the demands by the people in Taiwan on their government to assert their interests of cross-strait relations. As democratic transition progresses in Taiwan and elsewhere, significant shifts in the direction and depth of interaction are on the horizon - the gap in understanding between Taiwan and the PRC, and the delicate nature of their relationship.

Cross-Strait Relations: Lessons from Recent History

The history of cross-strait relations provides a series of lessons that can help guide the current dialogue and future interactions. This study aims to provide a comprehensive understanding of the complex dynamics between the two sides, drawing on historical events and contemporary developments. The focus is on the evolving nature of cross-strait relations and the implications for the future.

The study examines the role of institutions, particularly those that mediate cross-strait interactions. It highlights the importance of understanding the motivations and strategies of both sides in shaping the relationship.

The narrative is divided into several sections, each exploring different aspects of cross-strait relations. These sections include:

1. Historical Background
2. Current Dynamics
3. Future Prospects

The report concludes with recommendations for future actions that can help foster a more stable and cooperative relationship between the two sides.
sovereignty and break the diplomatic isolation grew. On the mainland, sustained economic performance has bred a new sense of national pride among the populace and a desire to join the ranks of dynamic, mostly Sinic, Asian economies. This new assertive nationalism has helped reinvigorate the Chinese Communist Party's (CCP) old negative defensive nationalism based on China's humiliating experiences with Western imperialism. Nationalism, in conjunction with economic performance, has replaced the embattled Communist ideology as an important pillar of the CCP's continued rule and political monopoly.

These two strands of nationalism fundamentally affect Taiwan. On one hand, Taiwan represents the last and most prized 'lost territory' for the PRC—crucial to the CCP's irredentism. On the other hand, growing economic power and global stature have bolstered Beijing's confidence in its ability to absorb Taiwan on its own terms. Meanwhile, Taiwan's flowering democracy has instilled among its voters a distinct identity and a desire to be their own political masters. Although scholars are still wrestling with the connotations of this new identity, opinion polls in Taiwan reveal a steady rise of the percentage of respondents that identify themselves as 'Taiwanese.' These polls also show that the overwhelming majority of Taiwanese voters prefer to put off their decision on the future of the relationship between the mainland and Taiwan, they nonetheless want to make this decision by themselves.

In a fundamental sense, China's rising nationalism and Taiwan's democratisation have tended to drive the two sides further apart. This is a tendency that Beijing finds unacceptable and vows to stop with force, if necessary. This growing political divergence has raised the stakes for all concerned parties. There is a pattern: the more Beijing affronted and intimidated Taiwan, the more frustrated Taiwan's voters became, and they in turn exerted pressure on their leadership to clarify Taiwan's state sovereignty and protect their collective rights. Yet, the more Taiwan's leaders came up with innovative approaches to reiterate Taiwan's sovereignty, the more impatient Beijing became. Potential collision across the Straits thereby compelled Taiwan's leaders to retreat from existing definitions of cross-strait relations and undertake some conciliatory measures. As Taiwan's sovereignty eroded, popular frustration mounted, and leaders were compelled to redefine Taiwan's ties with the mainland again. The cycle continued, and the cross-strait relationship diverged more often than it converged.

Three important cases confirm this pattern. The first, which former President Lee promoted, is the so-called 'pragmatic diplomacy': Taiwan's attempt to break out of its diplomatic isolation. Under this policy, Taipei ardently pursued informal but substantive relations with many countries in the Asia-Pacific region and Europe. The second is Taipei's use of economic statecraft, especially foreign aid, to consolidate or broaden its ties with allies and other countries. The third is Taipei's annual bid, since 1993, to enter the United Nations. The PRC has equated Taiwan's quest for greater international breathing space with the pursuit of independence. Thus a vicious cycle is created, leading to deteriorating cross-strait relations: the PRC's diplomatic stranglehold has led to Taiwan's efforts to break out, which in turn has led to the PRC's sabre-rattling, as shown by the 1995-96 Taiwan Strait missile crisis.

However, the PRC's military intimidation was not the only thing that alienated Taiwan voters. Taiwan's continued diplomatic setbacks caused these same voters to demand that their leaders improve Taiwan's international stature. These developments prompted Taiwan's leaders to find new ways to articulate Taiwan's sovereignty and interests. Before any significant breakthrough was achieved, Taipei found the door leading to a greater international presence abruptly slammed shut. President Bill Clinton, during his visit to China in 1998, became the first US president to publicly state, on Chinese soil, the 'Three Nos' policy: no US support for Taiwan independence; no support for 'two Chinas' or 'one China, one Taiwan'; and no Taiwanese membership in international organisations where statehood is required.

