

## Case study: Mainland China and Taiwan relations

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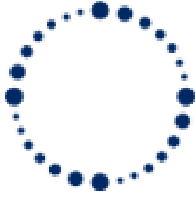
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**Deutsche Gesellschaft für Auswärtige Politik e.V.**  

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**German Council on Foreign Relations**

## **Case Study: Mainland China and Taiwan Relations**

in:

João Amorim, Mario Avelar, Ulrich Niemann (Hrsg.):

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## Introduction – The Wider Regional Context of the Taiwan Strait Conflict

Generally speaking, overall strategic trends in the Asia-Pacific region have been positive in many respects during the 1990s. The region's recovery from the Asian economic crisis since 1999 has made visible progress, particularly so in South Korea and Thailand who have taken steps to rebuild prosperous economies in a global competitive environment. These first steps, however, are part of a longer and deeper socio-economic transformation which will only succeed when transformation strategies are supplemented by coherent political reform aiming at the establishment of genuine democracies and pluralist societies. In this regard, the verdict on the longer-term sustainability of the present recovery is still open. Moreover, major security conflicts remain unresolved or have produced new instabilities throughout the entire region since the early 1990s, such as conflict in the Taiwan Strait. At the same time, the region is approaching an unprecedented arms race, fueled by new economic growth and an increasing globalization of security policies, and partly driven by interregional and global dual-use technology transfers. In contrast with Europe and the Soviet-American strategic relationship during the Cold War, however, arms control policies continue to rank low on East Asia's agenda. Furthermore, the region's future strategic configuration will be determined by the changing norms of the international system, the revolution in military affairs (RMA), preoccupation of the major powers with their own domestic problems, accelerating trends of democratization (with implications for foreign policies) and spread of market economies, increasing intra- and interregional interdependencies (both economic and political), and a lasting impact of the 1997/98 crisis on domestic and external security.

Even before the recent U.S. China spy plane standoff, many regional security experts have called a conflict between mainland China and Taiwan the most likely scenario of a major military conflict after the tension on the Korean peninsula has gradually been reduced during the last years. After the election in the spring of 2000 of *Chen Shui-ban* – a former advocate of Taiwan's formal independence from China – as Taiwan's new president, many anticipated new tensions in the Taiwan Strait and beyond.

When China's Nationalist government fled to Taiwan in 1949 after it lost a civil war to the Communists, the nationalists hoped to return to an united China. But the unification dream ended in the 1980s. Since that time, the Republic of China (ROC) on Taiwan has made impressive steps toward democratization and bridging the divide between those who fled from mainland China (PRC) and the majority who lived here before. Generational changes have contributed to 13 years of a multiparty system that has resulted in one of Asia's most dynamic democracies. But these factors were also the main catalyst of an increasing separation of Taiwan from mainland China.

Today, Taiwan's people seems comfortable with being Chinese and Taiwanese. They favor political talks between Taipei and Beijing to bridge the divide and political differences as opinion polls indicate.<sup>1</sup>

But the fact remains that the number of people in favor of independence has steadily increased during the last years. Taiwan's parliamentary and mayoral elections in 2000 have confirmed these trends. Although the *Kuomintang's* ruling Nationalist Party (KMT) and its candidate *Ma Ying-jeou* have won the elections, the win by mainland-born Mr. *Ma* has also underlined the popular appeal of a Taiwanese identity distinctly separate from the mainland. The elections have also confirmed the increasing consensus in Taiwan's society which favors the status quo - Taiwan's *de facto* independence. Taiwan's society is steadily forging its own identity and thereby continually changing in the direction to make reunification irrelevant. But if Beijing's become increasingly frustrated with these developments underway in Taiwan's society, mainland China may again be tempted to try force.

In 1995, Beijing decided to break off high level political contact over the visit to the USA by Taiwan's President *Lee Teng-hui*. Both sides even differ on the nature of the new dialogue they have agreed.<sup>2</sup> China has argued that it will never renounce the right to use force to halt Taiwan's independence policy. Simultaneously, Beijing still insists that it will invade if the island declares independence.<sup>3</sup>

From a European point of view, it is important to recall that armed conflict in the Taiwan Strait, on the Korean Peninsula or in the South China Sea could have not only regional but global economic and security implications. Unless carefully managed, conflicts in those three theatres have the potential to escalate even into global conflict. Given the complex and rapidly changing nature of East Asia's strategic chessboard, crisis and conflict prevention have become urgent requirements for East Asia. In this context, given the increasing "globalization of security policies" and acknowledging that present policies have not translated into real European influence in the Asia-Pacific region – and have particularly failed to do so at times of crisis and conflict - Europe and the EU should recognize the imperative to play a more substantial role. This could include the launching of a strategic dialogue with China and Taiwan about the consequences of an unprovoked attack or conflict. The unavoidable globalisation of both economic and security policies compels Europe – together with the US. and Japan – to shoulder a greater diplomatic and political burden than it has in the past.

The following analysis provides an overview of recent developments to the political, economic and military dimensions as well as the importance of the U.S. role in shaping the balance of the cross Strait relations between Beijing and Taipei.

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<sup>1</sup> See Julian Baum, 'Talking Heads', Far Eastern Economic Review (FEER), 15 October 1998, p. 28.

<sup>2</sup> Frank Ching, 'China-Taiwan Gulf Still Wide', FEER, 5 November 1998, p.36.

<sup>3</sup> To the changes and trends in the bilateral relationship between the PRC and the ROC see Sheng Lijun, 'China Eyes Taiwan: Why Is a Breakthrough so Difficult?', in: The Journal of Strategic Studies, Vol. 21, No. 1, March 1998, pp. 65-78.

