

# **The “Two-State” Theory: Perceptions and Policy Change**

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**In use of English**

## The “Two-State” Theory: Perceptions and Policy Change

*This article argues that President Lee Teng-hui’s intention to enhance the legal status of Taiwan in 1998 is a crucial part of the explanation for Lee’s “two-state” theory in July 1999. By dividing the policy-making process of the “two-state” theory into two parts - (a) the reasons for Lee’s preparation of the policy change in 1998 and (b) his decision for the policy change in 1999 - it provides an insight into why the Taipei government was moving away from its “one China” policy and instead launched the “two-state” theory. The research outcome of this article challenges Sheng’s analysis of Lee’s “two-state” theory as seeking to influence the presidential election in March 2000 and initiate a Sino-American confrontation.<sup>1</sup> In contrast, this article concludes that Lee’s perception of Beijing’s inflexible “one China” principle is the dominant force of Taiwan’s policy change in July 1999.*

In 1999, President Lee announced that Taiwan and China were engaged in special state-to-state relation (the “two-state” theory). The Beijing government responded to it with the cancellation of the second Koo-Wang talks,<sup>2</sup> scheduled in Taipei in October 1999, and indefinitely postponed all dialogue channels with Taiwan. Since then, China has still refused to restart talks with the Taipei government and the cross-strait relations remain tense.

By focusing on the analysis of the key political actors of the Lee administration, this paper attempts to investigate the factors shaping Taiwan’s “two-state” theory.” To reveal the most likely reasons for this policy change is not an easy task. First, academic researchers have virtually no opportunity to make use of relevant official archives and furthermore have to accept that some crucial documents do not even exist in Taiwan’s official archives. In the case of the “two-state” theory policy, President Chen complained that he had no access to the official documents regarding the policy change when he became President of Taiwan in 2000. However, as alternative sources, there are plenty of materials which are related to Lee’s policy

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<sup>1</sup> Sheng Lijun, *China and Taiwan: Cross-strait relations under Chen Shui-bian*, Singapore: Institute of Southeast Asian Studies, 2000, p18.

<sup>2</sup> Koo Chen-fu was chair of the Strait Exchange Foundation (SEF), representing the Taipei government to pursue “unofficial” dialogue with China’s Association for Relations Across the Taiwan Strait

changes such as Taiwan's official publications, the publications, policy statements and even interviews of the main policy-makers, the publications of the ruling party, and the secondary sources of academic writings.

Second, although policy-makers' perceptions help to explain and improve our general understanding of specific decisions, as Robert Jervis pointed out, "there is no easy way to determine the accuracy of perceptions. It is hard to know what a person's perceptions were and even harder to know whether they were correct."<sup>3</sup> If, however, doubt about the accuracy of perceptions is allowed to blind us to the significant role played by the perceptions of policy makers in terms of understanding the reasons for policy change, it would be a loss.<sup>4</sup> In order to increase the accuracy of how Taiwan's main policy-makers perceived what they were doing and why, this research has carefully collected, read through, and analyzed almost all of their publications, policy statements, and interviews from 1990 to 2002. In addition, the research has also drawn evidence or some of the decision-maker perceptions from generally accepted academic publications.

In this article, the term "Taiwanese" refers to the people of Taiwan and the term "Taiwan" refers to the country, the ROC, whereas the term "Chinese" refers to the people of China and the term "China" refers to the PRC. Regarding the translation of non-English materials, I will use the *Tongyong Pinyin* system (the official system of Taiwan for English transliteration since 2000) for the material written in Taiwan's official language and the *Hanyu Pinyin* for the materials written in China's official language.

## **1. Towards the Two-State Theory: Examining the Evidence**

*"Before I finish my term as president, I intend to consult specialists in international law from many nations to determine a clearer definition of our sovereignty."*<sup>5</sup>

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(ARATS). Wang Daohan was chair of ARATS. The SEF and ARATS began their talks in 1992. Koo and Wang had their first talks in Singapore in 1993.

<sup>3</sup> Robert Jervis, *Perception and Misperception in International Politics*, New Jersey: Princeton University, 1976, p6.

<sup>4</sup> *Ibid.*, pp6-7.

The above quotation is taken from Lee's book, published in May 1999. Later on, in an interview, Lee stated that his attempt to amend Taiwan's China policy started in 1998.<sup>6</sup> As Lee's plan to change Taiwan's policy toward China began in 1998, there must be a significant connection between Lee's intention for policy change in 1998 and his adoption of the policy change in 1999. Without taking Lee's initial motives for the policy change into account, there can be no adequate explanation for his adoption of the "two-state" theory policy. The following section will focus on Lee's motives for amending Taiwan's China policy in 1998.

### 1.1 Chinese push for unification talks

**Honk Kong and Macau first then Taiwan:** The President of China, Jiang Zemin, made a well-known speech on the eve of the lunar New Year in 1995. At the end of the statement, he unusually revealed an attempt to make unification with Taiwan achieve sooner, saying that "indefinitely postponing the unification is not what all compatriots want to see."<sup>7</sup> Later on, the Vice Premier of China stated that "closer day by day with the Hong Kong's and Macau's return, the mission of resolving the Taiwan problem and achieving motherland's unification becomes more urgent."<sup>8</sup> Chen's statement was not the same as Jiang's, but more precisely emphasized the timing for the solution of the Taiwan issue.

In December of the same year, the Premier of China pointed out that "following the restoration of Chinese sovereignty over Hong Kong and Macau, the resolution of the Taiwan problem will be more prominently placed in front of all the Chinese."<sup>9</sup> On the same day, Jiang suggested that "the people of China do not wish the separation of the Strait to continue for long... To make the unification come true, of course, we need a procedure, but we will strive to shorten such a process."<sup>10</sup> The message clearly shows

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<sup>5</sup> Lee Teng-hui, *Taiwan de Jhujhang (The Assertion of Taiwan)*, Taipei: Yuanliou, 1999, p240.

<sup>6</sup> Chou Jing-wen, *Lee Teng-hui Jhijheng Gaobai Shihlu (Record of Lee Teng-hui's Governance: 1988-2000)*, Taipei: Publ, 2001, p222.

<sup>7</sup> Jiang Zemin, "Continue to Promote the Reunification of the Motherland", *Yiguo Liangzhi Zhongyao Wenxian Xuanbian (The Selected Important Documents of One Country Two Systems)*, Beijing: Jhongyang, 1997, p259.

<sup>8</sup> Cian Cichieng, "A Speech Delivered by Cian Cichieng at the Meeting of Central Government's Propaganda Towards Taiwan," *Dalu Gongzuo Cankao Zihliao (The Reference Materials for Mainland Affairs, the RMMA)*, Vol. 2, Taipei: Mainland Affairs Council (MAC), 1998, p373.

<sup>9</sup> Li Pen, "Discussing the Unification of the Motherland," Beijing: Jhongyang, 1997, 1997, p269.

<sup>10</sup> Jiang Zemin, "Chinese President Jiang's response to Taiwan Question Asked by the Reporters of Ciaobao at a Press Conference," *The RMMA*, Vol.2, Taipei: the MAC, 1998, p424.

that China expected to reach a final solution with Taiwan more quickly, in particular after Hong Kong's and Macau's return.

The Mainland Affairs Institution of the KMT (MAI) reported to the KMT's Central Standard Committee (CSC) that, unlike Deng and Mao, the third generation of Chinese leaders, Jiang Zemin and Li Peng, showed great eagerness for a faster final solution of the Taiwan issue on 26<sup>th</sup> July and 1<sup>st</sup> November 1995 and 14<sup>th</sup> February 1996.<sup>11</sup> The MAI is an important source for understanding the KMT government's China policy because it is in charge of the KMT's China policy and provides the analytical commentary on China to the CSC of the KMT every week. As the chairman of the KMT, President Lee listened each week to those analyses while holding the meeting of the CSC.

From 1995, the Chinese leadership believed that if the "one country, two systems" applies to Hong Kong, it may then raise the chance of convincing the world that Hong Kong's model is an acceptable one to use for Taiwan as well.<sup>12</sup> Chen Yunlin, Director of Taiwan Affairs Office of State Council of the PRC, pointed out that "One country, two systems" will suit Hong Kong and it should fit well with the Taiwan problem.'<sup>13</sup>

After Hong Kong's takeover, the Chinese leadership continued to put pressure on the Taipei government by highlighting the gradual restitution of Chinese territories and stressing the success of the "one country, two systems" policy. In January 1998, Jiang stressed that "Macau will be handed over to the motherland in 1999. At this moment, we miss more than ever our compatriots of Taiwan."<sup>14</sup> Taiwan was one of those three targets in the 1990s, according to vice chairman of the ARATS.<sup>15</sup> By 1998, the

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<sup>11</sup> Mainland Affairs Institution of the KMT's Central Committee, *The Research of Chinese Communist Party' Policy Towards Taiwan and the Cross-Strait Relations*, Taipei: the KMT, 1996, p15, 52 and 76.

