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

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Describe the current status of, and recent trends in, the Cross-Strait Relationship

Relations between Taiwan and mainland China have warmed substantially since President Ma Ying-jeou assumed office in May 2008. The tension that gripped Taiwan and China during the Chen Shui-bian presidency (2000-2008) has abated. High-level visits have become routine, with the heads of the two sides' quasi-official negotiating bodies, (Chiang Pin-kung of Taiwan's Straits Exchange Foundation and Chen Yunlin of China's Association for Relations Across the Taiwan Straits) exchanging regular visits and engaging in substantive negotiations during those visits. The agreements already negotiated and currently under negotiation focus on economic issues, but they also include technical matters related to cross-Strait travel, trade and investment. A comprehensive trade agreement, which Taipei is calling an Economic Cooperation Framework Agreement (ECFA) is under negotiation. Officials in Taipei say they expect it to be finalized this spring.

What is your assessment of China's recent diplomatic and economic initiatives toward Taiwan?
Why has there been no parallel movement on the military front by Beijing?

It appears the PRC government has determined President Ma is the most favorable interlocutor they can realistically expect to find in Taiwan. Although resistance within Taiwan has made for a slower-paced cross-Strait rapprochement than many observers expected, Chinese leaders have tolerated the slow pace. For example, they fulminated against the U.S. for selling arms to Taiwan, but spared Taipei from direct criticism. Beijing has not allowed setbacks in the relationship, such as protests and failed agreements, to scuttle the talks. The PRC even has made limited concessions on Taiwan's demand for international space. It has joined Taipei in the tacit “diplomatic truce” Ma proposed after his inauguration (neither sides has established diplomatic ties with the other's existing diplomatic partners) and in 2009, Beijing withdrew its opposition to Taiwan's efforts to secure observer status at the UN World Health Assembly.

The most persuasive interpretation of Beijing's actions, in my view, is that they reflect a “hope for the best, prepare for the worst” strategy. That is, China is pursuing better relations with Taipei on the economic and diplomatic front, but it will not relax its military posture. Chinese leaders believe long-term trends are in their favor. They expect that increased economic integration and people-to-people contacts – when combined with the steady increase in mainland China's global weight – will pull Taiwan toward the mainland. However, they also believe there is a small, but real, chance Taiwan might make a sharp gesture toward formal independence.

China's military posture is designed to deter that gesture. If deterrence fails, it is designed to respond forcefully to Taiwan's move.

Other interpretations for the gap between China's economic/diplomatic conduct and its military posture are less persuasive. The idea that the military posture is dictated by the People's Liberation Army, and is in tension with the civilian leadership's preference for carrots as opposed to sticks, overstates the degree of autonomy the PLA enjoys. Taiwan policy is one of the PRC's very highest priorities; it is unlikely top leaders would permit the PLA to deviate from their preferred line. For that reason it is more likely that China's threatening military posture is intended and approved at the very top. The argument that Beijing is using carrots to stall for time while it prepares for military action also is unpersuasive, because enticing Taiwan to move closer to the mainland is far less costly than unleashing military force. The military option is real, but it remains a last resort.

What is your assessment of future trends in the cross-Strait relationship? Will it continue to improve, or has it reached a plateau? What unforeseen events could provide a setback to cross-Strait relations?

At present there is very little overlap in the two sides' long-term visions. Beijing is committed to a form of unification in which Taiwan is absorbed into the People's Republic of China – albeit with a very high degree of local autonomy. The democratically-elected government in Taipei is accountable to a public that is united in its determination to remain politically independent of the PRC. Taiwan's public is willing to accept compromises on symbolic issues, such as the island's nomenclature, but there is no support for folding Taiwan (or the Republic of China) into the PRC.

Given these visions' irreconcilability, the key to successfully managing cross-Strait relations is to draw out the process long enough that those visions can be reconciled. Prolonging the process will require the two sides to find issues that can be negotiated; some observers have begun to wonder whether the supply of such issues might be dwindling. I would argue that it is not. Even after all the outstanding economic and technical issues are resolved (and there are many), there will be opportunities to negotiate and implement military confidence building mechanisms. Beyond confidence building lies a peace accord (something both sides agreed was desirable back in 2005). Each of these steps can take a very long time. So long as both sides are content to let the process take its course, they will provide ample fodder for protracted negotiations.

The quality of relations may be at something of a plateau, but I would argue that reflects more the big improvement over the Chen era than a slowing of the warming trend under President Ma. Moreover, Taiwan leaders' confidence that they will sign an ECFA in the next few months suggests that on substantive issues, if not in the atmospherics, progress continues.