### The Political Dimension

The increased tension between China and Taiwan in the runup to Taiwan's 18 March 2000 presidential elections has once again emphasized one of the region's major security risks.<sup>4</sup> Contrasting with its response to the 1996 presidential elections, however, Beijing that time choose to use words to impress Taiwanese candidates and voters rather than missile tests and large-scale manoeuvres in the waters surrounding the island republic. This change of mind could be explained by the fact that Beijing needs US congressional approval to go ahead with its WTO accession. But differing statements from the PRC foreign ministry, political circles, and the *People's Liberation Army (PLA)* might be explained in two different ways: First, they could indicate a lack of clear leadership at the top of President *Jiang Zemin's* administration, leaving policy on the sensitive Taiwan issue to be settled among hawks and doves. In this case, the doves would have prevailed, because rhetorics notwithstanding, Beijing policies have been mostly reactive. Secondly, differing statements made prior to the Taiwanese elections could reflect a division of labour rather than a division of views. However, the *PLA* was not alone in playing the "bad guy". Even Prime Minister *Zhu Rongji* came across as a hardliner when declaring that the Chinese nation was ready to "use all its blood" to prevent the island's independence.<sup>5</sup> To adequately analyse these developments, one would probably have to combine both explanations. Moreover, Beijing's general hardline policy vis-à-vis Taiwan is at least partially an attempt to divert popular attention away from growing domestic problems<sup>6</sup> and to channel an assertive and xenophobic variety of nationalism.

China's "White Paper on Taiwan", issued on February 21, 2000,<sup>7</sup> and thus meant to intimidate Taiwanese voters, was also confusing for foreign observers but could be interpreted as a compromise between hardline and softline factions. On the one hand, the paper sent a clear message: China would attack Taiwan (1) if the island declared independence, (2) if it was occupied by a foreign power or, (3) establishing a new linkage, if Taiwan indefinitely refused to enter into negotiations on reunification. On the other hand, however, Beijing appeared to agree to one of Taipei's main conditions for political talks with China, namely, that the island be treated as an equal and not as a "local government". The *White Paper* mentions this principle of equality no less than five times. Overall, however, the policy paper would appear to signal an increasing PRC impatience. Moreover, as *James A. Kelly*, former president of the Pacific Forum CSIS and now the Deputy Secretary of Defense for Asian Affairs, has argued in the spring of 2000: "On balance, the policy paper is more about threats and lowering the threshold at which violence might occur than about motivating Taiwan."<sup>8</sup> Indeed, President *Jiang Zemin* has repeatedly said that he intends to make reunification of the motherland his own legacy. From such a perspective, as one speculation goes, a resolution of the Taiwan issue would have to be

<sup>4</sup> On the background see also Kay Möller, 'Taiwan als Problem internationaler Sicherheitspolitik', SWP-AP 3121, March 2000.

<sup>5</sup> See Elisabeth Rosenthal, IHT, 16 March 2000, pp. 1/6.

<sup>6</sup> In 2000, more than 11 million workers are expected to lose their jobs in state enterprises.

<sup>7</sup> The document is available via Internet - <http://www.nytimes.com/library/world/asia/022200china-taiwan-text.html>.

<sup>8</sup> James A. Kelly, IHT, 13 March 2000, p. 8.

brought about by the time the 17<sup>th</sup> Communist Party Congress convenes in 2007, when *Jiang Zemin* will be 81 and retire from the political scene.<sup>9</sup>

At the same time, the PLA — that has already acquired unprecedented capacity for influencing the policy-making process and which could be the biggest winner from increased tension with Taipei<sup>10</sup> — has been asked to *actively prepare* for war with Taiwan. In an internal document sent by CPC's Central Military Commission to all regional commanders, Beijing has warned of an *increased possibility for a military solution*, should nonviolent means fail to accelerate the absorption of Taiwan. The document envisions a blitzkrieg-like offensive opened with a first fatal missile strike so that *the Taiwan forces have no way to organize effective resistance*. From Beijing and the PLA's points of view, any backlashes on this issue, such as the proclamation in July 1999 by Taiwan's (former) President *Lee Teng-hui's* of a *two-countries theory* fuels mainland China's disintegration by encouraging independence for Tibet, Xinjiang and other occupied areas.

The *White Paper on Taiwan* also mentions that it is very unlikely that European countries would come to Taiwan's rescue, but anticipates a US intervention to defend the island against an attack. Interestingly, the document is completely in line with the PLA's interest in *asymmetric strategies* of warfare to be used vis-a-vis the US. The PLA believes, for example, that such a conflict will not escalate into a nuclear missile exchange, because the US will lose its will to fight and withdraw after suffering serious casualties, while the Chinese side will be able to absorb heavy casualties and prevail.<sup>11</sup> Therefore, China does not require a military equilibrium with the US.

While Beijing remained remarkably silent immediately after the Taiwanese elections, a PLA source threatened Taiwan with a two-million-soldier invasion force carried on 200,000 fishing boats, while adding that nuclear weapons were a viable option, particularly so if the US interfered.<sup>12</sup> The PRC's supposed interest to return to a more moderate policy can be explained by the fact that its failure to threaten Taiwan into submission may have undermined the CPC's domestic legitimacy.

The Chinese concerns of Taiwan and the conclusions drawn in the *White paper on Taiwan* have also been confirmed in China's newly declared *White Paper on China's National Defense*, also published in the year 2000. The paper makes unmistakably clear in regard to the unresolved Taiwan question:

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<sup>9</sup> See Robert Kagan, IHT, 13 March 2000, p. 8.

<sup>10</sup> See John Pomfret, IHT (24 February 2000), pp. 1/5.

<sup>11</sup> The entire document has been reprinted and can be found in the Internet: <http://www.insightmag.com/archive/200003057.shtml>.

<sup>12</sup> The weekly *Haowangjiao* published this 16-page article detailing military options to retake Taiwan — see "Easing of Taiwan Strait Tensions Temporary," Stratfor.com (23 March 2000) (<http://www.stratfor.com/asia/commentary/0003230019.htm>). See also "Chinese Military Paper Warns Taiwan and US," NAPSNET Daily News Report, 21 March 2000 and "PRC Journal Reveals Strategy to Deal with US in Chinese Unification," *ibid.*, 24 March 2000.