<sup>12</sup> Samantha f. Ravich, "Examining Trends of Convergence and Divergence Across the Taiwan Strait: The NCAFP's Roundtable on U.S.-China Policy and Cross-Strait Relations," *American Foreign Policy Interests*, December 1999. Chen Yunlin, "Chen's Comments on the relations between Hong Kong and Taiwan after 1997," *The RMMA*, 1998, p253.

<sup>13</sup> Chen Yunlin, "Comments on the relations between Hong Kong and Taiwan after 1997," 10<sup>th</sup> June 1997, *The RMMA*, 1998, p253.

<sup>14</sup> Jiang Zemin, "A Speech at the Tea Reception of the Chinese People's Political Consultative Conference," *The RMMA*, 1999, p177.

<sup>15</sup> Tang Shubei, "Tang's Comments on a Few Problems with Current Relations To Taiwan," *The RMMA*, Vol.2, 1998, p93. Wu Siyuecian, "The Establishment Assembly of ARATA," 6<sup>th</sup> December

Beijing government had completed the first of three steps in its unification strategy. Chinese restoration of Hong Kong gave the Chinese authorities great encouragement: as Ravich suggested, “the year 1997 began with preparations for the return of Hong Kong, the first jewel in what Beijing hoped would be a triple crown (Hong Kong, Macao, and Taiwan).”<sup>16</sup>

The foreign minister of China did not hide his confidence and his claim that “the restitution of Hong Kong’s sovereignty indicates a huge success in the scheme of “one Country, two systems” and thus creates new possibilities for resolving the Taiwan problem”.<sup>17</sup> He proceeded to say that Hong Kong’s smooth return is one great step towards China’s peaceful unification. Macau will be going back to the motherland in two years. At this moment, all the Chinese people are focused on the perspective of resolving the Taiwan problem.”<sup>18</sup> Facing the scheme of Chinese unification policy, Taiwan’s position was increasingly under pressure because, as Harding suggested, “China’s target on Taiwan comes after Macau’s hand over.”<sup>19</sup>

Unlike both Hong Kong and Macau, Taiwan was recognized diplomatically by 29 other countries, all of which were members of the United Nations, and Taiwan has possessed its status in international law for more than half a century already.<sup>20</sup> Eventually, the Beijing leadership needed to pursue political talks directly with the government of Taiwan if China really wanted to reach its goal peacefully. Therefore, they sent a clear message to the Taipei government that China could not leave the issue of Taiwan unresolved indefinitely through using the opportunity of the takeover of both Hong Kong and Macau to press the authority of Taiwan.

In fact, the Taipei government certainly received the message the Beijing government had intended and it hence feared that the international society might accept “one

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1991, p76. Yang Shangkun, “Yang’s Speech at the National Meeting for Taiwan Affairs,” *The RMMA*, 2000, p53.

<sup>16</sup> Samantha f. Ravich, 1999.

<sup>17</sup> Cian Cichieng, “Cian’s Speech on The Third Anniversary Symposium for Jiang Zemin’s Significant Statement on Taiwan Issue,” *The RMMA*, 1999, p185.

<sup>18</sup> Ibid.

<sup>19</sup> Harry Harding, “Again on Interim Arrangements in the Taiwan Strait,” *Taiwan Strait Dilemmas: China-Taiwan-U.S. Policies in the New Century*, edited by Gerrit W. Gong, Washington: Centre for Strategic and International Studies, 2000, p7.

country, two systems” as the method to apply to the sovereignty dispute between Taiwan and China. The chairman of Taiwanese MAC, in a report entitled “Post-Deng Cross-strait Relations and Our Reactions,” pointed out that the PRC had ensured the unification order of Hong Kong and Macau first then Taiwan with respect to its Taiwan policy.<sup>21</sup> President Lee also voiced the same worry in 1999.<sup>22</sup>

**From Functional to political talks:** In 1992, both China and Taiwan sent their own delegation to Singapore: China’s ARATS and Taiwan’s SEF. These were the first talks ever held publicly and formally between two sides since 1949. The SEF and ARATS had, in all, held eight meetings before the Chinese authorities indefinitely suspended the SEF-ARATS talks in 1995. Despite China unilaterally suspending the SEF-ARATS dialogue, Taiwan had kept urging Beijing to resume the talks during the period of 1995 to 1998.<sup>23</sup> Beijing’s reluctance to respond Taipei’s suggestion mainly stemmed from the fact that it wanted to resolve the issue of Taiwan as soon as possible. The previous negotiations with Taipei had been focused on non-unification issues. In 1995, the Beijing government changed its negotiation strategy and started to press Taiwan for more overtly political talks.

In January 1995, six months prior to the crisis of 1995-96, Jiang expressed China’s willingness to abandon its hostility to Taipei via political talks and, thus, suggested that a political agenda could be added to the Sino-Taiwan dialogues.<sup>24</sup> In fact, Taiwan already officially recognized the PRC’s legitimacy through abolishing the “Period of Mobilization for the Suppression of Communist Rebellion” in 1991. If the Chinese were truly ready to give up the use of military means, Beijing would not have to ask Taiwan for political talks. The real motive for political talks was the unification negotiation with Taipei.

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<sup>20</sup> Harvey Feldman, “A Primer on U.S. Policy Toward the “One-China” Issue: Questions and Answers,” Heritage Foundation Backgrounder No. 1429, 12<sup>th</sup> April 2001.

<sup>21</sup> Chang King-yuh, “Post-Deng Cross-strait Relations and Our Reaction,” February 27, 1997, *MAC News Briefing*, Vol.1, Taipei: the MAC, 1998, p95.

<sup>22</sup> Chou Jing-wen, 2001, p237.

<sup>23</sup> For instance, the MAC and SEF respectively expressed hope to resume the cross-strait talks on 17<sup>th</sup> June 1995, 19<sup>th</sup> April and 3<sup>rd</sup> July 1996, *MAC News Briefing*, Vol.2, 1999, p3, 39,43, and 45.

<sup>24</sup> Jiang Zemin, 30<sup>th</sup> January 1995, pp256-7.

Lee's response to Jiang's call for "political talks" in April 1995 included three main points: 1. Seeking China's unification on the basis of the reality of the cross-strait separation. 2. Participating in international organizations on an equal basis: both sides' leaders meeting naturally at international occasions. 3. Insisting on the two sides seeking peaceful means to resolve any disputes.<sup>25</sup> These three key points were a long way from Jiang's intentions. First, China's insistence on its "one China" principle, that is, not to recognize Taipei's legitimacy, was contradictory to Lee's perception of the cross-strait separation. Second, the "one China" principle also denied Taiwan's right to return to international organizations. Third, for China, the precondition of abandoning military means to deal with the issue of Taiwan was Taipei's acceptance of Beijing's "one China" principle. Therefore, Lee's statement, in a way, was refusing Jiang's call for political talks on the basis of Beijing's "one China" principle.

After Lee's return from the United States in July 1995, the spokesman of Taiwan Affairs Office of the State Council of the PRC, blamed Lee's visit for causing the failure of the second Koo-Wang talks.<sup>26</sup> In addition to these talks, the ongoing SEF-ARATS dialogue was therefore postponed by China, too. After the 1995-96 crisis, in response to the U.S.'s appeal for the resumption of the cross-strait dialogue, Jiang Zemin, via two interviews in June and September 1996, expressed China's willingness to open up a channel for "political talks" with Taiwan.<sup>27</sup>

Jiang's statements referring to political talks with Taipei revealed Beijing's intentions. First, the Sino-U.S. strategic partnership was in the process of being constructed. Jiang wanted to demonstrate China's cooperative attitude to the Clinton administration, but the Chinese leadership also asked the U.S. to compromise on the issue of Taiwan in return. For example, they sought support for the policy of the "new three noes". Second, Jiang had already set up the agenda for the negotiations. It was not only about "political" issues, but also about those related to unification. If the Taipei government

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<sup>25</sup> The statement is known as Lee's six points. Lee Teng-hui, "President Lee's Speech at the Tenth Committee of the Whole of the National Unification Council," *The RMMA*, 1996, pp5-6.

<sup>26</sup> Spokesman of Taiwan Affairs Office of the State Council, "A Statement About the Cancellation of the Koo-Wang talks," *The RMMA*, 1996, p177.

