

RELATIONS ACROSS THE TAIWAN STRAIT: STILL A MAJOR POLITICAL AND SECURITY PROBLEM

CHAPTER

EIGHT

Relations between China and Taiwan constitute one of the longest-running unsolved international political and security issues inherited from the Cold War. After the United States–China normalisation of 1979 and under the impact of China’s economic reforms, as well as Taiwan’s democratisation and globalisation, Beijing and Taipei have established multiple channels of communication, increased their economic interdependence and people-to-people contacts, and on the whole improved relations. Moreover, since Ma Ying-jeou was elected president of Taiwan in 2008, a genuine detente and even a political rapprochement have taken place across the Taiwan Strait, illustrated by Ma’s meeting in Singapore with Chinese President Xi Jinping in November 2015.¹

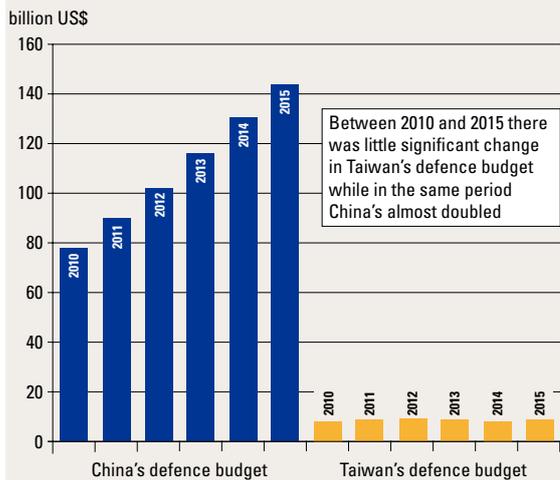
However, China and Taiwan have not been able to address, let alone resolve, their political differences. Although since 2007 it has prioritised the ‘peaceful development of cross-strait relations’,² China does not recognise the statehood of the Republic of China (ROC, Taiwan’s official name, as opposed to the People’s Republic of China), and continues to threaten Taiwan militarily and ask it to reunify on Beijing’s terms of ‘one country, two systems’ – in other words, on the same terms as Hong Kong and Macao.³ Moreover, Beijing considers the United States’ security guarantees to Taipei, namely those provided by the 1979 Taiwan’s Relations Act,⁴ as a major obstacle to its objective of reunification. However, Taiwan’s democratisation since the late 1980s has consolidated the island’s separate identity; giving birth to pro-independence forces and strengthening its will to preserve the status quo, while normalising relations with Beijing and improving its international status.

Since the mid-1990s, China’s unprecedented economic rise and military modernisation, while boosting its own nationalism, have dramatically

changed the strategic equation across the Taiwan Strait. The development of trade and economic relations across the Strait have over time created an increasingly asymmetric relationship between China and Taiwan, with Taiwan becoming increasingly dependent in economic terms on China. Due to China’s sharp increase in defence expenditures and rapid military modernisation since 2005, the bilateral military balance has tilted increasingly in favour of the People’s Liberation Army (PLA), forcing the US to reassess its role in securing Taiwan, while narrowing Taipei’s options for the future. In the same year, Beijing adopted an ‘anti-secession law’ that legalised the use of ‘non-peaceful’ means to reunify with Taiwan. Since Xi came to power in 2012, China’s more assertive foreign policy and ambitious security objectives, particularly in the maritime domain, have increased the pressure on both Taipei and Washington.

China and Taiwan may continue to develop closer relations and work out a longer-term modus vivendi. But there are forces, particularly on the mainland, and to a lesser extent in Taiwan, that are unhappy with the status quo. Those in China would like to accelerate unification; those in Taiwan to consolidate de facto independence of their political entity. Consequently, relations across the Strait include many of the ingredients for a potential political and even military crisis. Far from being a bilateral question that Chinese from the two sides can solve by themselves (as Beijing often argues), the China–Taiwan rift will probably remain a major regional security issue closely linked to the future of relations between China and the US and their geostrategic competition in the Western Pacific and more widely.

Figure 8.4: Taiwan and China's relative defence budgets: 2013–15



Source: IISS, *The Military Balance 2016*

CROSS-STRAIT RELATIONS: IMPROVEMENTS AND THEIR LIMITS

Since Ma's election and the Kuomintang (KMT)'s return to power in 2008, relations across the Strait have improved dramatically.⁵ Soon after the KMT established its new government, direct air and sea links across the Strait were established.⁶ Economic relations have developed quickly, with bilateral trade increasing from US\$129 billion in 2008 to US\$199bn in 2014, including in 2014 US\$152bn of Taiwanese exports.⁷ Large numbers of Chinese tourists have visited the island (15 million between 2008 and 2014),⁸ bringing direct benefits to the Taiwanese service industry (for example, just under four million tourists in 2014 spent US\$14bn).⁹

Educational, cultural and people-to-people exchanges and cooperation programmes have also developed rapidly. Significantly, the number of Chinese students admitted to Taiwanese universities increased from 823 in 2008 to 35,000 in 2015.¹⁰ Since 2008, the Association for Relations Across the Taiwan Strait (ARATS) and the Straits Exchange Foundation



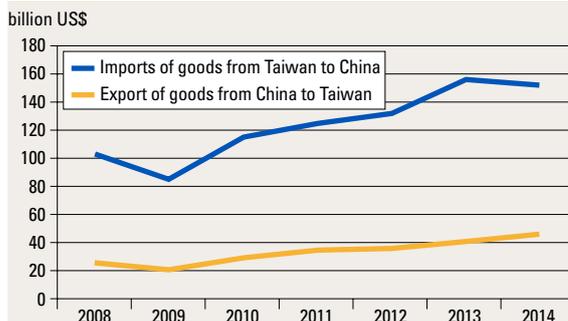
Taiwanese President Ma Ying-jeou and Chinese President Xi Jinping in Singapore, November 2015

(SEF), the two quasi-official organisations set up in 1991 to represent the Beijing and Taipei governments, respectively, in their relations with each other have concluded 23 accords, including an ambitious Cross-Straits Economic Cooperation Framework Agreement in 2010.¹¹