Shocked and slighted by Clinton's about-face, and anxious to shore up Taiwan's bargaining position, President Lee Teng-hui declared in a radio interview in July 1999 that henceforth relations between Taiwan and the mainland would be considered 'special state-to-state' relations, surprising both Beijing and Washington. This, in turn, led to another round of vitriolic attacks and military threats from China.

Another instance of the conflict between Taiwan's democratisation and China's rising nationalism arose from Lee's 1995 US visit. Cross-strait relations plummeted afterward. Blaming this event for cross-strait tensions would be misleading and to mistake syndrome for cause. Being excluded from nearly every international organisation and suffering from the withdrawal of diplomatic recognition by almost every major country, Taiwan's leaders were impelled to pursue pragmatic diplomacy and do their utmost to be present at any possible international venue. Some other event would have prodded the PRC to draw the line, retaliate against breakthroughs in pragmatic diplomacy and attempt to influence the democratic elections in Taiwan, which the PRC feared were moving perilously close to proclaiming Taiwan's de jure independence.

Efforts, such as Lee's, to clarify Taiwan's sovereignty enjoyed popular support in Taiwan but were perceived as provocative by Beijing. The view held by some that it was Lee's 'conspiracy' or 'grand scheme' that caused cross-strait tensions and Sino-US strains is oversimplified. Lee faced more severe domestic constraints than most other leaders. His remarks on cross-strait relations were not always consistent, reflecting the political necessity for him to compromise in the early stage of Taiwan's democratisation. Unfortunately, Taiwan's policy inconsistencies, not unusual in most democracies, led Beijing and even Washington to impute ulterior motives.

It now appears that the cross-strait relationship has settled into a structural stalemate. The PRC can neither convince Taiwan to accept Beijing's 'one country, two systems' proposal, nor easily absorb Taiwan militarily; in other words, as it currently stands, Beijing is unlikely to achieve unification either diplomatically or militarily. In terms of peaceful unification, the 'one country, two systems' proposal has been a non-starter. Under this arrangement, Taiwan can have autonomy,
Beijing sees fit, but not statehood, a condition that many Taiwanese consider worse than the present situation. Consequently, Taiwan has watched the post-1997 political changes in Hong Kong with great concern.

Under the 'one country, two systems' formula, Beijing permits Hong Kong's pre-existing socio-economic system to remain unchanged for fifty years. Essentially an interim and transitional arrangement and not without internal contradictions, the 'one country, two systems' formula seeks as much to preserve the mainland's socialist system as Hong Kong's capitalist system. The long-term stability of this scheme, however, lacks political credibility. The final arbitration of the Basic Law - the mini-constitution for Hong Kong - lies in the hands of the National People's Congress in Beijing, traditionally considered to be the Communist Party's rubber stamp, rather than a strong defender or the rule of law. The chief executive of the Hong Kong Special Administrative Region, the most important leader to safeguard Hong Kong's autonomy, is selected mainly by small pro-Beijing business circles, ensuring that he will be receptive to the central government in Beijing. Dependent on the mainland for its economic well-being - and water supply - and unable to participate in Sino-British negotiations over the issue of reversion, Hong Kong as a colony had no choice but to accept the 'one country, two systems' formula. Unlike most colonies during the post-World War II decolonisation movement, Hong Kong's six and one-half million residents never had a choice to decide their own political future.

Resolved to avoid the same fate, Taiwan maintains that, unlike Hong Kong, it is not a colony. With a formidable defence capability and a fully-developed central government, Taiwan has no incentive to downsize itself from an effectively independent polity to a local or regional government of the PRC. Moreover, as a democracy, the government in Taiwan is obligated to allow its twenty-three million people to have a say in their own political future. Poll after poll shows that Beijing's 'one country, two systems' offer has attracted scant support in Taiwan, despite almost two decades of promotion (and insistence) by the PRC.