<sup>27</sup> Jiang Zemin, "Jiang's Interview with the Spanish Media," *The RMMA*, 1997, p135, and "Jiang's Interview with Le Figaro," *The RMMA*, 1997, p145.

still insisted on “functional talks”, China would be reluctant to reopen the dialogue with Taipei. In that case, Taiwan should take the blame entirely.

When the Beijing government adjusted its negotiation strategy towards Taiwan from “functional talks” to “political level”, China, on the one hand, continued to send the cooperative message to the Taipei government and, on the other hand, asked the Clinton administration to use its influence on Taipei. During the period between early 1997 and mid-1998, the statements of the Chinese government had been based on three key points. They are the “one China” principle, the termination of the cross-strait hostility, and “political talks”. This strategy was intended to reach Beijing’s unification target quickly via political talks with Taipei. Any “functional talks” which the KMT government hoped for were completely ignored and excluded.<sup>28</sup>

The Chinese authority also sent a similar message through its second-track diplomacy. In the Shanghai-San Francisco Assemblies, Chinese participants suggested that “once the cross-strait dialogue resumes, it should not only address purely functional issues, but also should move quickly to a political dialogue.”<sup>29</sup> In addition to the demand for political negotiation, the Chinese participants also expressed the wish “that one aim of the political dialogue should be to agree on a termination of hostilities across the Taiwan Strait on the basis of the one-China principle.”<sup>30</sup>

In November 1996, according to a report adopted at the MAC Council Meeting, the Beijing government accepted the cross-strait resumption only on the basis of “one China”.<sup>31</sup> Actually, “one China” had been a consistent policy for Lee’s administration, although it was defined somewhat differently.<sup>32</sup> Why did the Beijing government

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<sup>28</sup> Cian Cichieng, “A Speech at the Meeting of Taiwan Affairs Office of State Council of China,” *The RMMA*, Vol. 2, 1998, p476. Cian Cichieng, 26<sup>th</sup> January 1998, pp188-89. Li Peng, “Li’s Report at the Fifth Meeting of the Eighth National People’s Congress of the PRC,” *The RMMA*, Vol. 2, 1998, p481, and “Li’s Report at the First Meeting of the Ninth National People’s Congress of the PRC,” *The RMMA*, 1999, p194. Jiang Zemin, “Jiang’s Interview with French International Politics Magazine,” *The RMMA*, Vol.2, 1998, p497. Jiang Zemin, “Political Report to The Chinese Communist Party’s 15th National People’s Congress,” *The RMMA*, Vol. 2, 1998, p506.

<sup>29</sup> China-U.S. Relations in the Twenty-First Century: Shanghai and San Francisco Assemblies, American Assembly, held in Shanghai, 16-18 February, 1999.

<sup>30</sup> *Ibid.*

<sup>31</sup> MAC, “Preliminary Analysis of Mainland China’s ‘One China’s Strategy,” 4<sup>th</sup> November 1996, *MAC News Briefing*, Vol.1, 1998, p28.

<sup>32</sup> Taipei asserted that “one China” was the Republic of China, but for Beijing, the People’s Republic of China represents the sole China.

insist on the “one China” principle as a precondition for the resumption of the cross-strait dialogue at that moment? The Meeting concluded that “Mainland China established an immediate goal to force us to accept its principle of “one China” ... attempting to force us to accept its interpretation of “one China” and to make political concessions.”<sup>33</sup> The MAC further pointed out that “if we are forced to accept the term “one China” without distinguishing its content, Mainland China would naturally forge a fait accompli in the world that “the People’s Republic of China represents the whole of China.”<sup>34</sup> The Prime of Taiwan had the same perception as the MAC and suspected that “Beijing’s one China policy is a trap.”<sup>35</sup>

Throughout the year 1997, President Lee was still focused on urging China to renounce a military solution on the issue of Taiwan.<sup>36</sup> Lee’s statements demonstrated that the Taipei government not only understood and disliked Beijing’s negotiation strategy, but they also revealed Taiwan’s reluctance to proceed with the unification talks on the basis of Beijing’s “one China” principle. However, US efforts for breaking the deadlock of the cross-strait dialogue were being stepped up by both the Clinton administration and America’s second-track diplomacy. Two big powers hence worked together to bring Taipei to the table for political talks with China. That was the start of Clinton’s policy change towards Taiwan and finally caused a dramatic change of Taiwan’s China policy.

## 1.2 American policy change

**Encouragement to resume cross-Strait dialogue:** Ross concluded that “the 1995-96 Taiwan Strait confrontation was the closest the United States and China had come to a crisis since the early 1960s” and that it led to a change in the strategic objectives between the United States and China.<sup>37</sup> Indeed, some officials of the Clinton administration, such as the Secretary of Defence William J. Perry, Assistant Secretary of state for East Asian and Pacific affairs Stanley Roth, and Assistant Secretary of

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<sup>33</sup> MAC, *MAC News Briefing*, Vol.1, 1998, pp28-9.

<sup>34</sup> *Ibid.*, p30.

<sup>35</sup> Vincent C. Siew, “Premier Siew’s Statement at the First Meeting of the Fifth National Unification Council,” *The RMMA*, 1998, p.94.

<sup>36</sup> Lee Teng-hui, “Lee’s National Situation Report at the Second Meeting of the Third National Assembly,” *The RMMA*, 1998, p29, “Lee’s Statement at an International Press Conference,” and Lee’s interview with *Encyclopedia Britannica*,” p12,

<sup>37</sup> Robert S. Ross, “The 1995-96 Taiwan Strait Confrontation: Coercion, Credibility, and the Use of Force, *International Security*, Vol. 25, No. 2, Fall 2000, p. 87-88.

Defense for International Security Affairs Joseph S. Nye, Jr., were concerned that the American army would be more likely to be involved in a war between China and Taiwan if the American government failed to reduce the Taiwan Strait hostility.<sup>38</sup>

On 13 September 1997, Stanley Roth showed the Clinton administration's concerns about the delay of the cross-strait dialogues by stating that "as long as the situation in the Strait of Taiwan is unresolved, the potential always exists for problems. That is why the United States has really been urging both sides – both parties on either side of the Strait – to resume meaningful cross-strait dialogue."<sup>39</sup> The previous US secretary of Defense William Perry also contributed to the resumption of the cross-strait talks. The National Committee of U.S.-China Relations led by Perry started the second-track diplomacy between the US, China and Taiwan.<sup>40</sup>

Perry's track-two diplomacy was not simply seen by Taipei as a purely unofficial organization, but instead acknowledged as a think tank that had an important influence on the Clinton administration. The Chair of Taiwan's MAC, Chang King-yuh, responded to Perry's Track Two by assuring that "despite the standstill in bilateral negotiations due to Peking's unilateral boycott, we remain fully prepared for the resumption of such talks."<sup>41</sup> In order to show Washington Taiwan's goodwill, Chang even conceded that Taipei would not exclude "political dialogues."<sup>42</sup> It seems that American pressure had worked insofar that Lee's administration now shifted its policy of dialogue with Beijing from functional talks to "not excluding" political negotiation.<sup>43</sup>

In early 1998, Perry once again visited China first and then went immediately to Taiwan. During the visit to Taiwan, he sent a message to the Taipei government that "Mainland China is willing to resume talks at the point where they broke off without

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<sup>38</sup> Ashton B. Carter and William J. Perry, *Preventive Defense: A New Security Strategy for America*, Washington: Brookings Institution, 1999, p112.

<sup>39</sup> Stanley Roth, assistant secretary of state for East Asian and Pacific affairs, Transcript: U.S policy stresses building of Pacific community, Tokyo Press Conference, 13<sup>th</sup> September 1997.

<sup>40</sup> William J. Perry, "The future of U.S.-China Engagement," National Committee on U.S.-China Relations, August 2000.

<sup>41</sup> Chang King-yuh, "Cross-strait Negotiation: Offshore Transshipment Center," 11<sup>th</sup> January 1997, *MAC New Briefing, Vol.1*, 1998, p39.

<sup>42</sup> Ibid.

