

**Richard C. Bush**  
**Senior Fellow, The Brookings Institution**  
**Testimony before the U.S.-China Economic and Security Review Commission**

**“China-Taiwan: Recent Economic, Political, and Military Developments Across the Strait, and Implications for the United States”**  
**March 19, 2010**

Clarifying the trajectory of China-Taiwan relations is one of the more pressing analytical challenges facing the two parties concerned and the United States. The hope is that the outcome can be beneficial for all parties concerned, and certainly for the people of Taiwan. The worry is that trends will work against one or more of the parties and create a suboptimal situation.

*The Recent Past*

To clarify the present and the future, it is important to understand the trajectory of cross-Strait relations in the recent past. From the early 1990s until 2008, a corrosive political dynamic came to dominate political relations between Taiwan and China, dashing the faint hopes in the early 1990s of a political reconciliation after decades of hostility. All this happened in spite of their complementary economic relations.

This process was complex, but the result was obvious: deepening mutual suspicion between Taiwan and China. Each feared that the other was preparing to challenge its fundamental interests. China, whose goal is to convince Taiwan to unify on the same terms as Hong Kong, feared that Taiwan’s leaders were going to take some action that would have the effect of frustrating that goal and permanently separate Taiwan from China – the functional equivalent of a declaration of independence. Beijing increased its military power to deter such an eventuality. Taiwan feared that China wished to use its military power and other means to intimidate it into submission to the point that it would give up what it claims as its sovereign character. Taiwan’s deepening fears led it to strengthen and assert its sense of sovereignty.

Certainly, there was misunderstanding at work here. I have long believed, for example, that Beijing incorrectly read former Taiwan President Lee Teng-hui’s opposition to its one-county, two-systems formula as a rejection of unification all together. Certainly, domestic politics was at play, particularly in Taiwan’s lively democratic system. The 2008 Taiwan election was a case in point. But politics is a force in China as well. Misperceptions and politics thus aggravated the vicious circle of mutual fear and mutual defense mechanisms – military on the Chinese side and political on the Taiwan side.

The United States came to play a special role in this deteriorating situation. It did not take sides, as each side preferred. Rather, Washington’s main goal has always been the preservation of peace and security in the Taiwan Strait. First the Clinton Administration and then the George W. Bush Administration worried that the two sides might

inadvertently slip into a conflict through accident or miscalculation (in which case, Washington would, unhappily, have to choose sides). So each administration employed the approach of “dual deterrence.” Each warned Beijing not to use force against Taiwan, even as it offered reassurance that it did not support Taiwan independence. Each warned Taipei not to take political actions that might provoke China to use force, even as it conveyed reassurance that they would not sell out Taiwan’s interests for the sake of the China relationship. In this way, Washington sought to lower the probability of any conflict.

### *The 2008 Transition*

The situation improved markedly after the election of Ma Ying-jeou, the leader of the more conservative Nationalist party, or Kuomintang (KMT). This created the possibility of reversing the previous negative spiral. Ma campaigned on the idea that Taiwan could better assure its prosperity, dignity, and security by engaging and reassuring China rather than provoking it. Since Ma took office in May 2008, the two sides have undertaken a systematic effort to stabilize their relations and reduce the level of mutual fear. They have made significant progress on the economic side, removing obstacles and facilitating broader cooperation. There has been less progress on the political and security side, but this is partly by design. Beijing and Taipei understand that the necessary mutual trust and consensus on key conceptual issues is lacking, so the two sides have chosen to work from easy issues to hard ones and defer discussion of sensitive issues.

### *The Nature of the Current Process*

What is the trajectory of the current process? Conceptually, there are at least two possibilities. On the one hand, and more consequential, what we are watching *might* reflect movement toward the resolution of the fundamental dispute between the two sides. One type of resolution would be unification according to the PRC’s one-county, two-systems formula, but there are others. On the other hand, what we are seeing could be the stabilization of cross-Strait relations. That term implies several things: increasing two-way contact, reducing mutual fear, increasing mutual trust and predictability, expanding areas of cooperation, institutionalizing interaction, and so on. It constitutes a shift from the conflicted coexistence of the 1995-2008 period to a more relaxed coexistence. Examples of this process at work are the array of economic agreements that the two sides have concluded, removing obstacles to closer interchange; China’s approval for Taiwan to attend the 2009 meeting of the World Health Assembly; and the two sides’ tacit agreement that neither will steal the other’s diplomatic partners.

In and of itself, stabilization does not lead ineluctably to a resolution of the China-Taiwan dispute—however much Beijing prefers inevitability and however much some in Taiwan fear it. President Ma has been quite explicit that unification will not be discussed during his term of office, whether that is four or eight years. The Chinese leadership at least realizes that the current situation is better than the previous one and understands that resolution will be a long-term process.

Certainly, however, stabilization can create a better climate for resolution. It's easier to address the tough conceptual issues that are at the heart of this dispute in an environment of greater mutual trust. But I don't see that happening anytime soon. Stabilization can also evolve very incrementally toward resolution, either through better mutual understanding or because one side, knowingly or unknowingly, makes concessions to the other. How stabilization might migrate to resolution brings me to the Commission's questions.