Unforeseen events that could provide a setback would include a military or serious civilian accident involving actors from the two sides. A sudden increase in the hostility directed at Taiwan from Beijing would provoke a retrenchment in Taiwan's position. (It also would hurt President Ma and his party politically, raising the likelihood that the DPP would win the 2012 presidential election. That would put the Sino-skeptical DPP back in charge of mainland policy – something Beijing would prefer to avoid.) Such an event could be caused by a surge in nationalist activism in the mainland, either domestically-generated or in response to actions in

Taiwan or the U.S. Because it prefers to avoid this outcome, the PRC government has been at pains to “accentuate the positive” in interpreting cross-Strait developments for its citizens.

Do you feel that greater cross-Strait economic integration will led to increased political integration?

There is no necessary relationship between economic and political integration; if there were, Ottawa and Washington would have set aside their differences and reunified British North America long ago. Of course, Taiwan and mainland China shared a vision of unification more recently, so the analogy may be faulty, but Taiwanese support for unification is negligible today. Economic interactions have reduced the level of tension, in part by creating large constituencies on both sides that derive direct benefits from good relations. That is especially important in Taiwan, which at one time looked like it might be an obstacle to peaceful relations. However, reducing tension is not the same thing as increasing political integration. A shift toward political integration is not inconceivable in the long run, but it is hard to map a route to political integration that reaches that destination in the next decade.

Can the Chinese Communist Party continue to live with de facto independence for Taiwan as long as economic integration progresses?

On the Taiwanese side, if Taipei were to make a strong gesture toward de jure independence, its de facto independence might become intolerable to Beijing. On the PRC side, domestic politics in the mainland could develop in such a way that the CCP would be forced to sacrifice Taiwan to preserve its own power. The most likely scenario of that kind would be a strong surge in nationalistic sentiment sparked by setbacks in other areas, such as a loss of international prestige or a major economic failure. Neither of these are necessary developments, which suggests the CCP can continue to live with Taiwan’s de facto independence.

Another relevant factor here is China’s increasing comprehensive national power. The PRC’s economic, political and military power is growing rapidly, and other nations are recognizing its rise. The sense that China has “come into its own” could prompt a debate in the PRC over whether it is necessary to continue tolerating Taiwan’s de facto independence. The outcome of such a debate is hard to predict, as there are strong voices that would argue precipitous action would be unnecessary and costly – and might even set back China’s rise. Chinese leaders’ statements to this week’s National People’s Congress meetings stressed China’s domestic challenges – including corruption, inequality and economic instability. I see little evidence that the Chinese leadership is prepared today to risk its domestic stability and international stature in order to force a change in the Taiwan Strait status quo.

In your opinion, how willing is Taiwan’s domestic audience to accept greater political and economic integration with China?

Taiwanese are eager to reap the benefits of economic integration, but they are deeply skeptical of political integration. Even the level of political rapprochement already achieved makes many Taiwanese uncomfortable. Their anxiety is evident in their receptivity to criticism of President

Ma and his cross-Strait policy. It is easy for Ma's political opponents to activate citizens' distrust of Ma and his party by claiming they are insufficiently alert against PRC threats.

Most importantly, Taiwanese do not currently perceive a need to sacrifice their preference for political separation to achieve economic benefits. Since 1987, Taiwanese have enjoyed ever-growing economic cooperation and engagement with the mainland, while surrendering little of their political autonomy. They have made sacrifices, to be sure. In the early 1990s, there was serious talk about how Taiwan might win formal independence. Today, Taiwanese rarely talk of de jure independence; when they do, the possibility is often set in the context of a hypothetical statement like, "if the CCP loses power" or "were China to implode..." But changing the name of the country (one of the few events Taiwanese would recognize as "changing the status quo") has never been a high priority for a majority of Taiwanese. Preserving Taiwan's de facto political independence is the most important goal, and I do not perceive much change on that dimension.

Many Taiwanese found President Chen Shui-bian's policies unnecessarily provocative, but they have not thrown their unconditional support to President Ma. Over the course of his two years in office, citizen confidence, as measured in polls, has been consistently low for a number of reasons. The lack of transparency in decision-making has been a particular concern. Politicians in the main opposition party, the Democratic Progressive Party (DPP) argue that the government's cross-Strait decision-making – including on the proposed Economic Cooperation Framework Agreement (ECFA) – is dangerously opaque. They charge that the negotiators may fail to secure Taiwan's interests. To protect Taiwan, Ma's critics are demanding ECFA be subjected to formal ratification, either by popular referendum or in the legislature. Legislative speaker Wang Jin-pyng, a KMT member, has said the legislature might overrule the ECFA deal if it does not meet lawmakers' standards. As President Ma chairs the KMT, the weak support for his policies in the KMT reinforces the sense that he lacks a firm hand – exactly what he needs to deal effectively with the ever-tough negotiators from Beijing. Declining confidence in the Ma government also reflects the public's sense that his administration has not responded well to domestic concerns, including typhoon Morakot, H1N1 vaccine and U.S. beef imports.