<sup>43</sup> Sheu Ke-sheng, "Cross-strait Negotiation," 9<sup>th</sup> January 1998, *MAC News Briefing, Vol.2*, 1999, pp13-14.

any preconditions.”<sup>44</sup> After the meeting with Perry, the Taiwanese SEF sent a letter to the Chinese ARATS on 19<sup>th</sup> January 1998, suggesting again that the SEF Chairman Koo Chen-fu lead a delegation of the SEF board members and supervisors to visit China. In March 1998, another two former high-ranking U.S. officials visited Taipei: Joseph Nye and Anthony Lake U.S. White House National Security Adviser. Wortzel suspects that their visit was instrumental in pushing Taipei towards negotiation with Beijing.<sup>45</sup>

Beijing’s demand for resumption of talks on the basis of political issues stood in direct contrast with Taiwan’s desire for “functional talks”. However, both the Vice President and the Premier of Taiwan expressed Taipei’s goodwill to Washington by saying that political issues can be brought into the reopened cross-strait talks.<sup>46</sup> On 24 February 1998, the ARATS revealed its willingness to enter consultations in order to arrange for exchanges between the SEF and the ARATS.<sup>47</sup> However, the SEF did not return any message to China until 5 March after Anthony Lake had finished his visit to high-ranking Taiwanese officials.<sup>48</sup> On the same day, President Lee indicated that “the agenda for the to-be-resumed cross-strait negotiations has been finalized.”<sup>49</sup>

After the successful track-two diplomacy, Susan Shirk's testimony, who was US East Asian and Pacific Bureau Deputy Assistant Secretary, proved that Washington had indeed persuaded Taipei to resume the talks with Beijing.<sup>50</sup> The U.S. suggested not to force but to “encourage” the two sides’ talks so that US policy was not contradictory to the “Six assurances” agreed by the Reagan administration in 1982, in which it had promised that the US would not pressure Taiwan to enter into negotiations with China.

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<sup>44</sup> Chang King-yuh, “William Perry Visited MAC,” 26<sup>th</sup> January, 1998 News Conference,” *MAC News Briefing*, Vol.2, 1999, pp29-30.

<sup>45</sup> Larry M. Wortzel, “Why the Administration Should Reaffirm the “Six Assurances” to Taiwan,” <http://www.heritage.org>, No. 1352, 16<sup>th</sup> March 2000.

<sup>46</sup> Lien Chan, “Lien’s Speech in the International Seminar Entitled ‘the Tendency of Mainland Policy Development in Post-Den: After the Fifteenth Chinese Communist Party Congress,’” *RMMA*, 1999, p50. Vincent C. Siew, “Premier Siew’s Administrative Report to the Legislative Yuan,” *Ibid.*, p74.

<sup>47</sup> Sheu Ke-sheng, “Cross-strait Talks,” 20<sup>th</sup> February, *MAC News Briefing*, Vol.2, 1999, p54.

<sup>48</sup> Lin Chong-pin, “PRC National Congress and Cross-strait Relations,” 13<sup>th</sup> February 1998, *MAC News Briefing*, Vol.2, 1999, p50.

<sup>49</sup> *Ibid.*, p51.

<sup>50</sup> “... the Administration has encouraged Taipei and Beijing to reopen a dialogue. We have delivered the same message to both sides...” Testimony by East Asian and Pacific Bureau Deputy Assistant

In fact, Shirk's explanation differed from Lee's perception. As Nathan pointed out, Taipei was facing pressure from the Clinton administration regarding political talks with Beijing which would inevitably be biased in favour of Beijing's "one China" principle.<sup>51</sup> In this situation, Lee perceived American "encouragement" for talks as genuine political pressure. President Lee, on 31 July 1998, expressed Taipei's concerns about the negotiations being re-opened on the basis of Beijing's "one China" principle.<sup>52</sup>

Based on the fifth guarantee of the "Six Assurances", previous US administrations did not push Taipei even when Taiwan had stuck to the so-called "three noes" policy towards the Beijing government for decades (no communication, no compromise, and no negotiation). As Beijing was losing its patience over the previous functional negotiations and decided to resume talks with Taipei on the basis of unification dialogues, encouragement for resumption of talks from the Clinton administration was, of course, regarded as political pressure by the Taiwanese government. However, Washington did not realize that its demands for talks with Beijing had become one of the main factors shaping President Lee's motivation to change Taiwan's "one China" policy.

**The interim agreements:** After the 1995/96 cross-strait crisis, some former America officials and influential scholars began to deal with the question of how to reach a temporary resolution that was acceptable for both China and Taiwan.<sup>53</sup> The idea of "interim arrangements" was gradually formed. Robert Manning and Ronald Montaperto first brought up the idea of "no force, no independence" in their joint article, published in February 1997, and then republished in October 1997.

They suggested that "to avoid renewed PRC-Taiwan tension and facilitate U.S.-China relations, it is necessary and possible to craft a new cross-strait bargain reflecting new

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Secretary Susan L. Shirk before the House International Relations committee, Text: DAS Susan Shirk on U.S.-Taiwan Relations, May 20, 1998.

<sup>51</sup> Andrew J. Nathan, "What's Wrong with American Taiwan Policy," *The Washington Quarterly*, Spring 2000, pp93, 96-7.

<sup>52</sup> Lee Teng-hui, "President Lee's Article Published in Asia Wall Street Journal," 31<sup>st</sup> July 1998, *The RMMA*, 1999, p24.

<sup>53</sup> Robert A. Manning, Ronald N. Montaperto, Joseph S. Jr. Nye, Kenneth Lieberthal, Stanley Roth, Richard Bush, and Harry Harding.

political realities. An initial *quid pro quo* would be China's renouncing the use of force in return for Taiwan's renouncing independence." In addition to the suggestion of "no force, no independence", there are some additional key points: 1. Not to conclude a final resolution until 15-20 years after Hong Kong's reversion. 2. Taiwan's agreement on a "one China" principle, flexibly applied. 3. Beijing's approval of Taiwan's participation in international organizations including the UN, like both Germanys, both Yemens, and two Koreas' membership in the UN. 4. Taiwan's abandonment of its "pragmatic diplomacy."<sup>54</sup>

For Lee's administration, Manning's advice, such as diplomatic space for Taiwan and Beijing's assurance not to use force against Taiwan, had been consistent with Lee's main foreign policy goals since his arrival in office. In particular, dual recognition by the UN, the model of two Germanys and Koreas, would most likely be acceptable to the KMT government. Following Manning's suggestion of "no force, no independence", Kenneth Lieberthal, Joseph Nye, and Harry Harding then developed their own resolutions regarding the cross-strait relations.

In February 1998, Kenneth Lieberthal presented a paper at a seminar held in Taipei. The paper suggested that China and Taiwan should work out an "interim agreement", but Lieberthal mentioned neither Taiwan's international political role nor Taiwan's membership in the UN. Besides, the agreement recommended that the two sides should change their national titles: "China" for Beijing, "Taiwan, China" for Taipei. Finally, after fifty years under the "interim agreement," the two parties should conduct a unification negotiation.<sup>55</sup> Lieberthal's interim agreement was, on balance, biased in Beijing's favour. The agreement excludes the possibility of Taiwanese independence and makes "unification" the only long-term option for the people of Taiwan. In particular, the agreement does not guarantee Taiwan's participation in international organizations.

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<sup>54</sup> Robert A. Manning and Ronald N. Montaperto, "The People's Republic and Taiwan: Time for a New Cross-strait Bargain," Strategic Forum, National Defense University: Institute for National Strategic Studies, No. 103, February 1997, pp4-6. Robert A., Manning, "The U.S.-China-Taiwan Triangle after Hong Kong: Time for a New Cross-strait Bargain, Strategic Forum, National Defense University: Institute for National Strategic Studies, 1<sup>st</sup> October 1997. Robert A. Manning is a former consultant to the U.S. State Department.

<sup>55</sup> Kenneth Lieberthal, "Cross-Strait Relations," in edited by Tien Hung-mao and Chu Yun-han, *China under Jiang Zemin*, London: Lynne Rienner, 2000, pp188-190.

Nye's suggestion went even further. In his article "A Taiwan Deal", Nye concluded with three main points for the U.S, China, and Taiwan respectively: 1. After Taipei's declaring independence, through Washington's no recognition and no defense to gain Beijing to renounce the use of force in return. 2. Beijing's promise to provide "one-country, three-systems" broadened from the Hong Kong's model "one-country, two-systems" and international political space to Taiwan in exchange for Taipei's renouncing independence. 3. Taipei's agreement not to move further toward independence, but to pursue the cross-strait talks and to loosen Taiwan's bans on its economic exchange with China.<sup>56</sup> Nye's "deal" hurt Taiwan's interests most. In particular, his position of a former important official in Clinton's administration made the Taipei government more suspicious of Washington's intention to accept the "interim agreement." Under no circumstances could the KMT government accept an arrangement that downgraded the ROC government to a local government according to the ROC's statements.

As the U.S. had never formally recognized Beijing's sovereignty over Taiwan, the "interim agreements" proposed by both Nye and Lieberthal suggested that Taiwan would one day "return" to China and ignored the possibility that majority of the Taiwanese people may not wish to be reunified with China. It seems as if Lieberthal and Nye denied the people of Taiwan their right to decide on Taiwan's future status. As long as Beijing insists that Taiwan is the core issue in the Sino-U.S. relationship, and American officials and scholars mostly believe it (ignoring other disputes between China and the U.S.), it is likely that US proposals will serve the interests of China at the expense of the Taiwanese. In May 1998, the Deputy Chairman of Taiwan's MAC commented that Washington's engagement policy with Beijing might undermine the interests of Taiwan.<sup>57</sup> The following month, President Lee stated that not only should Washington improve its relations with Beijing, but also Taiwan-US relations should be enhanced.<sup>58</sup>

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<sup>56</sup> Joseph S. Jr. Nye, "A Taiwan Deal," the Washington Post, 8<sup>th</sup> March 1998, p.C7.

