however, important economic, security, diplomatic and political limits to the current rapprochement between Taiwan and China.

Trade and Economic Hurdles

As far as trade and the economy are concerned, Taiwan continues to enjoy a growing surplus restricting Chinese imports in many areas, such as agriculture (and some services). Moreover, while China has remained the top destination for Taiwanese FDI, the flow has slowed over the last decade. According to Taiwan's statistics, Taiwanese investments on the mainland decreased by 16.6% (US\$10.9 billion) in 2012, possibly signaling an increase in the production costs on the mainland and a gradual reorientation of Taiwanese investments to Southeast Asia and elsewhere.

Conversely, the amount of Chinese investments in Taiwan has remained small: since the lifting of the ban by the Taiwanese government in 2008 only US\$700 million, including

US\$328 million in 2012, has been injected into Taiwan. Around 300 mainland businesses have dispatched a total of 216 people to the island creating 6,700 job opportunities, according to official statistics. Of course, some Chinese FDI can be hidden in FDI from offshore tax heavens, such as the Cayman or the British Virgin Islands. It has also been reported that some PRC citizens buy property through Taiwanese partners or friends. Nevertheless, claiming to have so far made more concessions (*rangbu*), China is likely to increase its pressure on Taiwan to relax the trade restrictions that are still in place. However, it is striking how vigilant the Ma administration has remained vis-à-vis any Chinese or even Hongkongese investment (that with more than 20% PRC stake) that could have damaging security implications. It is also worth noting how sensitive the administration has been to domestic public opinion, mainly for electoral reasons.

In addition, there are new concerns, for instance, about imports of mainland agricultural products to be processed in Taiwan's 'free economic zones' and then exported. Although only 10% of these products would be sold in Taiwan's market, local farmers fear facing a new source of competition from the mainland.

More generally, both for economic but also political reasons, many Taiwanese fear their economy is over-dependent upon China. The strong negative reaction to the STA signed in June 2013 underscores the growing opposition to any further deepening of Taiwan's economic integration with the mainland.

The Slow Development of Education and Cultural Cooperation

Educational and cultural exchanges with China are expanding but their development has been slowed down by several levels of resistance.

For financial reasons, most Taiwanese universities are willing to welcome more Chinese students, particularly because of the rapid decrease in the intake of local students. But, owing to visa issues and other restrictions, only a few thousand PRC students have been able to complete a full university degree in Taiwan.

As far as cultural cooperation is concerned, the Ma administration has two major concerns: one is reciprocity, and the other is the impact of China's large investments in 'soft power' and culture and the risk of accelerating the brain drain of Taiwanese artists to the mainland.

Regarding reciprocity, there is an agreement that allows ten Chinese films to be broadcast in Taiwan every year. On its side, China has consented not to set any quota on Taiwanese films being shown. However, in 2011, only eight ROC films were able to enter China due to a number of unseen barriers.

More recently, in April 2013, similar difficulties appeared *à propos* the negotiation of TV landing rights. The Ma administration refused to allow broadcast of Phoenix TV and CCTV without securing any landing rights for Taiwanese TV on the mainland.

These difficulties underline the distance between both sides' respective political systems and help explain why it is not only security considerations, but also cultural-political differences that will continue to influence cross-strait relations.

Cross-Strait Military Balance and the US

In view of the growing military imbalance in the Strait, the People's Liberation Army (PLA) may be tempted to persuade the CCP civilian leadership to exert more pressure on Taiwan; but at the same time, protection by the United States has meant that Taiwan has the capability to keep a small but credible defense served by an asymmetrical strategy aimed at disrupting, complicating or slowing down, with both defensive and offensive capabilities, the attack from a much stronger military power. Ma has not invested as much as he promised in defence (2% rather than 3% of GDP) and the Taiwanese military is facing many challenges, from recruitment to espionage, as it moves to ending conscription and becoming an all-volunteers or professional force by the end of 2014. There is consequently no reason to believe that Taiwan will abandon its willingness to defend itself with the support of the USA, from whom it will continue to acquire modern weapons. Moreover, beyond Taiwan, the PLA has identified new priorities, including those in the South and East China seas. This does not mean that the PLA has demilitarized the Taiwan issue. Instead, it has concentrated on the acquisition of capabilities aimed at preventing a US intervention (as demonstrated by the development of the PRC's anti-aircraft carrier weapons) in Taiwan, rather than conquering Taiwan as such. In this new strategy, the PLA's 1,200 conventional missiles targeting the island, although still intimidating, play a less significant role. In any event, the PLA has

remained tightly controlled by the CCP whose leadership is satisfied with the current situation and trends in the Taiwan Strait.