### *China's Initiatives*

Since 2005, and in contrast to past periods, China's approach to Taiwan has been rather skillful. President Hu Jintao shifted the priority from achieving unification in the near or medium term to opposing Taiwan independence (unification remains the long-term goal). Although he speaks about the need for the two sides to "scrupulously abide by the one-China principle," he has been prepared, for the sake of achieving substantive progress, to tolerate *so far* the Ma administration's quite ambiguous approach to that issue. The Beijing leadership recognizes the importance of building mutual trust through dialogue and exchanges after a decade-plus of mutual fear. It is emphasizing what the two sides have in common—economic cooperation and Chinese culture—and agreed to reduce somewhat the zero-sum competition in the international arena. Through its policies and interactions, it is trying to build up support for a PRC-friendly public on Taiwan. It sees the value of institutionalizing a more stable cross-Strait relationship.

The exception to this trend is the continuation of the People's Liberation Army's acquisition of capabilities that are relevant to a Taiwan contingency. Why this build-up continues, in spite of the decline in tensions since President Ma took office, is puzzling. After all, Ma's policies reduce significantly what Beijing regarded as a serious national security problem. China is more secure today than two years ago, yet it continues to make Taiwan more vulnerable. Possible explanations are rigid procurement schedules; the inability of civilian leaders to impose a change even when it makes policy sense; and a decision to fill out its capacity to coerce and intimidate Taiwan, in case a future Taiwan government challenges China's fundamental interests. The answer is not clear. I am inclined to believe that it is a combination of the second and third reasons.

What is clear is that this trend is in no one's interests – Taiwan's, China's or the United States'. Taiwan's leaders are unlikely to negotiate seriously on the issues on Beijing's agenda under a darkening cloud of possible coercion and intimidation. The Taiwanese people will not continue to support pro-engagement leaders if they conclude that this policy has made Taiwan less secure. The U.S. will not benefit if mutual fear again pervades the Taiwan Strait.

### *Where do Current Trends Lead?*

To be honest, I do not know. I cannot rule out the possibility that gradually and over time the Taiwan public and political leaders will abandon decades of opposition to one-country, two systems and choose to let Taiwan become a special administrative region of

the PRC. But I doubt it. Despite the consciousness on the island of China's growing power and leverage, there is still a broad consensus that the Republic of China (or Taiwan) is a sovereign state, a position that is inconsistent with China's formula. Moreover, because of the provisions of the ROC constitution, fundamental change of the sort that Beijing wants would require constitutional amendments and therefore a broad and strong political consensus, which does not exist at this time.

So if political integration is to occur in the next couple of decades, it will occur not because of the cumulative impact of economic integration but because Beijing has decided to make Taiwan an offer that is better than one-country, two systems. So far, I see no sign it will do so.

The more likely future is the continued creation and consolidation of a stabilized order, one in which economic interdependence deepens, social and cultural interaction grows, competition in the international community is muted, and all these arrangements will be institutionalized to one degree or another. But none of this will be automatic. Issues relevant to the resolution of the dispute (e.g. whether Taiwan is a sovereign entity) may come up in the process of stabilization and dealt with in ways that do not hurt either side's interests. And the issue of China's growing military power—and what it reflects about PLA intentions—remains.

#### *How Will the Taiwan Public Respond?*

Clearly, as long as the Taiwan government wishes to pursue something like the current policies, it will have to maintain political support for its continuation in power. How the public views its cross-Strait policies are one key factor. So far, polls suggest that the public supports continued economic integration but not political integration. A substantial majority favors keeping the status quo for the foreseeable future. Because swing voters are a substantial block of public opinion, views of the government's performance can be fairly volatile.

If Beijing were to push for advances in political relations and the Taiwan government chose to go along before the public was prepared, there would likely be a backlash. Beijing appears to understand that (Taipei certainly does), and I hope that China will see the value of improving its image on Taiwan by initiatives that increase Taiwan's sense of security and its international dignity. These should not be regarded as favors but as steps to maintain the current momentum, which is in Beijing's interest. If China is, for example, too grudging in the run-up to the 2012 elections, there is the chance that Taiwan voters will punish Ma and his party because their promise of benefits from engagement would not be realized.

The Taiwan public will be more likely to support economic, and possibly modest political integration, if it has a sense of self-confidence. Creating that will require self-strengthening in a few key areas.

- It must continue to enhance its economic competitiveness. Interdependence with the Mainland is one way. The Economic Cooperation Framework Agreement (ECFA) on which the two sides are working is another way because it will enhance interdependence. But economic liberalization with others is also necessary, including the United States. And Taiwan should undertake domestic economic reforms to facilitate the transition to a knowledge-based and service-based economy.
- Taiwan also needs to strengthen itself militarily. If, as is possible, China intends to complete the creation of a robust capability to coerce Taiwan, then the island's armed forces need the ability to raise the costs of coercion and so ensure some degree of deterrence. The United States certainly has a role to play in improving Taiwan's deterrent.
- Finally, Taiwan needs to strengthen its democratic system. Some key institutions, such as the legislature and the mass media, could serve the public better. Unfortunately, they reinforce a regrettable polarization that began ten years ago. A centrist foundation to politics, in which the two major parties cooperate on pressing tasks, is what the Taiwan people deserve. The growing pragmatism in public opinion, which Dr. Rigger has so ably documented, suggests that the public would welcome more constructive politics.