In addition, since they re-established relations in 2005, the Chinese Communist Party (CCP) and the KMT have held regular meetings that have attempted to find common ground on some of the most politically sensitive issues, such as concluding a peace treaty or reducing military tension in the Taiwan Strait (for example, China's withdrawal of missiles aimed at Taiwan), but also to promote people-to-people exchanges and to try to tackle some of the intractable details of the technical agreements that ARATS and the SEF have negotiated (e.g. financial and service sectors cooperation, two-way investment promotion, establishment of China-Taiwan representative offices yet to be opened). Simultaneously, government-to-government contacts have become more direct. In 2014, the director of Beijing's Taiwan Affairs Office met his counterpart, the chairman of Taipei's Mainland Affairs Council, for the first time in Nanjing.¹²

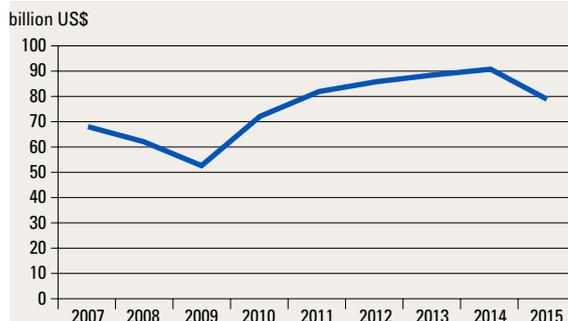
On the international stage, at the KMT's request, in 2008 the two sides agreed on a verbal 'diplomatic

Figure 8.1: Growing bilateral trade between Taiwan and China: 2008–14



Source: The International Monetary Fund, data.imf.org

Figure 8.3: Taiwan's exports to Southeast Asian states: 2007–15



Source: International Monetary Fund, data.imf.org; Bureau of Foreign Trade, trade.gov.tw



Director of the Taiwan Affairs Office of China's State Council Zhang Zhijun with Taiwan's Mainland Affairs chief Wang Yu-chiin, June 2014

truce', under which Taiwan could maintain its 23 existing bilateral diplomatic relationships.¹³ This truce has been well respected: when Gambia severed diplomatic relations with Taiwan in 2013, Beijing did not normalise relations with it.¹⁴ Furthermore, in 2015, Xi finally decided to accept Ma's invitation, made at least two years earlier, for a summit in a neutral venue, which in the event was Singapore.¹⁵ Although the November 2015 Xi–Ma summit involved 'the leaders of both sides of the Strait', thereby not boosting Taiwan's international status, it nonetheless constituted an important step in the 'creeping normalisation' of relations that has been going on since 1991, and which has accelerated since 2008.¹⁶

Despite Ma's self-declared policy of 'rapprochement' towards China, contentious issues have remained. First, while the reconciliation between the KMT and CCP has eased Ma's policy, it has been contested by Taiwan's main opposition grouping, the Democratic Progressive Party (DPP) and the whole 'green camp', which favours if not always formal independence at least a clearly separate and full statehood. The KMT's rapprochement has been based on the 'one China principle' and the so-called '1992 consensus', a formula the KMT coined in 2000 after its defeat and the election of DPP candidate Chen Shui-bian as president, which the Chinese government quickly endorsed. However, the DPP has always questioned this supposed consensus, which refers to a verbal understanding that SEF and ARATS negotiators reached in November 1992. According to this, from the perspective of Taipei, the KMT and the whole 'blue camp' (which favours eventual unification), there is 'one China' but 'each side keeps its own interpretation'; while, for Beijing, the two sides do not attempt to define the meaning of 'one China' in detail.¹⁷

Second, the economic benefits for Taiwan of rapprochement with China have been neither obvious nor evenly distributed. The policy has favoured certain politically important sectors (such as fruit

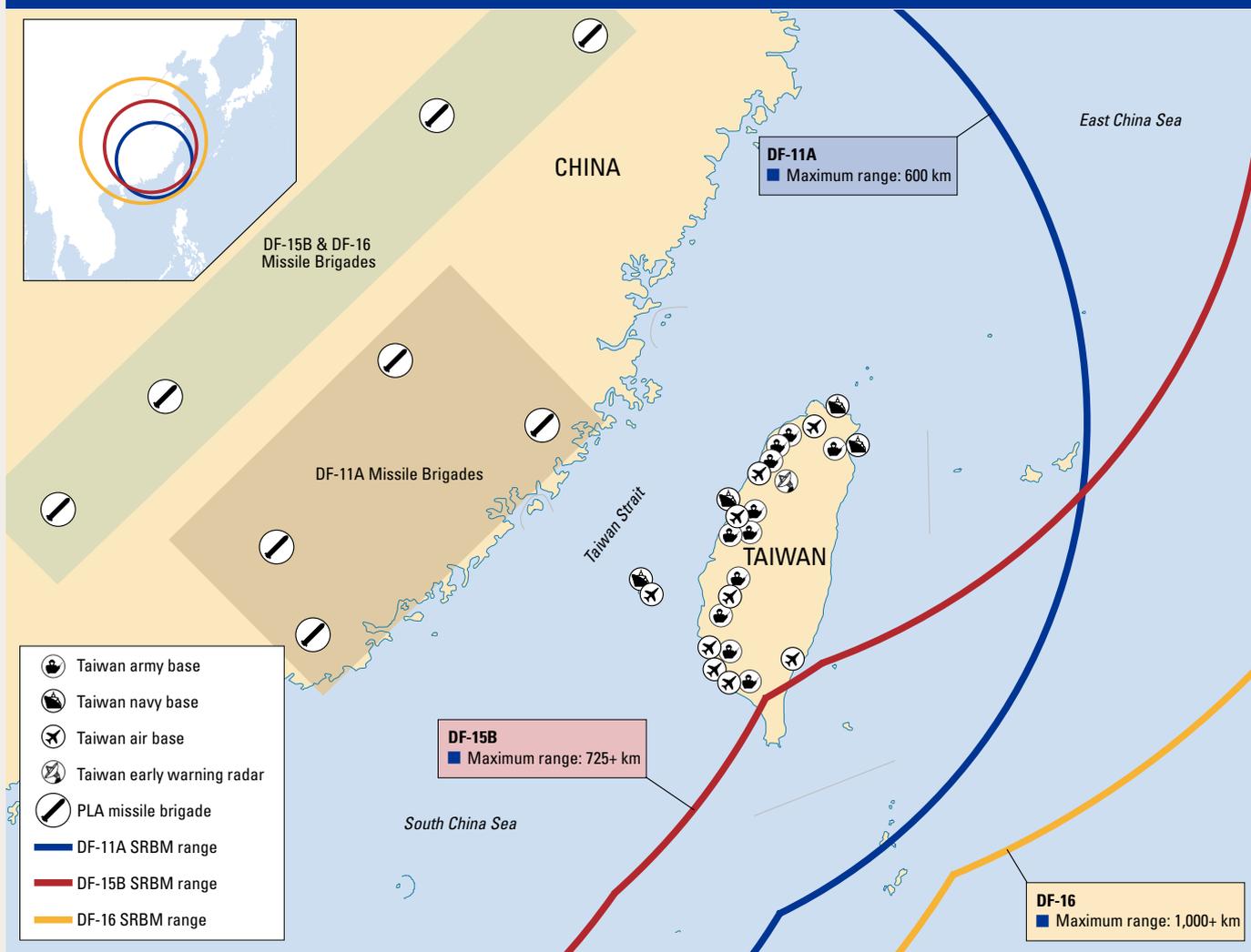
farming) and, more generally, big companies rather than small businesses.