Its peace overtures repeatedly rebuffed by Taiwan, the PRC reiterates that it may resort to force to bring Taiwan under Beijing's sovereignty, regardless of the Taiwan people's wishes. Beijing has attached great importance to modernising the People's Liberation Army (PLA) to increase its military capacity to accomplish this goal, most evidently in the PLA's massive build-up of missiles near China's southeastern coast. However, this approach is not necessarily more promising or without cost, as it must reckon with probable American intervention. The US has continuously insisted upon a peaceful settlement of cross-strait differences and, to President Bill Clinton's credit, with the assent of the people of Taiwan. The Clinton Administration's dispatch of two aircraft carrier battle groups to the waters off Taiwan in 1996 amid China's war games underscored this abiding American interest.

Nevertheless, that military showdown also caused the Clinton Administration to become more cautious and conciliatory toward the PRC. To avert another crisis in the Taiwan Strait in the spirit of preventive diplomacy, it decided to regularise summit meetings with China. However, in his eagerness to build a 'strategic partnership' with China - a shift that caused concerns for Tokyo, New Delhi, and many in the US - Clinton, while in China, announced the 'Three Nos' policy. His remarks reduced the diplomatic 'wiggle room' established by the Nixon administration's 1972 Shanghai Communiqué and moved the previously uncommitted US position regarding Taiwan's status closer toward Beijings. However, the US still appears determined that it will not permit anything but peaceful means in solving the cross-strait dispute.

For its part, the ROC has been unable to either convince the PRC to accept its 'one nation, two states' formula, or to elevate its legal status in international arenas. For nearly a decade, Lee sought to regulate Taiwan's economic exchanges with the mainland, in order to persuade Beijing to renounce the use of force against Taiwan, to treat the PRC and Taiwan regimes as two equal political entities and to not interfere with the ROC's development of foreign relations. However, economic leverage has proved unsuccessful.

Over time, while the democratic regime in Taiwan has gradually lost control of the capital outflow to the PRC, a Taiwanese identity has also evolved and, as discussed above, a basic consensus on how to resolve the cross-strait problem is taking shape - the status quo is preferable to change, unless the change is for the better. Given the structural stalemate in cross-strait relationship, what might a final or interim settlement look like?

COMPARING THE ROC-PRC DIAPO: LESSONS FROM DIVIDED NATIONS

In speculating on the future of the cross-strait relationship, it is instructive to compare the experiences of the three most prominent divided nations after World War II: West Germany (FRG and East Germany (GDR); South Korea (ROK) and North Korea (DPRK); and mainland China (PRC) and Taiwan (ROC). The German case was reunited in 1990, but the Korean and Chinese pairs remain divided. What caused these different outcomes?

These three pairs all avoided their commitment to reunification. However, they adopted different approaches and policies. Table I compares the evolution of four sets of relations - political, economic, security, and socio/humanitarian - between each pair since World War II. The table compares three points in time: 1954, the Cold War era; 1974, the beginning of détente; and 2000, the post-Cold War era, or in the German case, the conditions on the eve of unification in late 1990.

A full comparative analysis is beyond the scope of this paper. A brief comparison yields four important lessons that are pertinent to our discussions on China-Taiwan. First, as the Cold War waned, the forces conducive to integration grew, intersections in the economic, social and humanitarian realms were generally considered conducive to reconciliation and integration. Competition in the political and security realms had the opposite effect. The German pair had had at a much faster pace. In fact, on the eve of German reunification in 1990, thirteen of the sixteen relationships being examined had already turned integrative. The Korean and Chinese pairs advanced more slowly, which partially explains their continued division. Although integrative forces have grown
between the two Koreas and the two Chinas in recent years, if the German experience is any guide, unification is likely to be a remote and arduous prospect unless there is a fundamental change in attitudes and policies on either side.

The second comparative lesson is that path-breaking policies, pushed by leaders willing to take risks and premised on existing realities and compromises, rather than unassailable principled stances, unleashed integrative forces. In the German case, the Helldorad Doctrines of the 1950s – the FRG's One Germany policy – succeeded in diplomatically isolating the GDR. However, it failed to advance relations with the GDR. Bilateral relations did not fundamentally improve and tensions did not reduce until former FRG Chancellor Willy Brandt courageously promoted Ostpolitik, which earned him a Nobel Peace Prize. This policy 'acknowledged the existence of two German states.' While it did not offer de jure diplomatic relations, it established a workable modus vivendi between two parts of the German nation.12