”Settlement of the Taiwan Issue and realization of the complete reunification embodies the fundamental interests of the Chinese nation. The Chinese government upholds the basic principle of ‘peaceful reunification, and one country, two systems’ for settling the Taiwan issue, carrying forward the eight propositions on the development of relations between the two sides of the Taiwan Straits and the promotion of the peaceful reunification of China. The Chinese government has consistently adhered to the one-China principle and will never give in or compromise on the fundamental issues concerning state sovereignty and territorial integrity. The change of the Taiwan regional leaders can not change the fact that Taiwan is of Chinese territory. Settlement of the Taiwan issue is entirely an internal affair of China. The Chinese government firmly opposes any country selling arms to or entering into military alliances in any form with Taiwan, as well as outside interference in any way. **The Chinese government will do its utmost to achieve a peaceful unification, and advocates settling differences through dialogues a negotiations on the basis of the one-China principle. However, if a grave turn of events occurs to the separation of Taiwan from China in any name, or if Taiwan is invaded and occupied by foreign countries, or if the Taiwan authority refuse, sine die, the peaceful settlement of cross-Strait reunification through negotiations, then the Chinese government will have no choice but to adopt any drastic measures possible, including the use of force, to safeguard China’s sovereignty and territorial integrity, and to achieve the great cause of reunification. ‘Taiwan independence’ means provoking war again, and fomenting splits means relinquishing peace across the Straits. The Chinese People’s Liberation Army unswervingly take the will of the state as its supreme will and the national interests as its supreme interests. It has the absolute determination, confidence, ability, and the means to safeguard state sovereignty and territorial integrity, and will never to condone or remain indifferent to the realization of any scheme to divide the motherland.**”<sup>13</sup>

Although Beijing and Taipei have engaged in a series of damage control measures since the stunning victory (with a voter turnout of 82 percent) of the pro-independence *Democratic Progressive Party (DPP)* in Taiwan’s presidential elections, the victory of *Chen Shuibian* and the *DPP* in many respects marks a watershed in 5,000 years of Chinese and 400 years of Taiwanese history. By breaking from the *Kuomintang’s* half century of power, the island made its thirteen-year democratization process irreversible. For Beijing, this development has only heightened concerns that Taiwan has been drifting ever further away from the mainland, and is headed towards formal independence.

In a good-will gesture, President-Elect *Chen Shui-bian* ended a 51-year old ban on direct trade, transport and postal links between several small islands (*Kinmen, Penghu* and *Matsu*) and the mainland and eased restrictions on foreign investors in Taiwan, including from China. Given the fact that the above-mentioned islands lack substantial infrastructure and industry, the abolition of the ban on direct links is just a first step toward establishing such

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<sup>13</sup> ‘White Paper ‘China’s National Defense in 2000’, Information Office of State Council, Beijing 2000, via Internet – <http://www.china.cn/english/2791.htm>.

links across the Taiwan Strait.<sup>14</sup> These advances were also partly motivated by domestic considerations. *Chen* won with just 39 percent of the vote and therefore has no majority support in the parliament. The new government will need a some foreign policy successes to be able to resolutely fight the endemic corruption left by the *Kuomintang*, to fairly allocate central-government funding, and to break the links between organized crime and politics that have haunted the island for decades. These domestic priorities can hardly be ignored by Beijing: the new president and his government have but limited leeway for dealing with cross-Strait issues because they are confronted with more urgent priorities and problems to be solved at home.

### The Economic Dimension

In a striking contrast to the political relationship between Beijing and Taipei, their economic ties have expanded over the last decade. Even more important, Taiwan may join the World Trade Organization (WTO) in the coming years, after the last difficulties in Beijing's adherence had been removed in the last weeks. Until 1987, it was for both sides almost impossible to overcome the political problems for expanding their economic ties. But since 1987, cross-strait trade has exploded.

*Overview:* Trade Between Taiwan and Mainland China, 1987-2000  
(in billions of U.S. Dollars)

Year	Taiwanese Exports to Mainland China	Taiwanese Imports from Mainland China	Total Trade	Trade Balance (Taiwan)
1987	1.23	0.29	1.52	0.94
1988	2.24	0.48	2.72	1.76
1989	3.33	0.59	3.92	2.74
1990	4.39	0.77	5.16	3.62
1991	7.49	1.13	8.62	6.36
1992	10.55	1.12	11.67	9.43
1993	14.00	1.10	15.10	12.9
1994	16.02	1.86	17.88	14.16
1995	19.43	3.09	22.52	16.34
1996	20.73	3.06	23.79	17.67
1997	22.46	3.92	26.38	18.54
1998	19.84	4.11	23.95	15.73
1999	21.31	4.52	25.83	16.79
2000 (Jan.-Aug.)	16.47	4.10	20.57	12.37
<b>Total 1987-2000</b>	<b>179.49</b>	<b>30.14</b>	<b>209.63</b>	<b>149.35</b>

*Source:* Greg Mastel, 'China, Taiwan, and the World trade Organization', in: The Washington Quarterly, Summer 2001, pp. 45-56, here p. 47.

<sup>14</sup> See John Pomfret, IHT, 22 March 2000, pp. 1/2.



Their bilateral trade now totals more than \$25 billion annually, up 14,5 percent from 1998, whereas the average growth rates have been 7 percent per year. Thereby, Taiwan has a continuing trade surplus with the mainland, totaled in 1999 by some \$16,8 billion. Mainland China has benefited considerably from those business links with Taiwan. More than 60,000 Taiwanese companies and 300,000 Taiwanese entrepreneurs have been actively engaged on the mainland and have invested some US\$ 44 billion there. Taiwan manufactures in southern *Guangdong* province alone produced almost 4 percent of China's total exports last year.<sup>15</sup> Taiwan has thus become the third most important investor for Beijing, and China the second-largest market for Taiwan's exports. The trade is also hampered by Taiwan's various prohibitions on direct investment from the mainland which has limited the amount of this investment as well as the Taiwanese investment in China. But a certain amount of investment is circumscribed from both sides. Despite Taipei's efforts to diversify its investment, China has become by far the largest recipient of Taiwanese overseas investment. Economists estimate Taiwanese capital in China crossed the \$100 billion in 2000.<sup>16</sup> Indirect trade between both sides even totals US\$ 160 billion. At present, 200,000 Taiwanese citizens live in mainland China, and another 16 million have traveled there since 1987.<sup>17</sup>

*Overview: Taiwanese Indirect Investment in China, 1991-2000*  
(in billions of U.S. Dollars)

Year	Taiwanese Statistics	Chinese Statistics
1991	0.17	0.84
1992	0.25	1.05
1993	3.17	3.14
1994	0.96	3.39
1995	1.09	3.16
1996	1.23	3.48
1997	4.33	3.29
1998	2.04	2.92
1999	1.25	2.60
2000 (Jan.-June)	1.10	0.95
<b>Cumulative</b>	<b>15.59</b>	<b>24.82</b>

*Source:* Greg Mastel, 'China, Taiwan, and the World Trade Organization', in: *The Washington Quarterly*, Summer 2001, pp. 45-56, here p. 48.