Third, apparently in the interest of promoting closer economic but also political relations with China, Ma's government sometimes appeared to accommodate China's interests and concerns. For example, it limited the entry to Taiwan of Beijing's opponents, such as Rebiya Kadeer, the president of the World Uighur Congress, and shied away from meeting Chinese dissidents, such as 'Barefoot Lawyer' Chen Guangcheng, who took refuge in the US in 2012, or the Dalai Lama.¹⁸ The DPP has also criticised Ma, himself a 'mainlander' whose family joined the mass exodus from mainland China to Taiwan at the end of the civil war in 1949, for promoting politicians with the same sub-ethnic background (13% of the population) to the detriment of local Taiwanese, be they Hoklo (*Fulao*) or from families originating in south Fujian (70%), Hakka (or *Kejia*) who originate from eastern Guangdong (15%) or aborigines (2%).¹⁹ In late 2011, Ma announced that, if re-elected, he would start political negotiations for an end-of-hostility or a peace agreement with Beijing,²⁰ but gave up the idea after it triggered strong opposition in Taiwan, including among the KMT.

Moreover, Taiwan's international space has not significantly expanded, despite the observer status that it obtained in 2009 in the annual meeting of the UN World Health Organization's (WHO) World Health Assembly²¹ – although not in the WHO as a whole – and its special guest status in the UN's International Civil Aviation Organization since 2013.²²

At the same time, although confidence-building measures between the Chinese and Taiwanese coast guards had informally taken shape even before they organised joint search-and-rescue operations in 2010,²³ the two sides were unable to establish military confidence-building measures, nor improve their overall security relations. At the Xi–Ma summit in November 2015, China and Taiwan agreed to set up

Map 8.1: Representative Taiwan military basing and China's notional short-range ballistic-missile (SRBM) coverage



Source: IISS

a hotline to avoid ‘miscalculations’ but it was unclear whether this mechanism could manage unintended military incidents at sea or in the air effectively.²⁴ In any event, the PLA has become a much more credible threat to Taiwan’s security, and the 1,100–1,500 conventional missiles targeting the island – a fact Beijing denies – are only part of China’s capability to project military power across the Strait.²⁵ Overall, Taiwan’s capacity to defend itself has deteriorated. Ma failed to keep his electoral promise to increase Taiwan’s military budget to 3% of GDP (it stood at just above 2% in 2015).²⁶

Meanwhile, as early as 2013 Xi showed impatience to open political negotiations and accelerate Taiwan’s unification process with the mainland.²⁷ This made the Ma administration more cautious of Beijing, even before its mainland policy came under fire on the domestic stage. In early 2014, domestic opponents openly challenged Ma’s rapprochement policy. In trying to rush through ratification of an important cross-strait service trade agreement signed in June 2013, a minority of KMT legislators triggered

the unprecedented occupation of the Legislative Yuan – the ROC’s unicameral legislature – by students and other activists.²⁸ The 24-day occupation quickly became known as the ‘Sunflower Movement’. The impasse ended peacefully following mediation by centrist KMT politicians.

However, the movement forced the KMT government to promise to draft a new law that enhanced the legislature’s supervisory role with regard to cross-strait relations (the law was not passed as of May 2016).²⁹ As a result, negotiations between Beijing and Taipei slowed down. Combined with the impact of slower economic growth, stagnating living standards and the Ma administration’s perceived lack of confidence in Taiwanese support for its policies, concern over cross-strait relations caused the KMT’s popularity to plummet. In the November 2014 local elections, the party lost many constituencies, to the benefit of the DPP and, to a lesser extent, a newly emerged and more pragmatic ‘third force’, represented among others by Ko Wen-chen, Taipei City’s new mayor.³⁰ This laid the foundations for the victory



The Sunflower student movement occupied parliament for 24 days in protest at the Ma administration's trade pact with China

of the DPP's candidate Tsai Ing-wen in the January 2016 presidential election³¹ and the historic end of the KMT's domination of the Legislative Yuan.

XI'S PRIORITIES AND TAIWAN

There has been substantial continuity in China's policy towards Taiwan. Throughout Ma's eight years in office, China's former president Hu Jintao and his successor Xi attempted to cultivate close and warm relations with the KMT government, the 'blue camp' and business people involved with the mainland (especially the 1–2m *Taishang* or Taiwanese merchants living in China).³² By and large, Xi's strategy towards Taiwan has not dramatically departed from that of his predecessor: he has continued to emphasise deepening economic and social links, multiplying contacts with all segments of the Taiwanese society, including the DPP and the independence-leaning 'green camp' in general, as well as winning the 'hearts and the minds' of the Taiwanese.³³ Likewise, Hu's emphasis on good neighbourhood diplomacy and the 'peaceful development' of cross-strait relations has been maintained and to some extent deepened.³⁴ For the Chinese, pacifying and securing China's periphery are closely linked goals.

