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*Taiwan's National Development Conference: Proposed Policy  
Changes and Implications for the United States*

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**Abstract.** Taiwan's National Development Conference of December 1996 set forth policy changes important to Taiwan, the People's Republic of China, and the United States. If implemented, these changes could exacerbate cross-strait tensions and complicate U.S. efforts to develop constructive engagement with the PRC while sustaining close ties with Taiwan. Prospects for Taiwan's implementing the changes are mixed. U.S. options for dealing with the emerging situation range from quiet diplomacy to direct U.S. mediation of Taiwanese-mainland differences.

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## Taiwan's National Development Conference: Proposed Policy Changes and Implications for the United States

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### Summary

Taiwan's National Development Conference of December 1996 set forth policy changes important to Taiwan, the People's Republic of China (PRC), and the United States. If implemented, these changes could exacerbate cross-Strait tensions and complicate U.S. efforts to develop constructive engagement with the PRC while sustaining close ties with Taiwan. Prospects for Taiwan's implementing the changes are mixed. U.S. options for dealing with the emerging situation range from quiet diplomacy to direct U.S. mediation of Taiwanese-mainland differences.

### Introduction

A multi-party National Development Conference (NDC) met in Taipei on December 23-28, 1996, marking a milestone in Taiwan's decades-long transformation from authoritarianism to democracy.<sup>1</sup> Leaders from all major political parties, along with relevant experts, charted policy proposals in three major areas:

- relations with the PRC across the Taiwan Strait;
- political reforms of Taiwan's national, provincial and local governments;
- economic changes designed to strengthen the island's international competitiveness.

At the NDC, the ruling Nationalist Party leadership under President Lee Teng-hui agreed on most major issues with the leadership of the main opposition party, the Democratic Progressive Party (DPP). The consensus formed what a senior Nationalist

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<sup>1</sup> For background see *Taiwan*, CRS Issue Brief IB96032.

party representative called a “grand coalition” likely to dominate politics in Taiwan for the foreseeable future.<sup>2</sup>

NDC proposals on economic reform were not controversial. Those dealing with cross-Strait relations were criticized by Beijing but represented the consensus view in Taiwan. Proposals on political reform were controversial both in Taiwan and in the PRC.

Prospects for implementing the policy proposals of the NDC are mixed. If proposals in the areas of cross-Strait relations and political reforms are carried out, the likelihood of a strong counteraction from Beijing increases. This would seriously complicate U.S. interests in calming recent tensions in the Taiwan Strait and in concurrent U.S. efforts to develop constructive engagement with the PRC while sustaining close U.S. ties with Taiwan.

**Context of Taiwan-PRC-U.S. Relations.**<sup>3</sup> This triangular relationship was seriously strained following Taiwanese President Lee Teng-hui’s June 1995 visit to Cornell University; Beijing’s subsequent use of intimidation tactics, including ballistic missile tests and live-fire military exercises, before Taiwan’s legislative and presidential elections in December 1995 and March 1996, respectively; and the strong U.S. response to Beijing’s tactics, including the sending of two aircraft carrier battle groups to the Taiwanese area in March 1996.

Since mid-1996, U.S. and PRC leaders have markedly improved the atmosphere if not the substance of U.S.-China relations.<sup>4</sup> Nevertheless, Beijing and Taipei remain locked in an intense competition for international recognition and support. In January 1997, Beijing vetoed a UN Security Council resolution in support of a peacekeeping force in Guatemala due to Guatemala’s close relationship with Taiwan. After negotiations in which Guatemala reportedly agreed to moderate support for Taiwan, Beijing approved the UN peacekeeping plan for Guatemala.<sup>5</sup>

U.S. policymakers have repeatedly called for improved cross-Strait dialogue in order to ease tensions between Taipei and Beijing in line with U.S. interest in regional peace and development. The increasingly “zero-sum game” quality of Taipei-Beijing competition for favorable attention from the United States and other powers also makes it difficult for U.S. policymakers to take initiatives in support for one side for fear of alienating the other. Most recently, for example, Taiwanese officials have pressed the case to their U.S. counterparts that they expect the United States to beef up its official dialogue with Taipei as the Clinton Administration carries out a series of high-level meetings with PRC leaders over the next year.<sup>6</sup>

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<sup>2</sup> Comments by senior Nationalist Party official, made at Heritage Foundation Seminar on Taiwan, February 6, 1997.

<sup>3</sup> For background, see *Taiwan*, CRS Issue Brief IB96032.

<sup>4</sup> See *China-U.S. Relations*, CRS Issue Brief IB94002.

<sup>5</sup> *New York Times*, January 21, 1997, p 8.

<sup>6</sup> Author’s consultations, Washington, D.C. December, 1996, January 1997.

In spite of U.S. positions and policies, Taiwanese-PRC political dialogue remains at a standstill. Each side maintains political positions that appear unbridgeable, although economic, cultural, and other contacts continue to develop significantly. In particular, Chinese officials have said privately that Beijing is so distrustful of Lee Teng-hui that the PRC is prepared to wait until the end of Lee's term before working with a more responsive successor. Taiwanese officials say they are prepared to wait for Beijing to alter its stance, and have focused their attention on the changes announced at the end of the National Development Conference in late December.