There has been some debate among experts and scholars since 2010 that the US is ready to 'abandon Taiwan'. Two major drivers explain this new debate: first is the KMT's growing relationship with China that has fed the perception in Washington that Taiwan has moved closer to the PRC than to the US and does not need as much protection as before; second is China's growing military power and ambitions, and the increasing difficulties for the US to keep East Asia in the same favorable strategic equilibrium as before, despite the Obama administration's 'pivot' to Asia.

However, while it is true that the Ma government tends to consider the US rebalancing more a 'challenge' than a benefit (positioning Taiwan between the two big powers), daily military cooperation between Taiwan and the Pentagon has remained very close and productive. Aware of the crucial role of the US in Taiwan's security and survival, since his reelection Ma has given additional attention to Taipei's relations with Washington, enhancing communication on all subjects from the beef issue to the disputes in the South and East China Seas. In other words, in spite of what the Ma government states publicly, most KMT leaders and Taiwanese, still think, although quietly, that Obama's 'pivot' serves its interests.

Lack of Cooperation between Taipei and Beijing in the East and South China Seas

Taiwan and China have competing territorial claims in the East (Diaoyu) and the South China (Xisha and Nansha) Seas. A number of other nations also lay claim to territory in these areas. Since 1946, the ROC has controlled Taiping (Itu Aba), the main island of the Spratly archipelago, located in the South China Sea. When territorial tensions over the Spratly Islands flared between Vietnam and the Philippines in 2010, the Ma administration gave the impression that it was willing to coordinate its policy with the PRC, in order to secure Taiwan's participation in any future international negotiations with ASEAN claimants over these disputed territories. However, probably under US pressure, Taipei has since made clear that it is not prepared to cooperate with the PRC on these sensitive issues. In 2012, Ma launched an East China Sea Peaceful Initiative aimed at drawing a line between the peaceful,

international law-abiding and civilized means used by Taiwan to address these disputes and the more reckless and aggressive methods privileged by China.

As an illustration to this *modus operandi*, in April 2013 the Ma administration signed with Japan a fishery agreement guaranteeing Taiwan's traditional fishing rights in the area surrounding the Senkaku/Diaoyutai Islands, putting aside the sovereignty disagreement between Taipei and Tokyo. Concluded after 17 years of fruitless negotiations, this accord was eased by the Japanese government's willingness to accommodate Taiwan following a rise in tensions with China (who also lay claim to the island chain) triggered by the Japanese purchase of the Senkaku islands from a private landowner in September 2012. Beijing of course objected to this agreement, though in a rather subdued manner.

Taiwan's Frustrated International Status

Contrary to the expectations of many Taiwanese, China has not allowed Taiwan to enhance its international status. Although a 'diplomatic truce' was quietly accepted by both sides after Ma's election in 2008, with Taiwan keeping its 23 diplomatic allies, the Ma administration has not been able to enhance in a meaningful way Taiwan's diplomatic profile. Ma's main victory has been the green light given by China to allow Taiwan to join the World Health Assembly as an observer. At the same time, Taiwan is having more difficulties participating in the working groups of the World Health Organization (WHO) because participation is subject to Beijing's approval. In addition, China keeps excluding Taiwan or putting pressure on third parties to exclude Taiwan from international events or meetings, despite EU and US disapproval. While it is likely that Beijing will eventually agree to let Taiwan join the ICAO (International Civil Aviation Organization) as an observer, it may have to be more patient to be admitted in the UN Climate Change Forum. This lack of progress has created a lot of frustration on the island.

The Ma Administration's Domestic Political Constrains

Although Ma was reelected in 2012 with 51.5% of the vote against the DPP candidate Tsai Ying-wen (42%), his popularity has again rapidly deteriorated; in August 2013, his approval

rating remained around 15% while his disapproval rating amounted 70%. Reasons are multiple and complex, including a strong impression of incompetence (*wuneng*), several corruption scandals, a too cozy relationship with China, especially through the KMT-CCP talks, and what some in Taiwan perceive as a restoration of KMT hegemony over state institutions.