Tensions have remained high on the Korean peninsula, where the 1950-53 war technically ended with only an armistice. ROK President Kim Dae Jung pursued a 'Sunshine Policy' toward the DPRK, which led to the historic summit meeting in June 2000 between North and South. The summit also earned Kim a Nobel Peace Prize. After the summit, intra-Korean reconciliation accelerated. Kim asserted that the two leaders 'concluded that for now the two Koreas should focus on realizing peaceful coexistence and exchanges in preparation for a future (Jose) (cros-) federation of two people, two systems, and two governments.'13

In the Chinese case, the relationship has remained fundamentally deadlocked. In the early years, this was because both the ROC and the PRC maintained their respective 'one China' policies. Although the ROC had abandoned its position in 1981 by acknowledging Beijing's rule of the mainland, the PRC has continued to refuse to acknowledge the existence of two Chinese states.14 It insists on a formula that treats Taiwan as being under PRC sovereignty. There is only one China. Taiwan is a part of China. Beijing is the only legal government of all China. Beijing's unchanging stance has not contributed to cross-strait reconciliation.

The third lesson from this comparative study of divided nations is that national unification and international representation have not proved mutually exclusive. The FRG and the GDR maintained parallel UN observer status until 1990, when they merged into a single German seat. The ROK and the DPRK have also maintained parallel seats in the UN since 1991. However, the politics of Chinese representation have turned cross-strait diplomacy into a zero-sum game. The ROC was expelled from the UN in 1971. Every Taiwan leader will be expected by his people to raise the ROC's international stature, as befits its democratic system and economic power. Holding the exclusive China seat and a Security Council veto, Beijing is able to thwart Taipei's annual quest to enter the UN.

The last lesson is that, as the German case illustrates, orderly unification results from hope, parity, consent and mutual gain, rather than from desperation, asymmetry, coercion or unilateral surrender. Even the South Koreans fear a premature unification as a result of North Korean implosion. There exists greater asymmetry between the two Chinese sides, in terms of size, population.
global stature and nuclear weapons. Because Beijing appears more fervent about unification, ironically China is only more likely to achieve its goal of peaceful unification by bestowing upon Taipei a proper modicum of parity and respect. Conversely, driving Taiwan toward desperation may in fact toughen its resolve for independence, rather than unification.

In sum, the experiences of divided nations show that both international and domestic forces have influenced the political dynamics of separation and integration. Flexibility and compromise have facilitated convergence, whereas intransigence and confrontation have led to collision. Demonstrating tangible future benefits has proved a more promising approach than appealing to contested historical claims and nationalism. Can Beijing and Taipei learn the lessons from these comparative divided dynamics?

CONCEIVING THE STATE OF THE CROSS-STRAIT RELATIONSHIP: NEITHER CONVERGENCE NOR COLLISION

The intractability of the cross-strait relationship is a result of the fundamental contradiction between two principles of democracy and nationalism. This contradiction could be solved if Taiwan seized a historical moment to sever its ties with the PRC (as in the case of Bangladesh with India, or the Baltic States with the Soviet Union), if China were able to gobble up Taiwan, or if Taiwan wanted to join the PRC. However, none of these three scenarios appears likely.

The best window of opportunity for Taiwan to sever its ties with China was probably at the turn of the 1990s, immediately after the Tiananmen massacre in Beijing and the widespread democratic revolution in East Europe. However, it was not until 2000 that the Democratic Progressive Party (DPP) – the party committed to the establishment of an independent Republic of Taiwan – dislodged the Kuomintang (KMT) – a party committed to the principle of one future China – from power. Taiwan’s complete separation from China would require the assistance of the West as well as the solidarity of the island, neither of which can be taken for granted. Most residents of Taiwan identify themselves as middle class, and hence probably would not easily risk their prosperity for de jure independence. Yet Beijing’s propaganda may have dramatically increased the salience and fervency of the Taiwan issue to the people on the mainland. Size asymmetry is also so acute that even countries sympathetic to Taiwan may well hesitate to extend it help. The US is the only exception, but even it is wary of being entrapped. It has warned against any ‘unilateral change of the status quo’ by either side – a reference to a declaration of de jure independence in Taiwan’s case.