However, the CCP cannot establish official relations with the DPP as long as that party does not embrace the so-called '1992 consensus' and abandon its 1999 'resolution on Taiwan's future', according to which Taiwan under its official name of Republic of China should be free to decide its future status without outside interference.³⁵ Nevertheless, Beijing has opened informal channels of communication with the DPP, at national and local (municipal and county) levels.³⁶ Simultaneously, it has intensified its 'united front' activities in Taiwan, reaching out and trying to influence all the constituencies that have developed relations with, or have vested interests in, China.³⁷ In November 2015, China sought to influence the outcome of Taiwan's January 2016 presidential and legislative elections. Xi's meeting

in Singapore with Ma highlighted the benefits of the KMT's (and the CCP's) rapprochement policy and the potential cost of abandoning it.³⁸ Xi's top objective has been consistent: to increase China's influence on Taiwan, while using economic, political, ideological and cultural means to narrow the island's options; compel it to open political negotiations; and, eventually, contemplate unification.

But under Xi China's Taiwan policy has changed. First, with regard to Taiwan, among other political priorities Xi has concentrated greater power in his own hands. He is reputed for not making decisions based on advice from the various institutions historically involved in making policy on Taiwan, such as the CCP Taiwan Work Leading Small Group, which he chairs, or the CCP and State Council's Taiwan Affairs Office. This partly explains the apparent rapidity with which his meeting with Ma was arranged in late 2015. Xi has to some extent resumed the late 1990s' strategy of former CCP general secretary Jiang Zeming in accelerating the unification process. In 2013, Xi declared to former ROC Vice-President Vincent Siew, the Taiwan representative at the APEC summit in Bali, that 'the issue of political disagreements that exist between the two sides must reach a final resolution, step by step, and these issues cannot be passed on from generation to generation'.³⁹

The Sunflower Movement and the KMT's clear defeat in Taiwan's November 2014 local elections intensified Xi's alarm over the island's evolution. On the surface, the Chinese government's reaction has been subdued. Beijing showed a willingness not to interfere in Taiwan's electoral process and a readiness to work with any administration on the island provided that it abided by the '1992 consensus'. Nevertheless, the growing prospect of Tsai's election in January 2016 compelled Xi to increase his pressure on the DPP, demanding that it endorse the '1992 consensus' and describing 'separatist forces of "Taiwan independence" and their activities' as 'the biggest hindrance for the peaceful development of

the cross-Strait ties' and the 'biggest threat of the cross-Strait stability'.⁴⁰

On 1 July 2015, the Chinese government enacted a new national security law that elevated preserving national sovereignty and territorial integrity into a 'shared obligation for all the Chinese people including compatriots from Hong Kong, Macao and Taiwan'.⁴¹ In September 2015, Beijing decided, without consulting Taipei, to issue to all Taiwanese residing on the mainland new electronic identity cards that would help the Chinese authorities monitor them more effectively.⁴² Around the same time, Chen Yunlin, the ARATS director between 2008 and 2013, fell from grace not so much because of corruption allegations that have been made public, but because of the failure in his Taiwan policy.⁴³

These developments provided the context for Xi's decision to meet Ma in Singapore in late 2015. Behind Xi's charm offensive, the Chinese president adopted a hyper-nationalist discourse that did not address Taiwan's main political and security concerns. Instead, in his meeting with Ma, Xi emphasised the 'blood' relations between Chinese people on both sides of the Strait, and Taiwan's historical and cultural Chinese-ness and Chinese identity.⁴⁴

The prospect of the DPP returning to power also convinced Xi to exert greater military pressure on Taiwan. As early as 2009, the Hu Jintao government tested the new Obama administration by threatening to exclude from the Chinese market US companies (such as Boeing) that sold weapons to Taiwan.⁴⁵ China later quietly retracted this threat and never criticised the Ma government for acquiring the military equipment it purchased from the US. Nevertheless, Beijing had indicated a renewed willingness to weaken US-Taiwan security relations as well as the island's security.⁴⁶ Simultaneously, the rapid growth in China's defence spending (which outstripped GDP growth) allowed the PLA to continue expanding its capabilities.⁴⁷ While the PLA has focused on enhancing power projection and capability to intervene in the East and the South China seas, it has also targeted Taiwan through the development of anti-ship ballistic missiles – or 'carrier-killers' – that may complicate US planning for military intervention in the event of future crises across the Strait.⁴⁸

In 2015 China conducted several joint-service military exercises in close proximity to Taiwan, some of them simulating an invasion of the island.⁴⁹ One coincided with Tsai's visit to the US in late May 2015. In January 2015, the PLA announced plans to double its amphibious infantry divisions from two to four and to increase its total force of marines from 30,000 to 60,000 troops.⁵⁰ According to US estimates, although the PLA is not yet capable of launching an invasion



of Taiwan, it could take control of the Taiwanese-held islands of Itu Aba (Taiping) in the South China Sea, or even Kinmen and Matsu close to the coast of China's Fujian Province.⁵¹

A crucial question concerns whether China under Xi's leadership would use military force to coerce Taiwan if the new Tsai-led DPP government does not prove sufficiently compliant. Some observers forecast a crisis, even if Tsai sticks to her cautious stance favouring the status quo in cross-Straits relations. She has not endorsed the '1992 consensus', but she has not openly rejected it either. There is still potential for the two sides to find common ground and a new *modus vivendi*. Nevertheless, in view of Xi's ambitious nationalist objectives, encapsulated in the notions of the 'China Dream' and the 'rejuvenation of the Chinese nation', it will be hard for him to relax China's vigilance towards Taiwan. There are also assertive nationalist forces in China, particularly in the PLA, that will prevent him from doing so. As a result, Taiwan's range of options will continue to narrow.