<sup>57</sup> Sheu Ke-sheng, "Cross-strait News Exchange, U.S. three Noes Promise to Beijing," 22<sup>nd</sup> May 1998, *MAC News Briefing*, Vol.2, 1999, p87.

<sup>58</sup> Lee Teng' hui, "Lee's Interview with The Times," 15<sup>th</sup> June 1998, *Collections of Lee Teng-hui's statements*, Taipei: Chenchung, 2000, p350.

The America concept of “interim arrangements” shocked high-level officials in Taiwan. At the end of March 1998, a cross-ministry meeting held by the Secretary-General to the President and the Secretary-General of National Security Council Secretary-General clearly identified a recent and growing tendency in the statements of Nye, Perry, Lake, and Lieberthal in favour of Beijing’s interpretation.<sup>59</sup> Concerns were raised in the meeting and commentators predicted that Clinton’s advisers may attempt to improve the Sino-U.S. relations at Taiwan’s expense when President Clinton visited China in June 1998. The meeting suggested an immediate response to the situation.<sup>60</sup> The proposal of the interim agreements was clearly perceived as a threat to Taiwan’s international status and, it consequently prompted Lee to change Taiwan’s policy towards China in 1998.

**Skewed towards the “one China” policy of Beijing:** The U.S. policy towards Taiwan is mainly based on the Taiwan Relations Act (TRA) and the three communiqués between the U.S. and the PRC. The TRA gives Taiwan U.S. security commitment. Otherwise, the three communiqués show the Sino-U.S. compromises over the issue of Taiwan. First, the U.S. “acknowledges” instead of “recognizes” that “all Chinese on either side of the Taiwan Strait” maintain that there is but one China and that Taiwan is a part of China, and does not challenge it. Second, the U.S. reaffirms its interest in a “peaceful settlement” of the issue by the Chinese themselves. Third, the U.S. states that it has no intention of pursuing a policy of “two Chinas” or “one China, one Taiwan.”<sup>61</sup> The Beijing government in return promised Washington a “peaceful unification” policy instead of “peaceful settlement”, as the U.S. requested. Though the U.S. guaranteed not to challenge the “one China” policy, defined by Washington itself as above, what would happen if the Taipei government no longer asserted “one China” policy, but “two Chinas” or even “one China, one Taiwan”? The answer to this remained uncertain until President Clinton’s second term.

In 1994, the Clinton administration relaxed official relations with Taipei after reviewing its Taiwan policy. The policy review also sent a message to Taiwan that the U.S. did not support Taiwan’s membership in organizations where statehood is

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<sup>59</sup> Chou Jing-wen, 2001, p299.

<sup>60</sup> Ibid.

requested.<sup>62</sup> In 1995, Kent Wiedemann, Deputy Assistant Secretary for East Asian and Pacific Affairs, explained to the House International Relations Committee that supporting Taiwan's membership in the UN was not consistent with American interests. In order to justify Clinton's policy, Wiedemann even emphasized that 'Taiwan continues to have a "one China" policy.'<sup>63</sup>

During the Sino-U.S. summit in October 1997, State Department spokesman James Rubin stressed that "the United States (1) does not support a one-China, one-Taiwan policy or a two-China policy, (2) does not support Taiwan's independence, and (3) does not support Taiwanese membership in organizations that require members to be states."<sup>64</sup> These three assurances to China were used by Clinton's administration to pave the way towards the U.S.-China strategic partnership. As Mann pointed out, one of these promises, that "the United States would oppose Taiwan's independence, seemed to go beyond what had been said in the past."<sup>65</sup> However, Beijing was not satisfied with the promises and continued to press the US administration. On 30 April 1998, China gained the same reaffirmation, but from a higher-level official, Secretary of State Madeleine Albright.<sup>66</sup>

Albright was not the highest-ranking official of the Clinton administration who gave China such assurances. They were also provided by President Clinton himself. On Clinton's visit to Beijing in 1998, he stressed the well-known "new three noes" policy which implied that "we don't support independence for Taiwan, or two Chinas, or one Taiwan, one China. And we don't believe that Taiwan should be a member of any organization for which statehood is a requirement."<sup>67</sup> Clinton's "new three noes" statement was the first time that a US President publicly gave such a promise to

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<sup>61</sup> Marc J. Cohen and Emma Teng eds. *Let Taiwan Be Taiwan: Documents on the International Status of Taiwan*, Washington: Center for Taiwan International Relations, 1990, p192, 194.

<sup>62</sup> Winston Lord, Statement before the Senate Foreign Relations Committee, Washington, DC, Taiwan Policy Review, US Department of State Dispatch, Vol.5 No.42, October 17, 1994, p706.

<sup>63</sup> Winston Lord, p705.

<sup>64</sup> Daniel A. Sharp, Report of Symposium on China-U.S. Relations Toward the 21st Century: A Constructive Strategic Partnership, held in Shanghai, February 16-18, 1998, New York: The American Assembly.

<sup>65</sup> James Mann, *About Face: A History of America's Curious Relationship with China, from Nixon to Clinton*, New York: Alfred A. Knopf, 1999, p330.

<sup>66</sup> Transcript: Press Conference by Secretary of State Madeleine K. Albright at Beijing International Club Hotel Beijing, China, 30<sup>th</sup> April 1998.

<sup>67</sup> White House Office of the Press Secretary, "Remarks by the President and the First Lady in Discussion on Shaping China for the Century," 30<sup>th</sup> June 1998.

China.<sup>68</sup> As Harvey Feldman pointed out, Clinton's "three noes" policy "echoed the Chinese position," which the three communiqués did not promise China such a deal.<sup>69</sup>

For Lee, there was no contradiction between Taipei's being recognized by the U.S. and the pledge of unification with China. Lee criticized that "President Clinton's China policy is a tilt towards China."<sup>70</sup> In an interview by New York Times, he said that "I will tell him [Bill Clinton] I agree with the United States' engagement policy with China, but anyone should not use such a détente to harm us."<sup>71</sup>

From 1991, Taipei's adherence to "one China" no longer referred to the "present", but to the "future" because Taiwan in the same year "officially recognized the ROC's lack of authority on the mainland."<sup>72</sup> However, Beijing perceived "one China" as a "current" situation and insisted that Taiwan was a renegade province of China. Most importantly, the "one China" policy of the Clinton administration was much closer to the notion of the "present" situation. For instance, Susan Shirk, East Asia and Pacific Bureau Deputy Assistant Secretary, stressed in a testimony before the House International Relations Committee in 1998 that "we will continue to pursue a "one China" policy. Consistent with this policy, we do not support two Chinas or one China, one Taiwan, Taiwan independence, or Taiwan's membership in the UN."<sup>73</sup> Taipei thus concluded that Clinton's "one China" policy was tilted towards China's "one China" policy.<sup>74</sup> Lee explained as follow:

*"The "one China" policy, proposed by Henry Kissinger in 1972 and signed in the Shanghai Communiqué, had been gradually changed by the U.S. In particular, since Bill Clinton came to power, commercial affairs become the main concern of both the US politics and diplomacy ... The core issue of "one China" also deviated from its initial meaning. Nowadays, "one China" conveys that Taiwan is a*

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<sup>68</sup> In fact, Clinton already gave Jiang Zemin "three secret" pledges in August 1995, written in a letter and handed to the Chinese foreign minister Qian Qichen by Secretary of State, Warren Christopher. James Mann, *About Face: A History of America's Curious Relationship with China, from Nixon to Clinton*, New York: Alfred A. Knopf, 1999, p330.

<sup>69</sup> Harvey Feldman, "A Primer on U.S. Policy Toward the 'One-China' Issue: Questions and Answers," Heritage Foundation Backgrounder No. 1429, 12<sup>th</sup> April 2001.

<sup>70</sup> Teng-Hui Lee and Mineo Nakajima, 2000, p64.

<sup>71</sup> Lee Teng-hui, "President Lee's interview by New York Times," 1<sup>st</sup> September, 1995, *The RMMA*, 1996, p32.

<sup>72</sup> Kurt M. Campbell and Derk F. Mitchell, "Crisis in the Taiwan Strait," *Foreign Affairs*, July/August 2001, p15.