Prudence and pragmatism seem to be prevailing. The DPP is no longer entertaining the idea of creating a Republic of Taiwan; to the DPP, the ROC as a sovereign state is perfectly acceptable and some sort of association with the PRC is also conceivable. For example, President Chen in his inaugural speech in May 2000 declared his ‘Five Nos’: Provided that the PRC had no intention to use military force against Taiwan, he pledged that he would not declare independence, change the national title, press for the inclusion of the ‘state-to-state’ policy in Taiwan’s Constitution, promote a referendum on the issue of independence or unification, and that there would be no question of abolishing the Guidelines for National Unification and the National Unification Council. In his New Year address last January, Chen urged the Chinese leaders to concur the use of force against Taiwan and allow the island to raise its international profile so that two sides can establish a ‘new framework for political integration’, from being an advocate of Taiwan independence, to being a cautious wordsmith arguing that ‘independence is not the only choice’, to being a bold politician proposing an integrative political framework with the rival PRC. Chen’s pragmatic maturation reflects the prudent and pragmatic views prevailing in Taiwan.

What about the second ‘solution’, namely the PRC’s military conquest of Taiwan? The high cost of invasion, potential US intervention, and the outcry from world public opinion should continue to deter the PRC from attacking Taiwan. The PRC has agressively expanded and modernised its missile arsenals and can launch a missile attack to damage some localities and cause widespread panic in Taiwan. This action alone cannot subjugate Taiwan. To physically absorb Taiwan would require large-scale amphibious forces, control of sea-lanes and air superiority. While the PRC is modernising its military, including building a seagoing navy, Taiwan is also building its own military capability. Moreover, any military action against Taiwan is likely to frighten neighbouring countries and cause them to update their security arrangements to balance the PRC. One clear example is the strengthening of the US-Japan Security Treaty following the PRC’s war game in the Taiwan Straits in 1995-96. A military approach toward settling cross-strait differences is replete with dangers.

At a fundamental level, resolving the cross-strait stalemate requires consideration of ideational factors, an area long ignored by the conventional wisdom based on traditional realpolitik or military strategy. It is clear that Taiwan has developed a new identity distinct from China’s. This ‘imagined community’ – to use Benedict Anderson’s phrase – is formed on the basis of shared collective experiences, such as the island’s long separation from China, its authoritarian legacy, democratisation and the PRC’s threats and intimidation. Empirical evidence buttresses this observation. Similarly-worded polls conducted in Taiwan since 1995 consistently show that more people identify themselves as ‘Taiwanese’ or ‘both Taiwanese and Chinese’ than ‘Chinese’. The figures for the latest available poll were 42.5%, 38.5% and 13.6%, respectively. The Taiwanese people have also shown little desire for union with China. A 2000 poll showed that 90% of the respondents favoured a broadly defined status quo; only 5% and 4%, respectively, favoured either independence or unification soon. This new Taiwanese identity is important to a reconstruction of Chinese sovereignty, as a cohesive cultural identity is a necessary condition for successful political integration.

At the same time, more attention should be focused on the influence of China’s democratisation on cross-strait relations. A democratic China, which would provide political convergence between the two sides, may be the best hope for future unification. However, even if China should democratis, the people of Taiwan, with their distinct identity and cherished democratic rights, will still insist that their assent should be a precondition for any change of Taiwan’s political
destiny. All political leaders in Taiwan embrace this notion of popular sovereignty. To be sure, the people in Taiwan may or may not choose to become loosely associated with China, a wish that may not have the blessing of the Chinese people on the mainland. It is also true that democracy is not necessarily pacifist when it comes to defending territorial integrity. Moreover, as the title of a new book asks, what if China does not democratise, and, after it becomes rich and strong, decides to ‘solve’ the Taiwan issue by coercion?22

The complex picture of the cross-strait relationship can not be easily captured by either ‘convergence’ or ‘collision’ alone. As an analytic tool combining realist and liberal international relations theories, Figure 1 identifies three important causes for peace: nuclear deterrence, economic interdependence and democracy. The first scenario posits that if both parties are nuclear-capable, peace may result from the doctrine of mutual assured destruction, provided both sides possess credible second-strike capabilities. To be sure, this peace, an outcome of a balance of terror, is prudential rather than positive. Nuclear deterrence, however, does not apply to China-Taiwan. Between the two, only China possesses nuclear weapons (and their means of delivery), and Taiwan has been warned by China that ‘going nuclear’ will be grounds for invasion. Even conventional deterrence appears increasingly unlikely in the Taiwan Strait, as China possesses either a monopoly or a vast quantitative or qualitative advantage in an array of conventional weapons.