Beijing, in general, sees the bilateral trade in a positive light because it helps to constrain Taipei's political options in the context of any ambitions to declare an official independence from mainland China. Given the domestic situation in mainland China and the role and influence of the PLA on the cross-strait relationship, more moderate Chinese experts

<sup>15</sup> See Allen T. Cheng, 'The United States of China', in: *Asiaweek*, 6 July 2001.

<sup>16</sup> See *ibid.*

<sup>17</sup> See *Wall Street Journal Europe*, 21 March 2000, p. 12 and John Pomfret, *IHT*, 22 February 2000, pp. 1 and 4, here p. 4.

advocate commercial ties as an alternative to any military pressure or other coercive instruments of foreign policies.

To some extent, one can argue, that this growing economic interdependence confronts both sides with a dilemma as it affects and possibly constrains their respective political options. The dilemma is asymmetric, however, in that it primarily affects the weaker side, i.e. Taiwan. Furthermore, Taipei's growing economic dependence on Beijing may prove dangerous in particular during times of cross-strait tensions. China does not only control market access, it also controls many of the factories that actually produce the goods sold by Taiwanese firms. This ability of Beijing directly affects the Taiwan business and million of its citizen. As the most drastic measure, Beijing can nationalize individual factories or entire industries, albeit more subtle ways such as investigating tax evasion, licensing irregularities or labor code violations are the most likely forms of pressure to expect. Although Taiwan's business community is aware of the risk, it actually has little choice, especially at times when the island's economy is suffering from economic stagnation (present growth rate was just 1%) and with unemployment rates at record highs.<sup>18</sup> Furthermore, as a Hong Kong source revealed, mainland China is already contemplating allocating US-\$1 billion to infiltrate and control Taiwan's economy. Although this sum is insufficient to control Taiwan's entire economy, it could at least destabilizing to achieve Beijing's long-term political goal of reunification.<sup>19</sup>

*Overview:* Top Five Recipients of Taiwanese Overseas Investment, 1952-2000  
(in billions of U.S. Dollars)

Region	Amount	Percentage of Total Overseas Investment
Mainland China	16.11	39.51
British Central America	8.18	20.06
United States	5.10	12.51
Singapore	1.30	3.18
Hong Kong	1.11	2.71

*Source:* Greg Mastel, 'China, Taiwan, and the World Trade Organization', in: The Washington Quarterly, Summer 2001, pp. 45-56, here p. 47.

The island's leaders need to debate a solution to this and other problems before serious negotiations can lead to a new understanding on both sides of the Taiwan Strait that would contribute to security and stability in the 21<sup>st</sup> century. Against this background, Taiwan is looking to Japan to serve as an economic counterweight to mainland China. However, not only Beijing, but also Taipei does not fully trust Tokyo because of the historical animosities. Furthermore, the PRC would interpret such closer economic ties as another obstacle of reunification.<sup>20</sup> In sum, it does not really offer an economic alternative for Taiwan.

<sup>18</sup> See 'Taiwan: Are Economic Ties to China a Risk for Taipei?', Stratfor.Com, 9 July 2001.

<sup>19</sup> See Free China Journal, 13 July 2001.

<sup>20</sup> See 'Taiwan: Looking for an Economic Ally in Japan', Stratfor.Com, 2 July 2001

### The Military Dimension

"... The new profile given to these forgotten warriors from Taiwan reflects new security realities on the ground, in the air and in the surrounding seas of the Taiwan Strait. For a host of complex reasons, the People's Republic of China has set about trying to develop and acquire military capabilities designed to coerce Taiwan to the bargaining table. Yet the military systems that Beijing has fielded during the past half-decade ... look less and less like heavily armored bargaining chips and more and more like true military capabilities with potential battlefield implications and uses."

(Kurt M. Campbell, former US Deputy Secretary of Defense for Asia-Pacific in April 2001<sup>21</sup>)

#### Testing Taiwan's Nerves

If present strategic trends continue, however, the military balance in the Taiwan Strait will be eroding over the next decade.<sup>22</sup> In recent years, the PLA has revised its strategy for a Taiwan contingency.<sup>23</sup> It now hopes to achieve its objectives without fighting a war, by wreaking economic havoc and instigating social unrest in Taiwan. Hence, "weapons" that target the Taiwanese media, the stock-market, and the islanders' psyche, have become an important part of China's military thinking on Taiwan. However, and depending on the island's own policies and actions, gradual escalation strategies might still involve missile tests, a sea blockade, combined-force drills, and a military buildup. Such strategies of attrition, based on a "war of nerves" designed to undermine the morale of the Taiwan population, could provide the PLA with the best chances to succeed in a major conflict while at the same time preventing a US intervention.<sup>24</sup> Whether these new strategies will succeed depends on many variables. But one outcome appears to be assured: "Next time, nerves in Taiwan may be more steeled."<sup>25</sup>

Moreover, the 1995/96 missile tests had been quite successful. They escaped Taiwan's early warning and detection radars<sup>26</sup> and were much more accurate than American experts had previously expected.<sup>27</sup> They underscored both the progress the PLA had made in modernizing its missile force and specific military shortcomings on the Taiwanese side

<sup>21</sup> Kurt W. Campbell, 'Edging Taiwan in From The Cold', The Washington Post, 25. April 2001.