<sup>73</sup> Testimony by Susan L. Shirk before The House International Relations Committee, 20<sup>th</sup> May 1998. <http://www.usia.gov/regional/ea/uschina/shirk520.htm>.

*province of China and, thus, the PRC is the central government, but Taiwan is a local government of China. If we still keep silent on this matter, Taiwan will be forced into a dead space and unable to survive.*”<sup>75</sup>

What if “one China” refers to Taiwan’s exclusion from international society in terms of participating in international organizations and being recognized by other countries? That was exactly what the authority of Taipei saw in Clinton’s “one China” policy. In that case, should the Lee administration’s own “one China” policy have remained unchanged? Apparently, president Lee chose to answer “no” to this question and therefore launched a plan to rethink Taiwan’s legal status. Prior to Lee making the “two-state” theory statement, he warned:

*“We hope the U.S. can understand and identify our “one China” policy, rather than be lured into the framework of China’s “one China” policy ... Otherwise, it will result in serious problems.”*<sup>76</sup>

## **2. The adaptation of the “two-state” theory: Equal-footing status with China**

*“...The 1991 Constitutional Amendments have placed cross-strait relations as a state-to-state relationship or at least a special state-to-state relationship, rather than an internal relationship between a legitimate government and a renegade group, or between a central government and a local government...”*<sup>77</sup>

The President of Taiwan chose an interview occasion to make the change in Taiwan’s China policy in July 1999. Taiwan for the first time publicly announced that the cross-strait relation is a state-to-state relationship. In this section, the primary aim is to explain why President Lee launched the “two-state” theory. The reason for Lee’s policy change is that President Lee wanted to construct a negotiating framework that would be Taipei’s favour and supportive of the principle of parity.

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<sup>74</sup> Chou Jing-wen, 2001, pp300-301, 304.

<sup>75</sup> Teng-Hui Lee and Mineo Nakajima, 2000, p45.

<sup>76</sup> Ibid., pp156-7.

<sup>77</sup> Su Chi, *Taipei Speaks Up: Special State-to-State Relationship, Republic of China’s Policy Documents*, Taipei: the MAC, 1999, p1.

**2.1 Functional talks based on the principle of parity:** Since the early 1990s, Lee's China policy had always focused on the principle of an "equal footing".<sup>78</sup> In the National Unification Guidelines (NUGs), passed by the Executive Yuan in 1991, Taipei officially proposed the term of "equal basis" for the talks between Taiwan and China. The Guidelines set a precondition of non-political dialogue for cross-strait contacts until China accepted the principle of parity.<sup>79</sup> This document clearly reveals how important the equal basis with Beijing was for the KMT government. The principle of parity did not necessarily mean two countries. It could be two governments or even two entities, but Taiwan could not be downgraded to a province of the PRC by the Chinese authorities. On 30 April 1991, Lee pointed out that Taipei would no longer see Beijing as a rebel organization, but as a political entity consistent with the principle of the NUGs.<sup>80</sup>

Taiwan's Premier explained the meaning of the "equal footing" principle in 1991. First, the so-called parity meant that, in future dialogues with Beijing, the two sides' representatives must be given equal status and that China's intention to downgrade Taiwan to the status of China's local governments must be denied. Second, neither Taiwan nor China had the right to force the other side to accept its own insistence.<sup>81</sup>

In August 1993, China's leadership issued a white paper regarding its policy towards Taiwan, which proved that they were not convinced by Lee's "parity" policy.<sup>82</sup> Taipei officially responded to it with a Taiwanese white paper in July. First, this white paper defined the current cross-strait relations by stating that "China has been a temporarily divided country under two separate governments on either side of the Taiwan Strait" since 1949.<sup>83</sup> And only if the Chinese leaders accepted the concept of "equal footing" could a secure basis for interaction between the two sides be established.<sup>84</sup> Second, the white paper suggested that both Taiwan and China "should coexist as two legal

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<sup>78</sup> An Interview with Vice Chairman and Secretary-General of the SEF Shi Hwei-yow, "A General Discussion of Cross-Strait Political and Practical Negotiations," *Exchange: A Bimonthly on Cross Taiwan Strait Relations*, Vol. 41, October 1998, p28.

<sup>79</sup> MAC, "Guideline for National Unification," *MAC News Briefing*, Vol.1, 1998, pp 214-15.

<sup>80</sup> Lee Teng-hui, "President Lee's Press Conference," *The RMMA*, 1992, p19.

<sup>81</sup> Hao Bo-cun, "Premier Hao's Speech at the Seminar to Implement Guidelines for National Unification Held by the Administration Yuan," *The RMMA*, 1992, p53.

<sup>82</sup> Appendix 3, "The Chinese White Paper on Cross-strait Relations," Jean-Marie Henckaerts, 1966, pp273, 275-6.

<sup>83</sup> Appendix 4, "The Taiwanese White Paper on Cross-Strait Relations," *Ibid.*, p280.

entities in the international arena.”<sup>85</sup> In other words, the parity principle, for the Lee administration, not only applied to cross-strait affairs, but also to international affairs. While both sides were willing to have functional dialogue, the differences in their policies were left aside. The SEF-ARATS talks continued in February 1994 and in August 1994.<sup>86</sup>

In the early 1990s, Chinese leaders to some degree neither really denied nor accepted Taipei’s principle of “equal footing”. Beijing’s ambiguous attitude changed after the 1995-6 missile crisis. This time China’s negotiation strategy towards Taiwan could no longer be covered up. Since Lee accepted China’s call for dialogue, the authorities of Beijing always claimed that they completely respected Taipei’s “equal footing” policy. However, Beijing’s military action reflected the fact that Chinese leaders did not perceive Taiwan as an equal political entity, but as a part of their own territory. Over the next few years, both Taiwan and China tested each other’s bottom line of negotiation through public statements and at the same time told the international community, in particular the U.S. government, that they welcomed the resumption of talks.

**2.2 Struggling for the principle of parity:** Given a good possibility of resumption of the SEF-ARATS dialogue, the chair of the Taiwanese SEF (Koo Chen-fu) visited the U.S. in May 1998. His main mission was to convince the Clinton administration of the importance of the “equal footing” principle before Taipei could have any political talks with Beijing. Koo stressed the difficulty for Taipei to conduct political talks with Beijing at the moment and pointed out that if the two sides started political talks, it might raise cross-strait tension.<sup>87</sup> Koo’s statement revealed that Taipei was reluctant to conduct “political talks” without being recognized as an “equal” political entity with China.

In particular, after Clinton’s “three noes” statement at the end of June 1998, Lee felt more pressure for political talks from both Beijing and Washington. Thus, he strongly

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<sup>84</sup> Ibid., pp284-87.

<sup>85</sup> Ibid., p298.

<sup>86</sup> Jiao Ren-huo and Tang Shubei, “The Joint News Release from the Meeting between Jiao and Tang,” *The RMMA*, 1995, p67, and 79.

defended Taipei's "equal footing" principle on several occasions. On 22 July, he urged that, based on the principles of parity and mutual respect, the two sides of the Strait should adequately communicate and proceed with political talks on the *de facto* basis of "China" separately ruled. In the statement, Lee still used the "political entities" policy to describe the cross-strait relations.<sup>88</sup> A few days later, President Lee no longer used this term but a stronger expression - sovereign state - for Taiwan's status.

On 27 July, Lee admitted that "the cross-strait relations [resumption of the talks] and the international situation [America's "three noes"] have given rise to new developments in last six months. Regardless ... the fact that the ROC is a "sovereign state" cannot be denied. Based on the status quo of the Strait, Lee on the one hand claimed that Taiwan had a right to participate in international affairs and, on the other hand, pointed out that "we believe that the resumption of negotiations can normalise the cross-strait relations ... Only when China gives up its irrational political framework and incorporates parity and reason into its policy towards Taiwan could the obstacles between the two sides be sorted out."<sup>89</sup>

On the same day, Lee once again used the term "sovereign state" instead of "political entities." President Lee stressed that "China has never abandoned the idea of "Beijing as central government, Taipei as local government."<sup>90</sup> He continued: "this difference makes the cross-strait confrontation unsettled; and "our long-standing stance is that the ROC is a sovereign state."<sup>91</sup> Lee's series of statements is explained by his frustration about the failure of Taipei's "equal footing" principle. With the intention of demonstrating Taipei's bottom-line principles, Lee published an article in *Asian Wall Street*.

In this article, Lee pointed out that prior to a united "democratic China", the two sides of the Strait must recognize the status quo of the *de facto* situation: a divided China

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<sup>87</sup> Koo Chen-Fu, "Toward A Constructive Cross-Strait Relationship," *Exchange: A Bimonthly on Cross Taiwan Strait Relations*, Vol. 40, August 1998, pp6-8.