TAIWAN'S PRIORITIES AND OPTIONS

There has been more continuity than change in Taiwan's policy towards the People's Republic. Its foundation is the preservation of the status quo rather than independence or reunification with the mainland, an option supported by a large majority of Taiwanese since the beginning of democratisation in the early 1990s.⁵² The two main political parties both aim to consolidate the status quo and improve Taiwan's international status. For the KMT and Ma, this has been summarised since 2008 in the 'three noes' formula: 'no unification, no independence, no use of force'.⁵³ For the DPP (and Tsai in particular), it means that the 'ROC constitutional order' will be maintained and that 'the accumulated outcomes of more than twenty years of negotiations and exchanges' – in other words all the agreements reached with China since 1992 – will serve as 'the

Table 8.3: Kuomintang (KMT) & Democratic Progressive Party (DPP): differing approaches to China

Kuomintang (KMT)	<ul style="list-style-type: none"> ■ Identifies with: 'Chinese nation' ■ Views People's Republic: as a partner rather than threat, accommodating Beijing on issues like trade and human rights ■ National identity: unification with PRC is the ultimate goal if China democratises ■ Language: stresses Mandarin
Democratic Progressive Party (DPP)	<ul style="list-style-type: none"> ■ Identifies with: Taiwanese identity ■ Views People's Republic: as another country, both partner and menace ■ National identity: aspires to consolidate the status quo and fully 'Taiwan-ise' the ROC, changing the country's formal title to 'Taiwan' ■ Language: uses dialects like Hokkien and Hakka

Table 8.1: US 1979 Taiwan Relations Act: main points

- Policy to preserve and promote commercial, cultural and other relations with Taiwan, as well as mainland China
- Peace and stability in the area are in the political, security, and economic interests of the United States, and are matters of international concern
- Diplomatic relations with the People's Republic of China rest on the expectation that the future of Taiwan will be determined by peaceful means
- Shall provide Taiwan with arms of a defensive nature
- Shall maintain the capacity to resist any resort to force or other forms of coercion that jeopardise the security, or social or economic system, of the people of Taiwan
- Reaffirms the commitment of the United States to the preservation of democracy and human rights of the people of Taiwan
- Preserve the status quo in the Taiwan Strait as the US, not China or Taiwan, define it

firm basis' for the 'peaceful and stable development of cross-Strait relations'.⁵⁴

However, there are differences between the aspirations of the KMT and DPP. The KMT and the whole 'blue' camp tend to identify with the 'Chinese nation' and see the People's Republic as a partner rather than a threat.⁵⁵ It is also ready to accommodate Beijing on issues such as trade and even human rights. It still considers unification as its ultimate, if long-term, goal, but only after China democratises. The DPP – and other parties in the 'green' camp – promotes the Taiwanese identity and use of dialects such as Hokkien and Hakka (whereas the KMT stresses Mandarin) and Taiwanese nationalism. It considers the People's Republic as another country, and an economic partner as well as a political and military menace to Taiwan's democracy and de facto independence. Although the DPP has in effect abandoned its quest for formal independence, it also hopes to consolidate the status quo and fully 'Taiwanise' the ROC, promoting the Taiwanese identity and turning Taiwan into a full nation-state.⁵⁶ The KMT continues

to claim that the ROC represents the whole of China (and as a result, the People's Republic cannot be recognised); by contrast, the DPP has always referred to the ROC as Taiwan's 'name by default' but has a long-term aspiration to change the country's formal title to 'Taiwan'.⁵⁷

Despite the KMT's policy of rapprochement with the mainland, Taiwanese identity and civic nationalism have continued to strengthen. In 2015, 60% of the island's residents considered themselves Taiwanese, while 33% saw themselves as both Taiwanese and Chinese.⁵⁸ Only 3% saw themselves as Chinese.⁵⁹ According to a 2014 national security survey of Taiwan, 80% of Taiwanese would support a declaration of independence, as long as this would not trigger a war with China.⁶⁰ Conversely, the Chen Shui-bian administration did not challenge the ROC constitution, which notionally still includes the whole of China and overlaps with the territory of the People's Republic, and Tsai's administration is unlikely to do so. The only organisation that Chen suspended, in 2006, was the National Unification Council, a body that had been set up by the KMT-dominated ROC government in 1990 just before the beginning of constitutional democratisation.⁶¹

Taiwan's long-term economic dependence on China

The economy is an issue on which the KMT and DPP see eye to eye. KMT and DPP elites are aware of the Taiwanese economy's high degree of dependence on China. Ma claimed that China's share of Taiwan's exports declined under his presidency.⁶² Taiwan's customs data, however, contradicts this (at least up to 2014): although exports to six major ASEAN countries – Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand – as a proportion of total exports increased from 14.5% in 2007 to 18.7% in 2014, during the same period exports to China increased from 39% to 42%.⁶³ Economic diversification, particularly to Southeast and South Asia, is also a DPP

objective. While some labour-intensive Taiwanese firms (in the shoe, textile and apparel sectors) have moved to Vietnam and even Bangladesh, the bulk of Taiwanese trade and outbound investments (around 60% of the total and a stock of US\$140bn, in the latter case)⁶⁴ have remained with China, even as the flow has been decreasing since 2013.

The shared language, geographical proximity, direct air links, and better economic and administrative environment on the mainland may continue to convince Taiwanese companies, particularly those in the electronics manufacturing sector, to stay there. While China's economic slowdown might have an impact, Taiwan's dependence on the Chinese economy is likely to remain strong, particularly given that Taiwanese business is well-positioned to benefit from the expansion of China's service sector. There are only minor differences between Taiwan's 'blue' and 'green' camps in their economic policies towards China. As the Taiwanese economy and living standards continue to stagnate – there was less than 1% GDP growth in 2015⁶⁵ – and the political influence of Taiwanese companies doing business with China grows, the economic options for any Taiwanese administration will almost inevitably be limited.⁶⁶ The only issue on which the Ma administration remained cautious and security-minded concerned Chinese investments in Taiwan; by 2015, the total stood at US\$1.24bn.⁶⁷ Taiwan has closely monitored and restricted Chinese investments to prevent any 'Hongkong-isation' of Taiwan – acceding to a level of economic dependence that has forced the Hong Kong government and business sector to become obedient to the CCP – and there is no reason for the DPP to alter this policy.⁶⁸ But the risks of economic marginalisation – namely Taiwan's exclusion from most regional trade liberalisation negotiations – will probably compel the Taiwanese authorities to gradually relax their policy.⁶⁹