Among the issues that affect the Ma administration's image has been its attempt to rein in nativist trends and 're-sinicize' Taiwan's historical narrative all the way from official political discourse to school textbooks. Its frequent references to the 'Chinese nation' (*Zhonghuaminzu*) pleases the PRC authorities but have contributed to alienating larger segments of the Taiwanese community. According to opinion polls, Ma's ambition to revive the old KMT-ROC narrative has not weakened but on the contrary strengthened Taiwan's own identity and distinct culture.

In other words, while the DPP is having difficulties adopting a more workable China policy and competing with the KMT for the presidency in 2016, the Ma administration's own weaknesses and flows have contributed to increasing its popular support and electoral space. This domestic political landscape will probably convince Ma to stay away from any formal political negotiations with the PRC.

Unlikely Political Negotiations

The main obstacle to the opening of political negotiations, let alone the conclusion of a political interim peace (or end of hostility) agreement remains the conflict about sovereignty; Taiwan considers itself as part of the ROC while the PRC sees itself as the only legitimate representative of China. Although the SEF and the ARATS have recently claimed that part of their discussions have been of a political nature, these organizations were designed to hold functional negotiations that specifically avoided political subjects. Taiwan is fully aware of the risks attached to the opening of any negotiations that would address the status of both Chinese states.

For domestic reasons, in 2011 Ma shelved his plan to start political talks with China, including the security negotiations about military confidence-building measures (CBMs) attached to them. While, since the 18th CCP congress in November 2012, Beijing appears again more willing to initiate such discussions, it seems satisfied to let (quasi-official) scholars hold Track 2 and Track 1.5 exchanges for the foreseeable future. Likewise, military CBM talks are likely to be limited to experts from both sides. In July 2013, Ma Ying-jeou envisaged, or rather did not exclude, the possibility of a summit meeting with Xi Jinping. But it remains to be seen whether or not the domestic political price of such an encounter would be too high for the KMT.

Conclusion

The current rapprochement across the Taiwan Strait may lead to some kind of proto-normalization of relations between two states that still do not officially recognize each other. Nevertheless, the opening of political negotiations and the conclusion of a peace agreement seem unlikely before 2016. Unification will continue to remain out of reach, unless China democratizes, which is improbable in the foreseeable future. On the contrary, the growing attractiveness of the Taiwanese democracy in Chinese society will convince the PRC authorities to privilege the consolidation of the status quo and the deepening of Taiwan's economic dependence upon the mainland, while keeping Taiwan's polity and soft power at arm's length.

Policy Implications for the EU

The EU should continue to support the development of peaceful relations across the Taiwan Strait but also deepen its quasi-official relations with the Taiwanese democracy, helping it, through various means, to improve its international status. The EU should in particular:

- Strengthen the unity and coordination of its own China and Taiwan policies; none of the following recommendations can be implemented without a better defined and unified understanding of the limits of the EU's 'one China policy' and the need to

recognise the reality, if not the legality, of the Republic of China on Taiwan, as a separate state entity;

- Support the expansion of government-to-government interactions between Taipei and Beijing and express this support when EU senior leaders meet their Chinese counterparts;
- Encourage the pragmatic opening of military CBMs prior to and delinked from the start of any formal political negotiations;
- Increase pressure on Beijing to give more international space to Taiwan, in spite of its predictable ire, provided that a more coordinated and agreed policy is first endorsed by the EU's key Member States;
- Deepen the EU's quasi-official relations with the Taiwanese authorities, including not only economic and cultural portfolios but also, in a pragmatic manner, Taiwan's foreign and defence ministries and armed forces;
- Keep close contacts with Taiwan's opposition parties, especially the DPP;
- Expand and diversify the EU's relations with Taiwan's civil society and NGOs;
- Demonstrate more public support for Taiwan's democracy as a way to influence the debate about political reform in the PRC;
- While remaining neutral about the territorial disputes in the South and the East China Seas, use the Taiwanese *modus operandi* as a normative example or precedent to underscore the EU's concern about the PRC's own temptation to change the status quo and embark on a *fait accompli* big power strategy on these issues.