<sup>22</sup> See also David Shambaugh, 'A Matter of Time: Taiwan's Eroding Military Advantage', The Washington Quarterly (Spring 2000), pp. 119-33, and Frank Umbach, 'The Military Balance in the Taiwan Strait and Its Implications for Regional Security', paper prepared for the conference: The Development of Contemporary Taiwan and its Implications for Cross-Strait Relations, the Asia-Pacific Region and Europe (Taipei, INPR, December 16-17, 1998).

<sup>23</sup> Bernard Joei, 'Talk of Invasion a Revival of Familiar Tactics', Free China Journal, 10 April 1998, p. 6.

<sup>24</sup> Edward L. Dreyer/June Teufel Dreyer, 'The Chinese People's Liberation Army's Perception of an Invasion of Taiwan', in: Peter Kien-hong Yu (ed.), The Chinese PLA's Perception of an Invasion of Taiwan (New York: Contemporary US-Asia Research Institute, 1996) pp. 55-103; Wen-cheng Lin, 'Will Beijing Use Force on Taiwan?' in: *ibid.*, pp. 163-212, and Bruce Gilley, 'Operation Mind Games', FEER, 28 May 1998, pp. 31-32.

<sup>25</sup> Bruce Gilley in *ibid.*, p. 32.

<sup>26</sup> M.V. Rappai, 'Chinese Military Exercises: A Study', in: Strategic Analysis (November 1996), pp. 1119-31, here p. 1123.

<sup>27</sup> Greg Gerardi/Richard Fisher Jr., 'China's Missile Tests Show More Muscle', in: JIR (March 1997), pp. 125-9, here 128 f.

which was unable to detect the missiles and thus could not have destroyed them. The US remains the lone regional player with sufficient signal intelligence (*SIGINT*) capability to detect PRC missiles in "real time". Furthermore, the July 1995 and March 1996 missile tests were conducted in conjunction with broad multiservice exercises, in which tactical ballistic missiles are going to play an increasingly important role in the future.<sup>28</sup> It was one of the major lessons of the crisis "that the PLA can challenge Taiwan's vital interests without direct engagement."<sup>29</sup> Unsurprisingly, the PLA has also drawn its more painful lessons and will try to fare better next time.

## The Increasing Missile Threat to Taiwan

While the PLA currently lacks a credible invasion force and will continue to do so until at least 2005, China has been rapidly increasing its short-range ballistic missile force in numbers as well as in quality.<sup>30</sup> At the moment, the PRC is deploying an advanced, longer-range version of the *DF-21*, provisionally called *DF-21X*, with an extended range of 3,000 kms and an improved accuracy.<sup>31</sup> Moreover, Beijing plans to launch six satellites before the end of the year which will improve the accuracy of its ballistic missiles and will allow detailed reconnaissance of Taiwan's defence capabilities. At the same time, the PLA has made considerable progress in developing manoeuvrable short-range ballistic missiles with ranges between 300 and 600 km and has been developing a new generation of land attack cruise missiles to accurately target key Taiwanese military installations with the help of newly acquired dual-use technologies such as the *Global Positioning System (GPS)* and the *Inertial Navigation Guidance System (INS)*.<sup>32</sup> These dual-use technologies are widely available on the civilian market. In 1999, China deployed 150-200 *M-11* (range 300 kms) and *M-9* (range 600 kms) short-range ballistic missiles in addition to 30-50 SRBMs deployed in 1995-96 in provinces adjacent to the 175-km-wide Taiwan Strait – most of them presumably with improved accuracy estimated to be 20-30 metres by using *GPS* and *INS* minicomputers which are widely available on the civilian market. Beijing reportedly plans to further increase that number to 650-800 missiles by the year 2005.<sup>33</sup> This rearmament is at least partially due to the fact that the PLA – in contrast with China's Foreign Ministry and other civilian ministries – continues to view the controversial missile tests of 1995 and 1996 as a political victory.<sup>34</sup> In a few years' time, the Chinese missile build-up could shift the balance of deterrence in favor of mainland China and prompt Beijing to adopt more risky policies vis-à-vis Taiwan. In response to the missile threat, Taipei will deploy three *Patriot* batteries in northern Taiwan to protect the capital city and economic centre.

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<sup>28</sup> Ibid., p. 127.

<sup>29</sup> Robert S. Ross, 'The 1996 Taiwan Strait Crisis. Lessons for the United States, China, and Taiwan', *Security Dialogue*, Vol. 27, No. 4 (1996), pp. 463-70, here p. 468.

<sup>30</sup> See also F. Umbach, 'World Gets Wise to P'yongyang's Nuclear Blackmail – Part Two', *JIR*, October 1999, pp. 35-39, here p. 37 f.

<sup>31</sup> Paul Beaver, 'China Prepares to Field New Missile', *JDW* (24 February 1999), p. 3.

<sup>32</sup> See Tony Walker/Stephen Fidler/Mure Dickie, *FT*, 12 March 1999, p. 6.

<sup>33</sup> See Stephen Fidler/Tony Walker, *FT*, 10 February 1999, pp. 1/4; Murie Dickie/Stephen Fidler, *ibid.*, 11 February 1999, p. 14, and James Kynge, *ibid.* p. 12

<sup>34</sup> James Kynge, *FT*, 11 February 1999, p. 12, and Robert Kagan, *IHT*, 13 March 2000, p. 8.

However, the former present no watertight shield against every incoming missile.<sup>35</sup> Taiwan is therefore no longer interested in ballistic missile defence alone, but intends to develop and deploy its own offensive ballistic missiles (such as the *Tien-Ma* with a range of 1,000 kms).<sup>36</sup> Taipei's current modernization and procurement efforts can be explained by the wish to buy time for the democratization on mainland China rather than maintaining a military balance.

While reunification with Taiwan remains Beijing's number one political priority, any unprovoked missile attack or invasion of Taiwan would likely produce regional and global instabilities by provoking (1) increased US military supplies to Taiwan or a US military intervention, (2) Taiwan's rejection of reunification and declaration of independence, (3) Japan's rearming and tightening of the US-Japan alliance, and (4) China's own economic and political isolation from the global economy and Western sources of investment.