The necessity of credible defence and close relations with the US

The KMT and the DPP take Taiwan's security and its relations with the US seriously. Both have become more aware of not only the growing military threat the PLA poses but also the critical role that the United States' forward military deployment in East Asia would play in any major crisis, or conflict, across the Strait. However, in view of Taiwan's dwindling financial capacity and the increasing cost of social programmes, neither the KMT government under Ma nor the earlier DPP administration under Chen Shui-bian fulfilled their electoral promises to increase the defence budget. The annual defence budget stagnated at approximately US\$8bn from 2001 to 2006,



and has subsequently hovered at around US\$10bn since 2007.⁷⁰ The defence budget's share of GDP declined from 2.9% in 2001 to 2.0% in 2014.⁷¹ The DPP promised that, if returned to power in 2016, it would boost defence spending to 3% of GDP, but only in parallel with economic growth.⁷²

The constraints on defence spending since the early 2000s have left Taiwan's armed forces with no choice but to adopt an asymmetrical military strategy aimed at deterring a PLA attack. To be credible, Taiwan's defence capability must ensure that the cost of such an attack remains prohibitive for the PLA and China, or at least that it would outweigh its expected benefits, thereby compelling Beijing to think with great seriousness before contemplating any 'non-peaceful' option for 'solving the Taiwan issue.'⁷³

The defence strategy of the Ma government and that of its predecessor under the DPP's Chen initially differed.⁷⁴ The Ma administration began by adopting a purely defensive strategy, reportedly inspired by the work of William Murray, an academic at the US Naval War College.⁷⁵ Consequently, Ma's government emphasised the hardening of key military facilities, including moving some of them underground (for example, the tri-service Hengshan military command centre in Dazhi, outside of Taipei; the Air Operations Centre, in the southern part of the capital city; and its *Tien Kung II* surface-to-air missile bases), improving command-and-control systems and strengthening potential countermeasures to three possible scenarios: a conventional missile strike, a naval blockade or outright invasion.⁷⁶

Nonetheless, for many reasons, including pressure from the armed forces' leadership, Taiwan has maintained a significant offensive military capability.⁷⁷ This includes weapons such as *Hsiung Feng-2E* cruise missiles, whose range of up to 800km provides a capacity to strike and potentially destroy targets on the mainland.⁷⁸ Therefore, Chen's notion of 'active defence' has not been completely shelved, though its ambitious and possibly unrealistic objectives of moving the 'decisive battle outside of the

Table 8.2: The military balance in the Taiwan Strait region

Ground forces			Naval forces		
	China (Nanjing and Guangzhou Military Regions)	Taiwan		China East & South Sea fleets	Taiwan
Group Armies	5	3	Nuclear Attack Submarines	2	0
Armoured Brigades	5	4	Diesel Attack Submarines	32	4
Mechanised Infantry Divisions	1	0	Cruisers/Destroyers	16	4
Mechanised Infantry Brigade	4	3	Frigates	40	22
Infantry Divisions	2	0	Corvettes	18	1
Infantry Brigades	8	6	Coastal patrol (with missiles)	ε74	43
Army Aviation Brigades and Regiments	4	2	Landing ship tank / amphibious transport dock	29	13
Artillery Brigades	7	3	Air forces		
Airborne Divisions	3	0		China (Nanjing and Guangzhou Military Regions)	Taiwan
Amphibious Divisions	2	0	Bombers	114	0
Marine Brigades	2	3	Fighter aircraft	664	288
			Attack aircraft	264	128

Source: IISS, *The Military Balance 2016*

territory' and developing offensive weapons such as long-range missiles with a range of more than 1,000km have evidently been abandoned.⁷⁹ In addition, the Ma government continued to invest heavily in the navy and the air force. It developed and brought into service *Cheng Kung*-class modern missile frigates, which are armed with powerful *Hsiung Feng II/III* anti-ship ballistic missiles⁸⁰ and pose a credible threat to the PLA Navy (PLAN). In addition, Taiwan has paid more attention to its cyber defences, as a strategic cyber offensive against Taiwan seems likely in the event of war.⁸¹ It is highly likely that the new DPP administration will maintain these aspects of Taiwan's defence policy.

The KMT and DPP have both favoured the transformation of the Taiwanese armed services into an all-volunteer force. The DPP was more reluctant initially, for political reasons, to keep a close bond between the armed forces and society, and foster a desire to fight among young people. However, it realised that conscription was unpopular with young voters and a professional armed forces would be much better prepared for the kind of war the island would have to fight. The move towards a professional force, which commenced in 2011 and was originally due to be completed by the end of 2014, has proved to be more costly and complicated than expected. This has been due to adverse demographic trends (a low birth rate since the 1990s) and a lack of interest in military careers among young Taiwanese.⁸² Consequently, the Ma administration decided in 2013 to postpone until the end of 2016 the abolition of the one-year conscription system, and as a result the introduction

of an all-volunteer military in 2017.⁸³ It also decided to retain, after that date, a four-month compulsory military training scheme for all men on reaching the age of 18.

Notwithstanding these reforms to the structure and capabilities of its armed forces, Taiwan's will to fight in case of an armed conflict in the Strait remains questionable. Most opinion surveys indicate that this will is weak and would only increase if the US military intervened directly in the event of an armed confrontation or conflict with the mainland.⁸⁴ The reasons for this are many: Taiwan's democratisation, the lack of a martial culture, the island's growing interdependence with China and the erosion of its military capabilities relative to China's. While the PLA keeps modernising at full speed, the Taiwanese military must rely on ageing combat aircraft, un-adapted (and too large) surface ships and a patent lack of underwater offensive and defensive capabilities (only two operational diesel submarines, despite a 2001 US agreement for the provision of up to eight more).⁸⁵

THE ROLE OF THE US

Given Taiwan's own weak capacity – and probably also will – to defend itself, the 'blue' and 'green' political camps cherish Taiwan's close security relations with Washington. Most Taiwanese continue to regard the 1979 Taiwan Relations Act as vital for the territory's security and the whole political elite usually supports arms purchases from the US, even if, for mainly domestic political reasons, the DPP and the KMT have on occasion argued about which military equipment and weapon systems to buy.