In short, Taiwan's domestic political environment would not welcome a shift toward "political integration."

How do recent cross-Strait political developments impact U.S.-Taiwan relations?

The warming trend in cross-Strait relations reduces the threat of a sudden, violent rupture that would require U.S. action. This is a highly positive development for the U.S.

How might greater cross-Strait political and economic integration affect U.S. national interests in the region?

Improving relations between Taiwan and the mainland benefit both economies. To the extent that stable economic growth serves U.S. interests, cross-Strait economic ties serve U.S. interests. Because economic integration is not likely to produce political integration – much less unification – in the near future, the U.S. is unlikely to find itself facing a radical shift in its

relationships in the region. In other words, U.S. interests still are threatened far more by the absence of good cross-Strait economic and political ties than by their presence.

What role should the United States play in the U.S.-Taiwan-China triangular relationship in light of recent developments between Taiwan and the Mainland?

The U.S. should continue to reassure Taiwan that it will help Taipei resist Beijing's pressure to accept a political deal with that would erase Taiwan's democracy. Pressing for a particular outcome is likely to backfire, not only in the mainland, but on Taiwan as well. It is not the U.S.'s job to push the two sides together or to drive a wedge between them. The most useful course of action for the U.S. is to help Taiwan remain strong and confident to resist Beijing's pressure without appearing to be pulling Taiwan away from the mainland. That is a tricky balance, but acting consistently, in line with decades-old practices, minimizes the room for misunderstanding in Beijing and Taipei.

Altering U.S. policy would be risky. In Beijing, some policy changes could be viewed as an opportunity to exploit U.S. weakness or lack of resolve, while others could be seen as attacks on China's core national interests. In Taipei, even small adjustments in how U.S. policy is communicated provoke storms of debate; an actual policy shift would be profoundly destabilizing and confusing; a retreat from the traditional levels and types of support the U.S. has provided would be dangerously demoralizing.

Is there a logical disconnect between Taipei moving to improve economic and political relations with Beijing while continuing to press for arms purchases from the United States?

The United States and Taiwan have long shared the position that without robust military defenses, Taipei will lack the confidence to negotiate with Beijing. For that reason, improving economic and political relations across the Strait not only is consistent with continued arms sales, but *depends on* continued arms sales. In addition, a sharp change in the military balance in the Strait would destabilize the region. Instability is not conducive to better relations; on the contrary, it is likely to prompt Taiwan to recoil from interactions with the mainland.

All sides need to bear in mind the dangers posed by a sudden deterioration in Taiwan's political position. There is a broad consensus among Taiwanese that the status quo is acceptable, but there is no consensus about what else would be acceptable. If the PRC (or the U.S.) were to demand or impose a change in the status quo, Taiwan's domestic situation would become chaotic, with heavy economic losses. The economic troubles would spill over into the PRC, especially its high tech sector. Taiwanese are not only the main foreign investors in that sector; they also divide their production between the PRC and Taiwan. A disruption in the Taiwanese supply of high tech components to assembly plants in the mainland would have a large impact on PRC exports – and on the global supply and price of high tech goods. This is a concrete example of how excessive pressure from Beijing – even short of military force – could backfire, with global consequences.

Concluding Thoughts

When President Ma Ying-jeou took office, a grand experiment began. His cross-Strait policy differs from any previous policy – it is not Chen Shui-bian’s policy of minimizing compromise while fortifying Taiwanese for resistance, nor is it the policy followed by Chen’s predecessor, President Lee Teng-hui.

The stakes for this experiment are high. President Chen’s policy did not strike a sustainable balance between enhancing economic interactions and avoiding political interactions. Instead, economic ties raced ahead of technical agreements, leaving Taiwanese over-exposed in the mainland and exacerbating the asymmetry between the two sides. Overall, Taiwan’s options were narrower at the end of the Chen administration than at the beginning. Chen’s approach also undermined Taiwan’s relations with the United States. The lesson of the Chen years was that Taiwan needed a different policy direction. Ma’s approach represents that new direction. The risk is that if Ma’s approach does not succeed, it is unclear what new policy Taiwan might adopt. Although the DPP opposes Ma’s policy, it has not articulated a concrete alternative for the future.

The popular reaction to the “grand experiment” has been skeptical, which has slowed the pace of implementation. Overall, the experiment seems to be having modest success. Economic ties are bearing fruit (Taiwan’s economy is recovering relatively quickly from the global recession), and China is not pressing Taiwan very hard politically. Still, Beijing shows no sign of giving in on its core demands, it has not reduced its military threat, and it has made aspects of the Taiwan issue (especially arms sales) a focus of nationalist discourse aimed at domestic audiences. In sum, the atmosphere in the Strait is far better than it was three years ago, but the fundamental source of conflict – the two sides’ contradictory goals – remains unresolved.