<sup>88</sup> Lee Teng-hui, "President Lee's Speech at the Thirteenth Committee of the Whole of the National Unification Council," *The RMMA*, 1999, p10.

<sup>89</sup> Lee Teng-hui, "President Lee's Address to the Third Meeting of the Third Assembly," *The RMMA*, 1999, p17.

<sup>90</sup> *Ibid.*, pp20-21.

<sup>91</sup> *Ibid.*

like the previous cases of Germany and Vietnam and the current case of Korea. It seemed, for Lee, as if the principle of parity between Taiwan and China was still significant, but that he decided to give it a new interpretation: from two “political entities” to two “countries.” Lee firmly stood by the “equal footing” principle, emphasizing that “we are more than welcome to have a dialogue, but it is impossible for the people of Taiwan to accept that their government proceed with any negotiations with Beijing on an unequal basis.”<sup>92</sup> Under American pressure, the Taipei government was not in a good position to refuse political talks with Beijing. However, what Lee’s administration could do in this difficult negotiation framework was to explain that Taiwan had the same legal status as Beijing and that Taiwan was not a part of China before Lee’s think tank reached a new policy.

On 14 October 1998, Koo led a delegation to visit Shanghai and Beijing for six days. The resumption of the SEF-ARATS talk caught the attention of the international community because the talks had been suspended by Beijing since 1995. On the day prior to Koo’s departure, the chair of the Taiwanese MAC clarified Taiwan’s fundamental stance about the forthcoming meeting, saying that “this would be an opportunity for the mainland leaders to further understand the Taiwanese people’s viewpoint and the ROC government’s fundamental position; that is, respect the reality that the two sides are “equal entities” with separate jurisdictions ...”<sup>93</sup> He reminded the Chinese authorities of Taipei’s “equal footing” principle by stressing that “only when the reality that the two sides belong to two separate jurisdictions is respected could cross-strait relations achieve a breakthrough and develop in a feasible way.”<sup>94</sup>

The SEF chair Koo stuck to the principle of parity on many occasions such as the meetings with the Chinese President and the chair of ARATS. Koo argued that “Chinese leaders should face the fact that the ROC government existed: a strict adherence to the principle of parity and opposition to the Chinese idea that Taiwan was part of China.”<sup>95</sup>

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<sup>92</sup> Lee Teng-hui, “President Lee’s article in the Asia Wall Street Journal,” *The RMMA*, 1999, p24.

<sup>93</sup> Change King-yuh, “Dr. Change King-yuh’s Report to the National Unification Council,” 13<sup>th</sup> October 1998, *MAC News Briefing*, Vol. 2, 1999, p202.

<sup>94</sup> *Ibid.*

When the meeting ended, the MAC immediately released a briefing to tell the international community about Taipei's "equal footing" stance. The MAC reiterated Taipei's hope that "the mainland side will take concrete actions demonstrating its intention to face the reality that the two sides belong to separate jurisdictions, and respect this reality ..."<sup>96</sup> The Taiwanese government was worried that Beijing's political strategy gradually conveyed a misconception to the international community: that there was no need for Taiwan to return to international organizations, as outlined in Clinton's "three noes" statement. The "equal footing" principle towards both China and the international community was fading away and this process resulted in Lee's "two-state" theory.

**2.3 Adherence to the principle of parity for the talks with Beijing:** Both China and the U.S. increased the pressure on Taipei for political talks after the chair of ARATS agreed to visit Taiwan in October 1998. In particular, the chair of ARATS would come to Taiwan, for the first time, to carry on the SEF-ARATS talks some time in autumn 1999. The whole situation, including political negotiations under China's "one China" principle, was contradicting Taipei's "equal footing" principle.

The Lee administration tried again to convince the Chinese leadership of the "two political entities" policy and recalled that Taipei might amend its current policy if Beijing continued to rush towards political negotiations on the premise that Taiwan was a province of China.<sup>97</sup> At the end of December, the Taiwan's Minister of Foreign Affairs warned that the country might have to find a way out of the "one China" framework if Beijing continued to treat Taiwan as a part of China.<sup>98</sup> In addition, the MAC vice chair also made a similar remark at the time, saying that if Chinese leaders kept the policy unchanged, Taipei would be more likely to choose a new policy.<sup>99</sup> Apparently, the Taipei government was very disappointed by the failure of the "equal footing" principle and felt it was stuck in a dilemma.

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<sup>95</sup> Fen Chi, "A Relation-Thawing Journey: The Significance of the SEF Delegation's Trip to Mainland China," *Exchange: A Bimonthly on Cross Taiwan Strait Relations*, Vol. 42, October 1998, p9.

<sup>96</sup> MAC, "Mainland Affairs Council News Release," *MAC News Briefing*, Vol. 2, 1999, p216.

<sup>97</sup> Chang King-yuh, "MAC Chairman Dr. Chang King-yuh at the December 31, 1998 press conference," *MAC News Briefing*, Vol. 3, 2000, p3.

<sup>98</sup> *Ibid.*

<sup>99</sup> *Ibid.*, p4.

In the first half of 1999, the pressure of political negotiations under Beijing's "one China" principle continued to be promoted by both China and the U.S. The former U.S. Secretary of Defence visited Lee to conduct American "second-track diplomacy" in March 1999. The U.S. Assistant Secretary of State on East Asian and Pacific Affairs, the chair and managing director of the AIT, and director of the AIT suggested that the two sides could negotiate interim agreements.<sup>100</sup> In addition, Chinese leaders also put pressure on Taipei through the more-than-once delayed trip by the chair of ARATS, from spring 1999 to fall 1999. By the end of June, Beijing still refused to give a precise date for Wang's visit to Taiwan.<sup>101</sup>

Lee believed that the reason China postponed Wang's visit to Taiwan was that Chinese leaders were engaged in a strategy of manipulation.<sup>102</sup> First, following with international focus on the celebration of China's golden national anniversary (1<sup>st</sup> October), the Beijing government would use the forthcoming meeting with Taipei, scheduled some time in the fall, to convince the international community of Beijing's unification proposal in the case of Taiwan. Second, Lee stressed that, according to his intelligence, the Chinese authorities would attempt to force political talks on the Taipei government under the "one country, two systems" proposal when China's delegation finally came to Taiwan.<sup>103</sup>

The general situation, as interpreted by President Lee, was harmful to Taipei's long-standing principle of parity. Lee argued that Taipei had already treated both China and Taiwan as two different political entities since 1991, but this seemed insufficient to protect Taiwan's status and therefore the Taipei government needed a new idea.<sup>104</sup> Chou wrote about how President Lee defended Taipei's parity principle and reasoned that "in order to conduct the cross-strait dialogue on the equal basis and to avoid

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<sup>100</sup> Stanley O. Roth, the State Department text of Roth's Remarks on "the Taiwan Relations Act at Twenty - and Beyond," Presentation to the Woodrow Wilson Centre and the American Institute in Taiwan, 24<sup>th</sup> March 1999. Darryl Norman Johnson, director of the AIT, Official archives of AIT, 13<sup>th</sup> April 1999. Richard Bush, chairman and managing director of the AIT, Official archives of AIT, 26<sup>th</sup> June 1999.

<sup>101</sup> MAC, "Mainland Affairs Council News Release at the June 29, 1999 press conference", *MAC News Briefing*, Vol. 3, 2000, p111.

<sup>102</sup> Chou Jing-wen, 2001, p237.

<sup>103</sup> Lee Teng-hui & Mineo Nakajima, 2000, p256.

<sup>104</sup> *Idid*.

falling into the situation in which China is the central government and Taiwan is the local, he must show his moral bravery and tell the truth.”<sup>105</sup>

Facing the approaching meeting with China’s delegation, Lee firmly stood by Taipei’s long-standing principle of parity and decided to adopt his think tank’s policy suggestion. On 9 July 1999, Lee adjusted the “two political entities” policy in the interview with Deutsche Welle radio. No doubt, Lee’s statement displeased Chinese leaders and the Chinese authorities asked Taipei to withdraw the statement. However, the chair of the SEF and the chair and vice chair of the MAC firmly spelt out Taipei’s stance.