The second cause for peace is economic interdependence. Conventional wisdom states that economic interdependence makes war prohibitively costly. However, economic interdependence alone does not always prevent war. Contestants locked in a security dilemma may especially regard growing interdependence as damaging to their security. Britain and Germany were each other’s leading economic partners, but this did not prevent them from fighting each other in World War I. Similarly, Taiwan’s President Lee sought to reduce or slow down Taiwan’s economic dependence on the mainland in light of its security implications. When economic interdependence is coupled with other variables, such as democracy or international law or organisation, then peace is more assured.

The third scenario is the ‘democratic peace’ proposition, which states that democracies do not fight each other. This path also implies growing convergence between the economies and politics on both sides of the Taiwan Strait, and hence peace. Indeed in their new book, Bruce Russett and John Oneal argue that democracy, interdependence and international organisations make up the three pillars of peace—a notion inspired by the idea of a Kantian peace. They point out that if nation-states involved in a dispute are enmeshed in international organisations, then peaceful conflict resolution is more likely.23 However, Beijing has always insisted that the Taiwan question is its own ‘internal affair.’ It has successfully prevented regional security organisations from even discussing Taiwan, let alone including it. These facts would suggest that international organisations might play little role in peacefully resolving the China-Taiwan conflict.

Using the framework established above, we surmise that increasing trade and investment ties, especially following the eventual opening of direct shipping and aviation links and the expected WTO entry, may lead to growing convergence between China’s and Taiwan’s economies. However, China’s security threat against Taiwan, China’s rising nationalism and Taiwan’s democracy may push the two towards a collision. Given the acute size, regime and international participation asymmetries between the two sides, if the two are left to develop their separate ways, to maintain the status quo may become increasingly unfeasible. Perhaps out of a concern for preventing war, a few scholars such as Kenneth Lieberthal and
Harry Harding have advocated reaching an interim agreement, since a final solution appears out of reach for now. So far, these ideas have not been accepted by either Beijing or Taipei. If a US-brokered settlement is not viable, what kind of political relationship can exist between the mainland and Taiwan?

IMAGING THE IMPOSSIBLE: EXPANDING THE RANGE OF CHOICE

Other than de jure independence for Taiwan, political arrangements between China and Taiwan can still choose from a wide spectrum of existent or constructed possibilities. These options include, but are not limited to, a British-style commonwealth, a European Union-style confederation, a U.S.-style federation, a British-style devolution under a unitary state, and the PRC's 'one country, two systems' formula. Not all of these formulas are equally promising, and the final contours of cross-strait relations may well defy any of these 'ideal types'.

Beijing objects to a commonwealth, such as the British Commonwealth or the Commonwealth of Independent States, as it would imply a loose co-ordinating entity made up of sovereign states that were previously parts of China. Beijing views this as implying the finality of China's division and Taiwan's sovereign status. The only solace is loose political association with Taiwan based on an historical and cultural legacy.

A confederation is an association in which states delegate some power to a supranational central government but retain primary power. Although confederations can serve many useful functions for member states, their effectiveness is contingent upon the support of their members. In the Chinese case, confederation has been suggested as the most likely and desirable solution for the cross-strait relationship. Is it?

To answer this question, we will develop a simple game-theoretical model to examine the various scenarios of Taiwan's future status vis-a-vis China (See Figure 2). The distinctive contribution of this model is that it underscores the importance of China's democratization for Taiwan's future—a point few scholars have considered. In this model, the first key 'decision' is whether the first player, China, decides to democratize or not. The second key decision is Taiwan's whether to separate or unify with China, either peacefully or forcefully. Based on what we know, we further assume the following preference-ranking for the three players involved, where >' means 'preferable to':

For the PRC: union > status quo > separation; peaceful outcome > forceful outcome.
For the DPP: separation > status quo > union; peaceful outcome > forceful outcome.
For the KMT: status quo > separation > union; peaceful outcome > forceful outcome.

These strategic decisions result in six possible scenarios. We assign a payoff of 6 for the best outcome, 5 for the second best, down to 1 for the worst. In each bracket, the first payoff is PRC's, the second the DPP's, and the third the KMT's.