The US has observed with some concern Ma's rapprochement policy and temptation to align with China in its territorial and maritime disputes with Japan (over the Senkaku/Diaoyu Islands) and in the South China Sea. However, in his second term, Ma was keen to reassure the Obama administration about the limits of this policy and to promote peace initiatives in the South China Sea that, in contrast to China's assertive strategy, have concentrated on protecting the status quo and promoting cooperation and joint development.

Another US concern has been over Taiwan's growing susceptibility to Chinese espionage. Under Ma, an unprecedentedly large flow of mainland tourists (4.3m in 2015, 30% of them individual travellers)⁸⁶ and businesspeople into the island, as well as the increasing number of retired ROC military officers going to the mainland supposedly for recreation or business, have apparently provided Beijing with greater opportunities for spying on Taiwan. This has led the US Department of Defense to block the transfer to Taiwan of its certain sophisticated weapons systems (such as F-16C/Ds, much less F/A-18 or F-35 combat aircraft, although the F-16V upgrade being undertaken by Lockheed Martin for Taiwan is reportedly proceeding.)⁸⁷ The intensity of cross-Strait relations will probably make it difficult for the new DPP administration to combat the threat of Chinese espionage any more effectively than its predecessor.

Since its 'de-recognition' of the ROC and the enactment of the TRA in 1979, the US has remained the only guarantor of Taiwan's security. But the evolving military balance across the Strait has compelled the US armed forces to adjust their contingency planning and contemplate playing a more central role in any future crisis or armed conflict between Taiwan and China. This readjustment has been part of a much broader adaptation of the US to the rise of China and Asia's changing strategic environment — the Obama administration's 'rebalance' to the Asia-Pacific, launched in November 2011. But the weakening of Taiwan's capacity to defend itself has also triggered a debate in the US and elsewhere about the sustainability of the Washington's long-term security



The US welcomed the replacement of Hung Hsiu-chu by the more centrist politician, Eric Chu Li-luan, as chairman of the KMT

commitment to Taiwan.⁸⁸

The US government warmly welcomed Ma's election in 2008. The KMT's return to power allowed cross-Strait relations to regain stability after eight years of the often unpredictable Chen Shui-bian presidency. The Obama administration supported the KMT's rapprochement policy. When the DPP's Tsai first ran for president in 2012, Washington clearly indicated its preference for Ma's re-election.⁸⁹

Nevertheless, since as far back as 2008 the US was becoming increasingly watchful about the possible geostrategic implications of Taiwan-China rapprochement. While supporting the detente in the Strait, the US felt that Ma's KMT government was moving too close to China, and neglecting the need to maintain credible defences.⁹⁰ The Obama administration has also had difficulties understanding why Taiwan has been the only US security partner in the Asia-Pacific not to publicly approve and take advantage of its 'rebalancing' strategy. Washington also sent strong warnings when the Ma government sometimes seemed tempted to align with China on over the territorial disputes in the East and South China seas. When Ma inspected Taiping Island in the Spratlys in January 2016 in the middle of US-China tension about Beijing's reclamation work on and militarisation of its facilities there, Washington qualified this visit as 'extremely unhelpful'.⁹¹

Consequently, while relations between Taiwan's armed forces and the Pentagon have remained close and cooperative, political ties between the Ma and Obama administrations became less consultative and more distant during Ma's first term. Ma tried and managed, up to a point, to mend this problem during his second term. However, the pro-unification stance of Hung Hsiu-chu, the original KMT candidate in the 2016 presidential election, revived Washington's concern about the party's internal changes. The US welcomed her replacement in October 2015 by Eric Chu Li-luan, the KMT chairman and a more centrist politician. Moreover, earlier in the same month, when

Table 8.5: The US 'Six assurances' to Taiwan, July 1982

That the United States:

- Has not agreed to set a date to end arms sales to Taiwan
- Has not agreed to hold prior consultations with the PRC on arms sales to Taiwan
- Will not play a mediation role between Taipei and Beijing
- Will not revise the Taiwan Relations Act
- Has not altered its position regarding sovereignty over Taiwan
- Will not exert pressure on Taiwan to negotiate with the PRC

Source: United States Congress, www.congress.gov



Taiwan Navy Cheng Kung-class frigate launches a missile

the DPP's Tsai visited the US, contrary to 2011 when Washington quasi-directly expressed its 'distinct concerns'⁹² about her ability to keep stability in the Strait, this did not trigger any negative reaction from the Obama administration, indicating that both candidates could serve the US interest as long as they maintained the status quo in relation to China and, thereby, stability across the Strait.

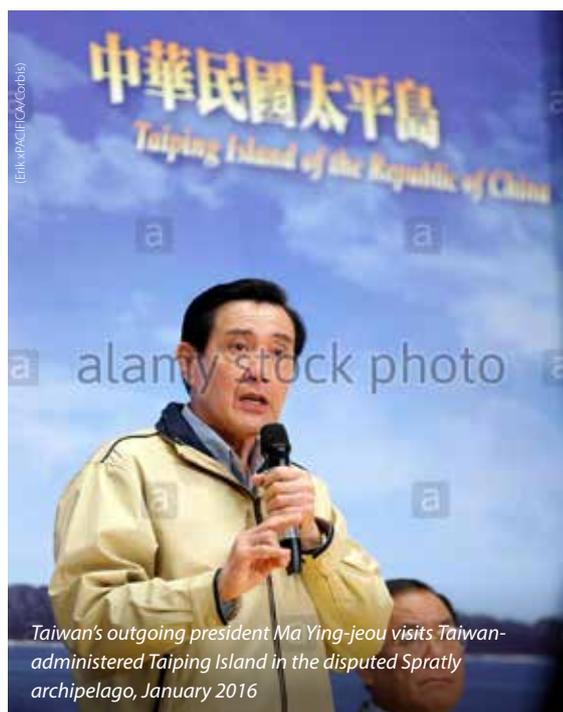
Understandably, the US government's Taiwan policy is highly dependent on its China policy and relations with Beijing. Washington could not ignore Beijing's criticism of Tsai or any DPP candidate for the presidency. In 2000, it played a key role in working out a smooth start for the Chen Shui-bian administration, particularly in micro-managing the drafting of his inaugural speech and making sure that it included enough reassurances towards China;⁹³ it is generally accepted that Washington would do the same for Tsai. But if her administration were to move away from what the US defines as the status quo, it seems likely that Washington would feel compelled to use its influence with Taipei to stop any such drift.