**Background and Results of the Conference.**<sup>7</sup> The National Development Conference was called for by President Lee Teng-hui in his inaugural speech last May. President Lee wanted the conference to define the future course of Taiwanese politics and policy. After some delay — the conference had been planned to begin in September — 170 members of Taiwan's political elite and relevant experts met for five days beginning on December 23, 1996. The three major parties — the ruling Nationalist Party, the opposition Democratic Progressive Party (DPP), and the opposition New China Party — nominated their own delegates. Meetings occurred prior to the formal conference where party delegates mixed with scholars and other experts to work out proposals for consideration by the full body. In the end, the conference agreed on proposals in two main areas — cross-strait relations and economic policy. On the third major area of concern to the conference — reform of Taiwan's government structure — Nationalist and DPP leaders were in agreement, while New China Party leaders disagreed.

On cross-strait relations, there was consensus in support of Taipei's current policy toward the mainland. The delegates emphasized that Taiwan is one of two "equivalent political entities" that make up China; that Taiwan has its own sovereignty and is not a part of the PRC; and that Taipei will never accept the "one China-two systems" approach that Beijing is using to incorporate Hong Kong and proposing as the basis for Taiwan's reunification with the mainland. The delegates also supported ongoing Taiwanese efforts to join international organizations like the IMF, the World Bank, and the World Trade Organization; further, they held that rejoining the United Nations was Taiwan's "long term" goal. They added that the burgeoning cross-strait economic relations (about \$30 billion in annual trade and \$30 billion in cumulative Taiwanese investment in the PRC) should not be allowed to jeopardize Taiwan's national security. This suggested that the Taiwanese government may take some steps to curb such investment and trade in certain cases.

Economic goals endorsed by the conference did not generate much controversy. They involved improving government efficiency; balancing the budget in five years; reducing gradually the national debt; expanding the tax base; combining the business and personal income taxes; gradually raising real estate taxes; and privatizing state-owned enterprises.

The controversial Taiwanese government reforms, which may require constitutional amendment, called for a freeze in provincial government elections and efforts to reduce and eliminate provincial government offices and functions said to be duplicative. The

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<sup>7</sup> See coverage in *Free China Journal*, January 4, 1997, as well as *Far Eastern Economic Review*, January 9, 1997 and January 17, 1997. Taiwan officials reviewed the results of the NDC at a seminar at the Heritage Foundation on February 6, 1997.

President and the Legislature both were slated to get more power. The National Assembly, the national body which amends the constitution, and the national watchdog agency (the Control Yuan) were proposed to lose power. The changes proposed for the Taiwanese provincial government triggered the most controversy as Provincial Governor James Soong, and much of his administration, resigned. Soong also resigned from his senior leadership position in the Nationalist Party. In January, Soong resumed his duties pending approval of his resignation by the Premier.

**Reaction.** U.S. media and official comment virtually ignored the Taiwanese developments. Some Clinton Administration officials nonetheless were privately concerned about the direction of Taiwan's policies and possible adverse PRC reaction. These concerns reportedly were raised with senior officials from Taiwan visiting Washington for the National Prayer Breakfast during early February 1997.<sup>8</sup>

PRC officials and official media have remained generally low keyed, although pro-PRC media in Hong Kong criticized the results of the conference and what they mean for Taiwanese-mainland relations.<sup>9</sup> On January 29, 1997, Beijing's *People's Daily*, also warned generally that China would not "stand idly by" as Taiwan implemented the NDC proposals in a move toward Taiwanese "independence."<sup>10</sup> Some U.S. specialists have judged that the Hong Kong accounts reflected prevailing views of Chinese officials concerned with Taiwan.<sup>11</sup> They surmised that Beijing is trying to avoid direct comment in its own name for now. The PRC officials are presumably waiting to see if the Taiwanese authorities actually implement the changes proposed by the National Development Conference. PRC officials may also judge that prominent public complaints from Beijing now would only increase the incentive for Taiwanese officials to carry out their proposed reforms.

Beijing's complaints continue to focus on President Lee Teng-hui. As reflected in the pro-PRC Hong Kong media, Lee is charged with steering the Nationalist Party away from its past emphasis on Chinese reunification and toward closer collaboration with the DPP, a party which advocates Taiwanese self-determination. The criticism states that Lee and his Nationalist Party allies have come together with the DPP leadership as the overwhelmingly dominant force in Taiwanese politics, and that they have set forth a political and governmental reform agenda in the National Development Conference that will be implemented over the next year or so.

Beijing appears to fear that Lee and his allies will eliminate institutions and political structures in Taiwan that reflect its status as a province of China, and will support institutions and political structures in Taiwan that will boost Taiwan's stature as an independent government in world affairs. The criticism sees President Lee and his Nationalist allies working closely with the DPP leaders to ease out the remaining leading

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<sup>8</sup> Consultations by author, February 7, 1997.