Scenario I (1, 6, 5) – 'amicable separation' – is for Taiwan to peacefully separate from China after China democratizes. This is the best outcome for the DPP but the worst for the PRC. Scenario II (5, 4, 6) – 'democratic confederation' – is for Taiwan and China to peacefully form some type of political union after China becomes democratic. This is the KMT's best outcome (according to its official rhetoric), second best for China, and third best for the DPP. Scenario V (6, 2, 3) – 'one country, two systems' plus – is for Taiwan to unify with China without China becoming democratic. This is the PRC's best outcome, but a poor one for the KMT and the DPP. The worst outcome for the KMT and the DPP is Scenario IV (4, 1, 1) – 'military conquest'. Scenarios III and VI – 'democratic conquest' and 'spiritual
separation” – are very unlikely. Although these three players’ payoff structures differ, the outcome with the highest sum of payoffs is the one most acceptable to most players. The following ranking order emerges:

Democratic confederation > amicable separation > one country, two systems > spiteful separation > ‘democratic’ conquest > military conquest

‘Democratic confederation’ emerges as the best outcome for all at the aggregate level (score = 16), ‘military conquest’ the worst (score = 6), with ‘one country, two systems’ falling in between (score = 11). Therefore, ‘democratic confederation’, a compromise outcome, is the best overall outcome of all six scenarios. Not surprisingly, pundits have interpreted Chen’s recent talk of political integration and China’s new one China that includes both the mainland and Taiwan as signals of both sides’ increasing interest in cooperation. However, for Chien, the best hope for Taiwan to unify with China is for China to democratise, acquisition of Taiwan through military conquest does not pay. Yet, by democratising, China also risks losing Taiwan amicably. This is China’s dilemma.

However, confederation has had few enduring success stories. As most political scientists know, confederation has not been an equilibrium solution, as it eventually falls into federation or commonwealth. In the Chinese case, the PRC’s lack of democratic and legal structures increases the probability that cooperation may become only a phased absorption of Taiwan. Other arrangements with less autonomy than confederation will probably not be attractive to Taiwan, as they all involve relationships between a central and a local government. Although a federation provides a constitutional division of power and functions between a central government and regional governments, practices have varied greatly and in most countries adopting federalism the central government seems to be steadily gaining power. In British style devolution, local governments may have some decision-making autonomy granted by the central government, but it can be revoked.

All these models have limits. Resolving the cross-strait dilemma requires an imaginative approach. Beijing has a penchant for historical references: its historical claims on Taiwan or Tibet or the South China Sea, the absence of a confederation of federation in Chinese history as an excuse for rejecting these proposals, and so on. However, history can also inhibit imagination and trivialising, and certainly can become a burden. As Thomas Jefferson eloquently stated in 1824: “The earth belongs to living (not the dead)… Nothing then is unchangeable but the inherent and unalienable rights of man.” A stable and viable long-term relationship between the two China should be based on the rights and aspirations of their current residents, not the death wishes of their aggrieved ancestors.

Many analysts may argue that the PRC will never, or can never, compromise on the issue of sovereignty – it is a non-negotiable principle. But this is a static and uncritical stance reflecting the PRC’s perhaps anachronistic worldview. It has proved more of a hindrance than a catalyst for resolving cross-strait differences. We think that a constructivist approach holds more promise than traditional realism.

Alexander Wendt argues that states can view each other as enemies, rivals or friends, characterising these roles as ‘cultures of anarchies,’ which are shared ideas that help shape states’ interests and capabilities. These cultures can evolve over time as ideas change. Accordingly, the nature of international politics is not fixed and the international system is not condemned to conflict and war. If this logic applies to cross-strait relations, then the impasse between Taiwan and China is not destined for an ultimate collision.

If anarchist is what states make of it, as Wendt points out, why can’t sovereignty be reconstructed? Stephen Krasner calls the concept of sovereignty an ‘organised hypocrisy.’ Distinguishing among four different meanings of sovereignty – domestic, interdependence, international legal and Westphalian – he argues that states have never been as sovereign as some have supposed. Very few states truly possess all the attributes usually considered associated with sovereignty, such as territory, recognition, autonomy and control. In the twentieth century, sovereignty had eroded as a result of both trans-border movements like globalisation and internal developments spurred on by the practice of self-determination. Would it be rather like trying to shoot at a moving target if the PRC were to insist upon a unification formula based on exercising this imagined sovereignty over Taiwan?