### Taiwan's Modernization Efforts and Its Constraints

Like the PR China, Taiwan's economy has not been affected by the Asian crisis. Between 1994 and 1998, Taiwan has become the leading recipient of major conventional weapons from the six major suppliers in the world by importing weaponry of more than US-\$13 billion according to SIPRI data of 1999<sup>37</sup> - in contrast to China which received US-\$5.9 billion between 1992-99 in arms deliveries according to a new US report.<sup>38</sup> The defence budget of 1999, however, decreased by 12 percent despite the renewed military pressure of Beijing. The defence burden actually fell from 3.5 to 2.9 percent of GDP.<sup>39</sup> At present, Taiwan's armed forces are in the process of being reduced from 435,000 to 400,000 (almost 10 %) by 2001 and to 350,000 by 2005. According to a new plan, these reductions will be even increased more to 276,000 personnel over the next ten years.<sup>40</sup> As many Taiwanese defence experts have pointed out during the last years, Taiwan is confronted increasingly by a Chinese ballistic missile threat. Hence Taiwan needs urgently some kind of missile defence. At present, however, the US government is unwilling to provide Taiwan with the *Aegis*-missile destroyers which could form the basis for a navy-based TMD system for Taiwan. At the same time, Taipei is also considering to develop its own counterforce short- and medium-range ballistic missile force (either to revive the '*TienMa*' program with a range of 1.000km or to develop a new one with a greater range up to 2,000km<sup>41</sup>) that will cover much the adjacent coastal region of the PR China within a military strategy

<sup>35</sup> See ADJ 3/1999, p. 56.

<sup>36</sup> These are conclusions drawn from an international conference and discussions held with Taiwanese security experts in Taipei in December 1999.

<sup>37</sup> See SIPRI (Ed.), 'Yearbook 1999: Armaments, Disarmament and International Security' (Oxford University Press: Oxford-New York 1999)', here p. 425 f.

<sup>38</sup> See Nadia Tao, Taipei Times, 12 October 2000 (Internet-edition).

<sup>39</sup> See SIPRI (Ed.), 'Yearbook 2000: Armaments, Disarmament and International Security' (Oxford University Press: Oxford-New York 1998)', here p. 245.

<sup>40</sup> See Wendell Minnick, JDW, 4 October 2000, p. 5.

<sup>41</sup> See Robert Karniol, 'Taiwan's Survival Strategy', *ibid*, 13 September 2000, p. 19.

framework of a no first-use doctrine. This potential ballistic missile program is complemented by Taiwan's

own development of a land-attack cruise missile, derived from the *Hsiung Feng* anti-ship missile with an extended range of more than 300km.<sup>42</sup> These new missile developments are an important component of Taiwan's newly outlined defence strategy centered on "full-scale engagement with the enemy in territory outside Taiwan"<sup>43</sup> which may increase preemptive military options on both sides of the Taiwan Strait.

Despite the present US unwillingness to sell the *Aegis-missile* destroyers, the US has recently announced to sell Taiwan 200 supersonic 'AMRAAM' *AIM-120C* medium-range air-to-air missiles to enhance the defensive capabilities of Taiwan's *F-16* fighters, advanced military communication systems as a major force multiplier and other weaponry worth of US-\$1.3billion.<sup>44</sup> However, according to US sources, the 'AMRAAM' missiles will not be delivered to Taiwan's air force (though its pilots will train with the new missiles), but will be kept at a US overseas base and sent to Taiwan when they are needed.<sup>45</sup> At the same time, Taiwan is building new anti-ship missiles (*Hsiung Feng III*), which should have with 600km range and a speed exceeding *Mach 2* a greater range and faster speed than the PLA's *Sunburn* missiles from Russia.<sup>46</sup> Recently, Taiwan has commissioned four dock landing ships (LSD) to strengthen its amphibious capability and 15,000 personnel-strong marine corps.<sup>47</sup> In 2001, Taiwan plans to raise its defence budget again by 9 percent to a total of 270.3 billion Taiwan dollars (US-\$8.7 billion).<sup>48</sup> Reportedly, from 2003, Taiwan plans to purchase a fleet of 22 medium-size transport aircraft to enhance its air transport capability.<sup>49</sup> Taipei is also beginning to consider new fighter aircraft purchases to maintain its strategic superiority over the PLA air force well beyond 2005 and 2010 after the PLA has acquired 40-50 very advanced *SU-30s* and plans to build as many as 200 more in license.<sup>50</sup> It has also allocated \$225.5 million for a seven-year program to develop a joint-strike aircraft derived from the indigenously-build *IDF* aircraft.<sup>51</sup>

Despite its ongoing modernization efforts, Taiwan's armed forces are often not exploiting their full potential technological strengths for forming a well-integrated force. Its *F-16s* aircraft fighters and the Anti-submarine Warfare helicopters, for instance, were unable to

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<sup>42</sup> See *ibid.*

<sup>43</sup> See the interview with Taiwan's defence minister Wu Shi-Wen, JDW, 13 September 2000, p. 32.

<sup>44</sup> See AFP, 29 September 2000, Page A06 ([washingtonpost.com](http://washingtonpost.com)).

<sup>45</sup> See AFP, 29 September 2000 (Internet: [taiwansecurity.org/AP/AP-092900-2.htm](http://taiwansecurity.org/AP/AP-092900-2.htm)), and AFP, 30 September 2000 (Internet: [taiwansecurity.org/AP/AP-093000.htm](http://taiwansecurity.org/AP/AP-093000.htm)).

<sup>46</sup> See Brian Hsu, *Taipei Times*, 12 September 2000.

<sup>47</sup> See Wendell Minnick, JDW, 9 August 2000, 15.

<sup>48</sup> See NAPSNET-Daily Report, 27 July 2000.

<sup>49</sup> See ADJ 3/2000, p. 55.

<sup>50</sup> See Craig S. Smith, IHT, 5-6 August 2000, p. 4.