#### *Can Beijing Live with the Status-Quo?*

There is no question that China has different expectations for cross-Strait relations than does Taiwan. In Chinese press commentary, writers regularly express the belief that economic integration will lead to a fairly quick political reconciliation. Last summer, there was a very interesting poll in which people on each side were asked what was likely to happen over the long term. Sixty percent of Taiwan respondents believed that the status quo would persist. Sixty-four percent of PRC respondents said that the two sides would become one nation. So, Taiwan people prefer stabilization, while Mainland people expect to see resolution on Beijing's terms.

When it comes to the Chinese leadership, however, I detect a different calculus. They certainly seek unification as the ultimate outcome, and they give no hint of any deviation from one-country, two-systems. On the other hand, there is an appreciation that this is a protracted and complex process. What is important in the short and medium term is that nothing happens to negate the possibility that the PRC goal will be achieved. As long as the door to unification remains open, patience is possible. It is when Beijing sees that door closing that it becomes anxious and a bit reckless. Thus, the growing emphasis before 2008 on preventing Taiwan independence. If the danger of Taiwan independence is low, the leadership can wait for political integration.

#### *What Is the United States View of Recent Developments?*

First the Bush Administration and now the Obama Administration have welcomed the change that President Ma's approach has brought to cross-Strait relations. Recall that in the late 1990s and early 2000s, Washington was worried that the situation of mutual fear

might lead either or both sides to miscalculate, leading to a conflict that would likely involve the United States. As the chances of such a scenario decline and Beijing and Taipei take more responsibility for the peace and stability of their neighborhood, the United States has one less problem to worry about. It does not need to engage in dual deterrence. For similar reasons, the stabilization of cross-Strait relations, if it occurs, would also benefit the United States.

Clearly, if the situation evolved from stabilization to an attempt to resolve the fundamental Taiwan-China dispute, and if there was movement from economic integration to political integration, there would be implications for the United States.

Some of these potential consequences are strategic in nature. Would unification, on whatever terms, undercut the U.S. geopolitical position in East Asia by facilitating PLA Navy operations in the Western Pacific and limiting freedom of navigation for the U.S. and Japanese navies? It is impossible to tell, because we cannot know what the terms of that unification might be. If the PLA were to have no presence on Taiwan, as is sometimes suggested, the consequences for the United States might be limited. But I believe that political integration, with all its attendant issues, is not even on the horizon. The two governments are not yet ready, conceptually, to address the key issues (Taiwan's sovereignty, for example), and Taiwan's public is not ready.

Even in the task of stabilizing the cross-Strait order, U.S. interests might be affected. There has been initial talk about the two sides' concluding a peace accord. President Ma has long since signaled that such an effort would have to be accompanied by changes in PLA capabilities and/or deployments, particularly of ballistic missiles. If Beijing agreed, then it would likely try to place on the agenda the advanced systems that the island acquires from the United States and the American security commitment.

Again, I don't believe that negotiations on a peace accord are likely in the near term. The two sides will have enough problems negotiating an economic accord, much less a peace accord. And right now, the main security issue is the PLA's continued build-up of capabilities relevant to Taiwan. The proper U.S. response to China's continued build-up is to increase Taiwan's capabilities. We should, of course, be guided by how the island's civilian and military leaders assess their security needs. But if China increases the island's vulnerability even when President Ma's policies have removed its need to do so, then the United States, at the request of Taiwan, should seek to reduce the island's insecurity. It is China's actions, therefore, that create the disconnect between economic and security relations.

Another area in which the United States can complement what Taiwan is doing vis-à-vis the PRC is in the area of economics and trade. As Taiwan liberalizes its economic relations with China, it has an interest in pursuing liberalization with other trading partners. Hopefully, the conclusion of ECFA will open the door to liberalization with the countries of ASEAN. But the United States should be involved as well. The Administration should resume our economic talks with Taiwan under the Trade and

Investment Framework Agreement. It should not hold those talks hostage to single issues like market access for small amounts of American beef.

Taiwan's improving relations with China should not be regarded as an inexorable and irreversible movement through economic integration, political reconciliation, and unification. Neither Beijing nor Taipei sees it that way. And there are real brakes on the process. One is the inherent difficulty of some of the issues at play, particularly in the security area. Another is the caution of Taiwan's leaders when it comes to those sensitive issues. And finally, there is Taiwan's democratic system, despite its problems. Taiwan's legislature will have some say on ECFA, and the island's voters will have the opportunity to judge the performance of President Ma and his party in municipal elections this December, and in the legislative and presidential elections of early 2012. Any fundamental change in Taiwan's relationship with the PRC will require a broad political consensus.