As the twenty-first century dawns, the people on either side of the Taiwan Strait are urged to reconstruct their concept of sovereignty so that they can benefit both from their evident mutual economic gains and from a constructive mutual respect accorded to each side’s way of life and its external expression.

Invoking contemporary international law, Jonathan Charnley and J.V. Prescott urge new perspectives on a solution to cross-strait relations acceptable to all interested parties. International legal rights should reflect current realities and avoid anachronistic situations... with the passage of time the actualities of Taiwan's independence (from the PRC for over 50 years) should have legal effects. Further, they assert that Taiwan satisfies all the generally accepted criteria for statehood, and that today even a non-state entity may hold territory... and the population of a territory may have rights of self-determination that deny the sovereign state the unqualified authority to control that territory and its population. The international community has been less unilateral than on internal self-determination – for example, Morton Halperin, David J. Schieffer, with Patrice Small, editors, *Self Determination in the New World Order*, Washington DC, Carnegie Endowment for International Peace, 1992. But Charnley and Prescott argue that Taiwan has never been subjected to the actual governance of the PRC; Taiwan is, and for decades has been, de facto, an independent of China. Taiwan does not need to change the status quo to realise self-governance. Hence, if the current international status of Taiwan, the right of Taiwanese self-determination, and Taiwan's right of self-defence would... make a PRC-initiated attack based merely upon a Taiwanese declaration of independence a violation of international law "inconsistent with the purposes of the United Nations" (Armstrong, C.L. Charnley and J.V. Prescott, "Revising Cross-Strait Relations Between China and Taiwan," *American Journal of International Law*, vol. 84, July 2000, pp. 460-9, 471, 477.

See the two charts retrieved from the website of Taiwan's Mainland Affairs Council: "How People in Taiwan Identify Themselves, as Taiwanese, Chinese, or Both," [http://www.mac.gov.tw/english/tpt/0806018996e_m.gif], and "Unification or Independence?" [http://www.mac.gov.tw/english/tpt/08060185600e_1.gif].

Drawing on newly declassified diplomatic records, James Mann shows that Henry Kissinger, President Nixon's National Security Adviser, during his first meeting in 1971 with Chinese premier Zhou Enlai, pledged what can be considered the origin of Chinas 'Three Nos': no two China; no one China; no independent Taiwan – a formula prepared by John Holdridge and followed by Nixon, Mann, 2006, pp. 33, 46, 839.


Current 29 states, mostly in Latin America, Africa, and Oceania, but also including such European states as Macedonia, recognise Taiwan.

In a speech at the Johns Hopkins School of Advanced International Studies intended to sell PNTR for China, President Clinton enunciated, for the first time, that the issues between Beijing and Taiwan must be resolved peacefully... with the consent of the people of Taiwan. Jay Hancock, "Clinton Talks Up Trade Ties to China," *The Baltimore Sun*, 9 March 2000, p. 1A.

The US position in the Shanghai Communique was summed up by the famous diplomatic move...
Taiwan has historically been a part of China. The Chinese Communist Party (CCP) won the victory of the new-democratic revolution and established the People's Republic of China in 1949. After its defeat at the hands of the Kuomintang (KMT) ruling cliques, the KMT occupied Taiwan in an attempt to confront the central government's support of foreign countries. It was only then that the so-called 'issue' came into being. However, this does not alter the fact that Taiwan is an integral part of the integrity of Chinese territory and sovereignty. The Republic of China believes that the present divided status will not continue, and that the final reunification of the motherland, which is the wish of the people on both sides of the Taiwan Strait, will be realized.

All the relevant facts and laws regarding the ownership of Taiwan have been recorded and announced. The earliest recorded history of Taiwan, which was established in 1684 by the government of the Qing Dynasty, states that the island was under the jurisdiction of the Fujian Province. In 1895, Taiwan was officially proclaimed the twelfth province of occupation by the Japanese, and in 1945, the Soviet Union declared war against China. In December 1941, the Chinese government declared war on Japan and nullified all the treaties, agreements, and contracts referring to Taiwan, which was never regained by China. Both the Cairo Declaration and the Potsdam Declaration of 1945, signed by the governments of the United States, the Soviet Union, and China, stipulated that Japan should return all territories occupied from China, including Taiwan. On 25 October 1945, the Chinese government retrieved Taiwan and the Penghu Islands and resumed control over these territories.

After World War II, China retained de jure control over Taiwan, T