<sup>51</sup> See Wendell Minnick, JDW, 9 August 2000, p. 2.

communicate electronically with its US-made *E-2T 'Hawkeye'* airborne early warning (AEW) aircraft until very recently.<sup>52</sup> Target selection of air and ground targets is therefore

transferred via radio or ground-based communication centers. Moreover, the three services of the island's air-defence system '*STRONGNET*' are not integrated. Thus PLA military experts believe that most of Taiwan's modern weapons are only operating at 60 percent of combat effectiveness.<sup>53</sup> In this light, there is much room, opportunities and the need to improve and enhance Taiwan's military deterrence capability without spending too much and investing too early in new and too expensive weaponry programs such as *TMD* in the next five years. Thus Taiwan will have to place much more attention and efforts to electronic and information warfare as well as to modernize its command, control, communication, computers, intelligence, surveillance and reconnaissance (C4ISR) systems in the years to come.<sup>54</sup> It is also developing a number of new missiles such as an anti-radiation missile for potential use against aircraft control radars and air-defence radars for its indigenously-build *Ching-Kuo IDF* airfighters.<sup>55</sup>

Taiwan's impressive military modernization programs of the 1990s notwithstanding, one may ask whether the island's armed forces will be able to effectively use latest additions to their weaponry, given a lack of force multipliers and adequate military training, low morale, and operational as well as doctrinal shortcomings in both strategy and tactics. Furthermore, the last time that Taiwan's armed forces conducted joint military exercises together with the US was 20 years ago. The extent of intra-operability – technical, doctrinal, as well as operational – and experiences made with joint military operations therefore remains rather limited. Nonetheless, a delegation of Taiwanese military officers visited Washington last June in the most extensive contacts of its kind in more than two decades.<sup>56</sup> It confirms increasing direct military cooperation between Washington and Taipei. The more both sides will intensify their military relationship via official contacts, joint military training and delivery of modern weapon systems<sup>57</sup>, however, the more mistrust will arise on Beijing's side. In this context, *Kurt M. Campbell* has noted:

*"The higher profile given to the changing security situation and the subtle reestablishment of contacts with the Taiwan military are likely to have much more profound long-term implications than any weapons system agreed upon today."*<sup>58</sup>

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<sup>52</sup> Recently, the introduction of real-time links as a major multiplier factor between the E-2T and the fighter force has significantly enhanced Taiwan's air-defence and air-strike capabilities – see Robert Karniol, 'Taiwan's Survival Strategy', *ibid*, 13 September 2000, p. 19.

<sup>53</sup> See Damon Bristow, 'Taiwanese Armed Force Evolution', *JIR*, September 2000, pp. 33-36.

<sup>54</sup> See again Robert Karniol, 'Taiwan's Survival Strategy'.

<sup>55</sup> See Robert Karniol, *JDW*, 13 September 2000, p. 14.

<sup>56</sup> See Tyler Marshall, *Los Angeles Times*, 29 June 2001.

<sup>57</sup> See also 'US Helps Taiwan Upgrade Intelligence Network: Report', *Agence France Presse*, 29 January 2001 and *The Straits Times*, 12 April 2001.

<sup>58</sup> Curt W. Campbell, 'Edging Taiwan in From the Cold', *The Washington Post*, 25. April 2001.

### The Role of the U.S. in the Conflict of the Taiwan Strait

Thus far, Washington seems to stick to the political bargain struck with China in 1972: the US will maintain a "One-China"-policy for as long as Beijing desists from solving the Taiwan problem by other than peaceful means. It remains to be seen whether Beijing and

Taipei will be able and willing to adhere to the inherent principles. The foreign policy implications of Taiwan's remarkable democratization process as of today are quite different from the situation when China and the US agreed on their Shanghai compromise. Presently, nobody can be sure whether all involved governments will ultimately be able to follow and to adapt to the new political realities or whether the new realities will have to adapt to "the old 1972 understanding" between Washington and Beijing. Given the changing political environment in the region, the present situation can be viewed to some extent as being "unnatural". Both the US's and China's credibility are very much at stake with regard to Taiwan. Whereas Beijing has not rejected the original understanding, it has put greater emphasis on the coercive aspect of diplomacy and has simultaneously deepened the classic security dilemma by increasing its military arsenal vis-à-Taiwan in both qualitative and quantitative terms.

The present situation will not and cannot last forever. Beijing needs to at least meet Taipei and the new political realities halfway in an attempt to define a new, more stable formula for both its relations with Taiwan and Washington. Furthermore, *Chen Shuibian's* victory has been the one outcome Beijing most loathed and had wanted to prevent. The PRC's message that "a vote for Chen is a vote for war" has made it more difficult in the future to seek and find a compromise with a DPP-based government. Although *Chen* has proven his political farsightedness by ruling out holding a referendum on independence in the near future, and in spite of his offer of new economic ties and cooperation, Beijing and *Jiang Zemin's* CPC can simply not trust him over the longer term. And although Taiwan appears ready to enter into negotiations for reunification, it is simply not interested in the kind of outcome that Beijing is seeking. Therefore, negotiations will only transfer both sides' mutually exclusive interests to a higher political level without resolving them. Given Beijing's self-declared time-pressure to finalize those negotiations by 2007, inherent pressures and conflicts can probably only increase. The next three to five years are thus predicted by most US experts to become a period of heightened tensions and potential crisis. Whether, as has been argued, there is a new Beijing "timetable without time limit"<sup>59</sup>, remains to be seen. However, as *Bates Gill* has argued, any political strategy for a peaceful resolution to the Taiwan issue must recognize the crucial importance of the democratic evolution in Taiwan: "... acknowledging it, nurturing it, preserving it, and integrating its indisputable reality and dynamism into the ultimate settlement of the cross-Straits quandary."<sup>60</sup>

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<sup>59</sup> "China Concedes Reunification with Taiwan Will Take Time," *Agence France Presse*, 26 March 2000 (see <http://taiwan.security.org/AFP/AFP-032600.htm>).

<sup>60</sup> *Bates Gill*, *Washington Times*, 23 March 2000.