Nevertheless, this by no means indicates that the US and China have established a way of co-managing the 'Taiwan issue'. US weapons deliveries to Taiwan have continued to be substantial (see Table 8.4) and based more on Taiwan's needs and the July 1982 'six assurances' than on the limitations introduced by the now-neglected August 1982 third US-China communiqué on the gradual reduction of arms sales to the island.⁹⁴ Furthermore, the US has remained agnostic about Taiwan's international status and its future, provided any solution is accepted by a majority of Taiwanese.⁹⁵

Washington's main concern is Taiwan's security and, in this context, the PLA's anti-access/area-denial strategy and its growing ability, in case of war, to inflict damage on the US armed forces' forward deployment, in terms of its naval vessels and its bases in the Western Pacific. The PLA may calculate that its 'carrier-killer' DF-21D anti-ship

ballistic missile (with a range of 1,500km) and other new capabilities increase the chances of deterring Washington from becoming directly involved in an armed conflict across the Strait. The risks of even a limited war between China and the US escalating to involve nuclear weapons must also be factored into US calculations.

However, the long-term US interest in balancing Beijing's growing military presence in the Western Pacific and particularly within the first island chain has increased rather than decreased Taiwan's strategic importance for the US. Moreover, the US cannot reduce its security support to Taiwan, let alone abandon Taiwan without dramatically damaging its credibility among its allies in the Asia-Pacific region and even around the world. The deliberate 'strategic ambiguity'⁹⁶ of the US, its rebalancing strategy and its ability to mobilise not only the US Navy's 7th Fleet but also its entire Pacific Fleet would provide a formidable force that would probably have no diffi-



Taiwan's outgoing president Ma Ying-jeou visits Taiwan-administered Taiping Island in the disputed Spratly archipelago, January 2016



DF-21D anti-ship ballistic missiles at the September 2015 military parade in Beijing

culty in out-matching the PLAN despite the dramatic increase in its fighting capacity since the beginning of the century. Moreover, thanks to new US–Japan defence guidelines and Japanese national defence law introduced in 2015, Tokyo would be in a position to provide much more robust logistics support to any US military engagement in support of Taiwan. There are good reasons for Beijing to think that Washington might well come to Taipei’s assistance in the event that it was attacked, and these are likely to continue to deter China from any precipitate military aggression against Taiwan.

It is likely that the US will continue to honour its commitments to Taiwan under the TRA, and to continue delivering weapons. It is also therefore

probable that the debate about the unsustainability of Taiwan’s separation from China will remain marginal.

The rapprochement across the Strait under Ma’s administration modified US security concerns regarding Taiwan: they have become less military and more political. The United States’ biggest concern about Taiwan today is over China’s growing influence in Taiwan, through trade, tourism, people-to-people relations, united front work and ideational influence.⁹⁷ Despite the consolidation of Taiwanese identity, citizenship and democratic statehood, cross-Strait relations have become increasingly asymmetric, particularly in their economic dimension. For economic reasons alone, any Taiwanese government will wish to maintain stable and close relations with China. The US, though, does not want these constraints to jeopardise Taiwan’s democracy, political autonomy and security. However, it is not certain whether this will be sustainable in the long term.⁹⁸

Table 8.4: State Department-approved US Foreign Military Sales to Taiwan

DECEMBER 2015				
Domain	Equipment Name	Equipment Type	Quantity	Value (US\$m)
Land	AAV	n.k.	36	375
	Javelin missiles	Man-portable anti-tank system	208	57
	TOW 2B missiles	Man-portable anti-tank system	783	268
	MIDS/LVT-1	Follow-on support Tactical Data Link	-	120
Sea	Oliver Hazard Perry-class	Fire-fighting frigate with SAM	2	190
	Mark 15 Phalanx block 1B Baseline 2	Close in weapon system	13	416
	Advance Tactical Data Link system and Link-11 Integration	Frigate with anti-ship missiles, surface-to-air missiles and helicopter hangar Communications Upgrade	-	75
Air	Block I-92F Stinger missiles	Man-portable anti-tank system missiles	250	217
			Total	US\$1.7bn

Source: ‘Major Arms Sales: December 2015’, US Defense Security Cooperation Agency

CONCLUSION

Relations across the Taiwan Strait have come a long way since the two sides resumed non-official contacts in the early 1990s. Over the past 25 years, and particularly since 2008, the People’s Republic and the ROC, using in most cases ‘white gloves’ – namely the unofficial contacts and negotiations between the ARATS and the SEF – have established a strong and often cordial working relationship. It is also true that economic relations and social interactions across the Taiwan Strait have contributed to stabilising relations and to some extent improving the island’s security. Nevertheless, behind its apparent patience, Beijing is doing everything in its power to integrate Taiwan to the mainland and to narrow the island’s room for manoeuvre. Beijing has never lost sight of its ultimate objective: reunification. For its part, Taipei wants to consolidate the status quo and improve its international status. In Taiwan, there are increasingly strong political forces that do not envisage unification even



The nuclear-powered USS George Washington aircraft carrier, part of the US 7th Fleet, sails off Manila Bay, the Philippines, October 2012

in the long-term future. But in view of the quickly evolving military balance, not only in the Strait but also in the broader Western Pacific as a result of China’s growing military capabilities, the long-term durability of Taiwan’s de facto independence may be questionable. In the short- to medium-term, despite Taiwan’s military weakness, the answer is positive, mainly thanks to the security guarantees the US provides.

This does not mean, though, that reunification is inevitable. While the People’s Republic is actively influencing Taiwan, Taiwanese democracy is also attracting growing interest on the mainland and has highlighted Taiwan’s political resources and soft power. The future of cross-Strait relations depends not only on which political party holds power in Taipei, but more importantly on the future of US–China relations and of the Chinese party-state itself.

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