<sup>9</sup> See notably Hong Kong *Wen Wei Po* editorial, January 3, 1997, replayed by Foreign Broadcast Information Service, January 3, 1997.

<sup>10</sup> *People's Daily* editorial, January 29, 1997.

<sup>11</sup> Author's consultations with ten U.S. specialists on Taiwan, Washington, D.C., January-February 1997.

politicians in the Nationalist Party who were born on the mainland or whose families came to Taiwan with Chiang Kai-shek in 1949. Provincial Governor Soong is the most prominent of such “mainlander” leaders in Taiwanese politics today.

**Outlook.** It is unclear when, and if, Beijing will react more directly and strongly to the changes in Taiwan. Some U.S. specialists think that President Lee and his allies have chosen a “good time” to begin to carry out these changes, since the PRC leadership is currently preoccupied with issues like Hong Kong’s reversion and the approach to the Chinese Communist Party’s 15th Congress in late 1997. Presumably, Beijing has little desire to complicate these delicate processes with a flare-up in cross-Strait tensions that could involve the United States and possibly other powers. Perhaps, reflecting this assessment, PRC spokesmen currently note in reference to changes in Taiwan that changes on the island do not alter Taiwan’s status as “a province of China.”<sup>12</sup> At the same time, Chinese officials sometimes offer the private view that cross-Strait economic and other exchanges, and China’s rising importance in world affairs, offset these negative trends in Taiwan and make Taiwan’s reunification with the mainland “only a matter of time.”<sup>13</sup>

Moreover, there are still some obstacles for President Lee and his allies to overcome in trying to carry out their reforms. Heading the list is Governor Soong and many of the 28,000 Taiwan provincial government officials who spend a budget of \$13 billion a year. Any significant government structural changes will probably require constitutional changes enacted by the National Assembly. Some assembly members’ enthusiasm for the reforms endorsed by the National Development Conference has been reduced because the Conference also called for substantial weakening of the powers of the National Assembly.

Several specialists in Washington feel that the Conference’s success in carrying out these ambitious reforms depends heavily on President Lee’s and his DPP counterparts’ ability to maintain party unity and discipline, especially in votes in the National Assembly. If Lee succeeds in having the reforms implemented, the specialists note, Beijing may feel it has no choice other than to respond directly and strongly to these steps which it views as moving toward Taiwanese “independence.”

**U.S. Policy Approaches.** U.S. policy approaches appear to depend in part on circumstances surrounding the proposed reforms in Taiwan’s government and its stance on cross-Strait relations. If the reforms are delayed because of opposition from Governor Soong, provincial legislators, National Assembly members or others in Taiwan, there may be less likelihood of a harsh response from Beijing. In this case, U.S. policymakers in Congress and the Clinton administration may feel little need to go beyond continued private and public statements advising moderation and restraint on both sides in the interests of easing tensions and resuming cross Strait political dialogue.

If the reforms are implemented and Taiwan adheres to its stated position on cross-Strait relations, Beijing may feel compelled to react more strongly in order to dissuade Taiwan from further steps toward “independence.” In this case, some U.S. policymakers may show strong support for Taiwan, while others may want to take a stronger stance stabilize the situation. One dilemma in this situation is that both Beijing and Taipei will be

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<sup>12</sup> Discussions with PRC government officials, Washington, D.C., January-February, 1997.

<sup>13</sup> China conference, William and Mary University, February 8, 1997.

acutely sensitive to any sign of the U.S. siding with one against the other. It is difficult to imagine a public stance that the U.S. could take under these circumstances that would not at least temporarily damage U.S. relations with Beijing, Taipei, or both.

Of course, Beijing may respond moderately to the Taiwanese reforms as they are implemented. Unlike PRC judgments during the period of harsh rhetoric and military actions in the Taiwan Strait following Lee Teng-hui's visit to Cornell University in 1995, mainland China leaders may see their interests better served by a low-keyed approach. Such moderation would avoid further alienating the Taiwanese people; it could also reflect PRC optimism that economic, other cross-Strait exchanges, and other factors will eventually lead to Taiwan's reunification with the mainland. U.S. policy under these circumstances might not have to change substantially from current advocacy of cross-Strait moderation and dialogue.

A more active U.S. approach designed to avoid renewed crisis in the Taiwan Strait might involve U.S. mediation. Such mediation is opposed by many U.S.-China specialists who recall the disastrous results of U.S. negotiating efforts to end the Chinese civil war in the 1940s, and who judge that U.S. interests are likely to suffer since U.S. negotiators are almost certain to alienate Beijing or Taipei. Other observers judge that the danger of renewed military conflict in the Taiwan Strait is rising because of conflicting trends in Taiwan and on the mainland. The danger that this conflict could directly involve U.S. forces was illustrated by the deployment of two U.S. aircraft carrier battle groups to face PRC military intimidation efforts in the Taiwan area in 1996. As a result, they feel, U.S. policymakers may need to take risks associated with mediation, rather than face those of direct U.S. involvement in military conflict in the Taiwan area.