To some extent, the new US president *George W. Bush, Jr.* has already redefined the traditional US policy towards the cross-strait conflict sides after it agreed to new substantial modern weaponry deliveries to Taiwan. He declared at the end of last April:

”Unification can be delayed, but not denied. The timing of it will be decided by the people of Taiwan and not the leaders in Beijing. Before that happens, Taiwan remains a ‘part of China’ and a self-governing non-state. The United States rejects forced unification and Taiwan independence and will do ‘whatever it takes’ to see to it.”<sup>61</sup>

Although he has been criticized for its more open support of Taiwan and for redefining the policy of ”*strategic ambiguity*”, he has been supported by many US experts. *Robert Kagan* from the *Carnegie-Endowment for International Peace*, for instance, stated:

”America’s very arcane, very nuanced policy was created in 1979. The world then was so different from today’s that it might as well have been 1879. In 1979 the Soviet Empire looked like an insatiable and unbeatable monster. China seemed to be genuine strategic ally. Taiwan was a creepy dictatorship, clutching tired old visions of reconquering the mainland...

No matter how often Bush repeats the ‘One China’ mantra, as a practical matter American policy will be based on the principle of two Chinas, not one. And before too long, as the pressures of this confrontation grow, other revered China policy shibboleths will begin to topple, like the myth that the United States can engage the Beijing oligarchs as an economic friend while it confronts them as a military adversary.

The old China hands and their allies in corporate America are furious at President Bush for bringing us to this point. The rest of us can thank him. With a few words Bus has dragged the United States across the threshold from the era of illusions into the era of reality. That can never be a bad thing. And it was not a mistake.”<sup>62</sup>

However, that does not mean the U.S. and other Western or Asian powers will give up their ”*One China*”-policy. In many respects, the question depends on the overall bilateral relationship between Washington and Beijing as well as in particular on mainland China’s evolving domestic situation. If mainland China will be able to manage a stable socio-economic and political situation at home, the more opportunities for pragmatism will exist not only for the bilateral relationship between the US and China, but also for the cross-strait relations between Beijing and Taipei. The basic U.S. interest — the maintenance of beneficial relations with both Beijing and Taipei, the peaceful settlement of differences between them, Taiwan’s democracy, and the credibility of U.S. commitments in the region — have not changed. In this respect, continuity in core U.S. policies can be expected in the forthcoming months and years.

### Conclusions and Perspectives

Although the US president’s recent statement on new arms deliveries and redefining the traditional US-policy of ”*strategic ambiguity*” — by indicating that it would be unthinkable

<sup>61</sup> Quoted following, ‘Taiwan Decides Timing of Reunification: Bush’, *China Post* (Taipei), 1 May 2001.

<sup>62</sup> R.Kagan, *IHT*, 13 March 2000. p. 8.

for the United States to remain aloof if China attempted to subdue Taiwan by military force—surprised many American and foreign observers, it reflected a increasing common-sense

appraisal of the new strategic situation in Asia.<sup>63</sup>

At the same time, the recent advocacy of a confederation by *KMT* Chairman *Lien Chan* (from the main opposition party) has set the tone for new directions for the future cross-strait policy to break the current impasse. It has inevitably provoked another wave of unification-independence arguments in Taiwan's domestic debates although it has often been already discussed on the international scene as the most realistic model for improving the cross-Strait relationship. If we look at the whole spectrum of definitions for the possible structure of cross strait relations, the halfway point is the *status quo*. Moving to the right of that point, we can identify "one China, two countries" passing through "one country, two governments", "one China with divided rule", "the divided rule of one China" and "federation" to "one country, two systems" on the extreme right. On the left side, we find the model of "confederation", then passing to "special state-to-state relations", "independent commonwealth", "EU", "British Commonwealth" and "state-to-state special relations" to the "Republic of Taiwan" on the extreme left. These are all models for the existence of two countries. The model of a "confederation" suggests at the end a prelude to unification and is the closest form of integration of countries in international law. They are all sovereign and independent states, but their political union is based on a common, confederate constitution that recognizes the existence of the central government's powers. Historically, however, a confederation system has often proved an ineffectiveness so that countries had to move further from a confederation to federation as it was in the case of the U.S., Germany and Switzerland.<sup>64</sup> In this respect, the concept is also misleading and irritating for most of Taiwanese people.

Given its own political agenda, it is not surprising that Beijing has already condemned a confederation model<sup>65</sup> as the new Taiwanese president *Chen Shui-bian* has refused to discuss a *seven point plan* offered by Beijing recently<sup>66</sup> which has tried to modify its traditional "one country, two systems" approach. However, the latter model fails to attract any substantial support among the Taiwanese population as it suggests: *after* China takes control of Taiwan, the island would continue to use its own currency; keep its troops; be an independent region for customs and tariffs; continue to keep its government framework; the mainland will not take even one cent from Taiwan and will not use Taiwanese capital; Taiwan people and businessmen will hold on to their property and Taiwan's government officials will remain independent from the mainland's and no mainland officials will be dispatched to Taiwan. According to numerous opinion polls in Taiwan, less than 15 percent

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<sup>63</sup> See Richard Lugar, *Washington Times*, 17 May 2001.

<sup>64</sup> See Shen Fu-hsiung, *Taipei Times*, 12 July 2001.

<sup>65</sup> See *Straits Times*, 11 July 2001.

<sup>66</sup> See *AFP*, 14 July 2001.

of Taiwan's population favor a solution under which Hong Kong and Macao returned to Chinese rule albeit some pro-unification newspaper put the figure up to 30 percent.<sup>67</sup> Given its own political agenda and the difficult and sensitive Taiwan question at home as well as its

own fundamental distrust of *Chen Shui-ban* as Taiwan's present president, Beijing would prefer stalemate to dialogue. But this course is fraught with considerable risks taking into account the fastening bilateral arms race across the Taiwan Strait.

The persistently *low profile* shown by the EU and most of its members on issues of Asia-Pacific security in general and *non-existing profile* in regard to the Taiwan Strait conflict in particular is not only due to conceptual problems or unwillingness to accept moderation roles of foreign powers on the other side, but also to Europe's lack of resources and reticence in assuming a higher profile. While this situation cannot be remedied from one day to the next, the creation of a EU core group on regional security could help launch a review on existing bilateral and multilateral channels, redefine specific European interests in particular security complexes, and suggest new approaches, e.g. by testing new formats of cooperation in the entire Asia-Pacific region.

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<sup>67</sup> See Taipei Times, 16 July 2001.