At the press conference held on 12 July, Su Chi, the chair of the MAC, explained that Lee’s statement implied considering cross-strait relations on the basis of political and legal equality for the forthcoming Koo-Wang meeting and for future interactions with China.<sup>106</sup> Su stressed that “we can discuss many issues [with China] as soon as we are on an equal footing,” and complained about Beijing’s unequal policy towards Taiwan: “Mainland China has set a precondition for the high-level political negotiations that “you are part of my area,” “you are my local government” and “you should take with my [stance] in such a capacity.””<sup>107</sup> Chair Su told the media that Taipei’s fundamental stance about political negotiation with Beijing was that “we are willing to, and do not fear to, enter into negotiations, but we are not willing to talk in an unequal position. Once equal, we are willing to talk about anything.”<sup>108</sup>

At the weekly meeting of the KMT’s CSC on 14 July, Su took a similar stance and told the members of the Committee that “equality is the cornerstone for interaction between the two sides ... as soon as the state-to-state relationship between the two sides is established, we are ready to adopt an open attitude, and discuss any subject with the Chinese mainland.”<sup>109</sup> Su’s reply in the press conference and report to

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<sup>105</sup> Chou Jing-wen, 2001, p237.

<sup>106</sup> Su Chi, “MAC Chairman Chi Su at July 12 1999 Press Conference,” in edited by the MAC, *Taipei Speaks Up: Special State-to-State Relationship, Republic of China’s Policy Documents*, Taipei: the MAC, 1999, p12.

<sup>107</sup> *Ibid.*, p15.

<sup>108</sup> *Ibid.*

<sup>109</sup> Su Chi, “Report Delivered by MAC Chairman Chi Su to the Weekly KMT’s Central Standard Committee Meeting,” the MAC, 1999 (2), p24.

KMT's CSC specifically demonstrated Taipei's reluctance to conduct political dialogue with Beijing when China was not treating Taiwan as an equal.

Premier Siew of Taiwan also defended Taipei's bottom-line principle of parity. Siew pointed out that "on the basis of parity, the talks between Koo and Wan, scheduled for this fall [1999], will be an opportunity for in-depth dialogue, covering all possible issues, including highly political ones."<sup>110</sup> On 30 July, the chair of the SEF stressed that "President Lee's remarks emphasize the fact that the two sides of the Strait are ruled separately on an equal and separate basis," and also "lays a foundation of parity between the two sides for elevating the level of dialogue ..."<sup>111</sup> The Chinese authorities were angered by Koo's explanation because it seemed as if Lee's administration already called the tune with regard to the new policy. Thus, ARATS returned the SEF chair's letter of explanation through a "fax machine."

On the same day, both the chair and the vice chair of the MAC each held a press conference. Vice chair Sheu Ke-sheng took issue with Beijing's "one China" principle, under which Beijing was the central government and Taipei was the local government.<sup>112</sup> Furthermore, Sheu justified Lee's "two-state" theory, saying that "what we did was simply to clarify the obscure positioning in order to prepare for the upcoming dialogues and negotiations in the future."<sup>113</sup> Chair Shu also explained "our position is clear and simple. We must have a pragmatic and clearly defined status in order to prepare for the new era of political negotiations."<sup>114</sup> He continued that "if they [China] are a nation, then we [Taiwan] are a nation; if they are a political entity, then we are a political entity."<sup>115</sup>

According to Beijing's "one China" principle, Taiwan was merely a renegade province. Under this negotiation framework (on an unequal basis), Chinese leaders would benefit most from political negotiations. However, Taiwan's sovereignty would

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<sup>110</sup> Vincent C. Siew, "Premier Vincent C. Siew Statement at the 2637<sup>th</sup> Council Meeting of the Executive Yuan," July 12 1999, the MAC, 1999 (2), p26.

<sup>111</sup> Koo Chen-fu, "Chairman Koo's Statement," *Exchange: A Bimonthly on Cross Taiwan Strait Relations*, Vol. 46, August 1999, pp11-12.

<sup>112</sup> Sheu Ke-sheng, "MAC Vice Chairman at the July 30, 1999 Press Conference," *MAC News Briefing*, Vol. 3, 2000, p122.

<sup>113</sup> Sheu Ke-sheng, *MAC News Briefing*, Vol.3, 2000, p122.

<sup>114</sup> Su Chi, "MAC Chairman Chi Su at July 30, 1999 Press Conference," the MAC, 1999 (2), p39.

<sup>115</sup> *Ibid.*, p41.

become a prime target. Lee published an article in *Foreign Affairs*, arguing that “should the ROC government conduct negotiations with the Chinese communists while claiming that we are only a vague “political entity,” we would place ourselves in an unequal position that fails to accord with reality.”<sup>116</sup> More clearly, he continued to show his grounds for the “two-state” theory, saying that “to engage in meaningful dialogue with the other side and protect the dignity of our country and the interests of its people, the ROC government must reach out to the other side on the basis of reality ... There is no reason for the cross-strait dialogue to be any different.”<sup>117</sup>

### **Conclusion:**

The Chinese authorities believed that diplomatic isolation and military threats would help to integrate Taiwan into China. By contrast, the more diplomatic pressure and military intimidation Taiwan felt, the further Lee’s administration had moved away from its “one China” policy.

When we take Lee’s decision for enhancing Taiwan’s legal status in 1998 into account, a more complete picture of the reasons for Lee’s “two-state” theory emerges. Lee’s perception of China’s push for unification negotiations and the Clinton administration’s denial of Taiwanese statehood provided two reasons for his decision to adopt a new policy in May 1998. These reasons are completely different from Sheng’s explanations for Lee’s “two-state” theory. Logically, as long as both China and the US continued to push Taiwan for political talks, Lee’s worry about the legal status of Taiwan could not subside and a new policy would have to be adopted at any time. As analyzed above, this is exactly what happened prior to Lee’s policy change towards a “two-state” theory on 9 July 1999. Therefore, the most likely reason for Lee to launch the “two-state” theory in July 1999 is to defend Taipei’s long-standing bottom-line principle of parity. While the previous “two political entities” policy failed and left Taipei stranded with Beijing’s “one China” principle, Lee adopted the “two-state” theory to set a negotiating framework that favoured Taipei in the forthcoming political talks with China, scheduled some time in autumn 1999.

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<sup>116</sup> Lee Teng-hui, “Understanding Taiwan: Bridging the Perception Gap,” *Foreign Affairs*, Vol. 78, No. 6, November/December, 1999, p12.

<sup>117</sup> *Ibid.*, pp11-12.

What are the lessons from the “two-state” theory then? First, both Beijing and Washington have a common interest to allow Taiwan to participate in international affairs, such as granting it membership of the World Health Organization. Otherwise, Taiwan’s diplomatic isolation may encourage the Taiwanese government to move even further towards Taiwan’s *de jure* independence. Without proper channels of dialogue, the two sides of the Strait cannot possibly reach a political agreement on the issue of Taiwan’s participation in international affairs.

Second, since the 1995/96 military exercises against Taiwan, the percentage of Taiwanese residents in favour of independence has increased to 62% (as was measured in 2006).<sup>118</sup> China’s insistence on the “one China” principle does not help Beijing’s goal of unification, but rather raises the rate of support for Taiwan’s complete independence. Hence, the sooner Chinese leaders remove the precondition of the “one China” principle and conduct dialogues with the Taipei government, the better the outcome will be for all sides. After all, Beijing’s “one China” principle only increases Taiwan’s resistance to political integration with China, which is not in the interest of China’s economy and security or the stability of the Taiwan Strait, the wider region and even the whole international community.

Third, it is hard to imagine that there is no direct high-level dialogue channel between Taipei and Washington just because of Beijing’s opposition. In the case of the “two-state” theory, Taipei suspected that “interim agreements” were supported by top-level officials from the Clinton administration (which was one of the reasons for Lee’s amendment to Taiwan’s own “one China” policy in 1998). However, Clinton visited Taiwan in 2005 and met the President of Taiwan, Chen Shui-bian. President Chen asked Clinton what Washington’s stance on “interim agreements” between Taiwan and China entailed. Surprisingly, Clinton said that “it is not in the interests of Taiwan because China is absolutely not reliable; the 30-to-50-year peace agreement, no one is able to guarantee it.” Chen continued that “thus, he suggested to me to let Taiwan be Taiwan and not to accept an agreement that may prove to be harmful to Taiwan.”<sup>119</sup>

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<sup>118</sup> A survey conducted by Japan, Hong Kong, and Taiwan. The Election Study Centre at National Chengchi University (ESC), “A Comparative Survey of the Culture and National Identity among Taiwan, Hong Kong, Macao, and Oknawa,” Taipei: ESC, 2006.

<sup>119</sup> Chen Shui-bian publicly stated this in the Taiwanese media in 2006, recorded in a live radio programme, *Jhongyang Guangbo Diantai* (Radio Taiwan International), on 3<sup>rd</sup> April 2006.

Apparently, there was an incredible misunderstanding between the Lee and Clinton administrations before Taipei launched the “two-state” theory which resulted in another cross-strait crisis in 1999. To avoid a similar crisis, it is in the Washington's own interest to establish a hotline with the Taiwanese government and even to normalize the “official contacts” with Taiwan, which is also clearly consistent with Beijing’s interests.