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Discussion Paper

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**Between Hedging and Bandwagoning for Profit:  
Taiwan's Mainland policy under Ma Ying-jeou**

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Under Ma Ying-jeou, the period of strategic surprises in cross-strait relations, which were commonplace under Lee Teng-hui and Chen Shui-bian, seems to have come to an end. Within the framework of cross-strait “peaceful development” created by Beijing, Taiwan’s Mainland policy has been highly predictable. The KMT program for cross-strait relations, which was elaborated during the 2007/2008 presidential campaign and which was voted for by the Taiwanese, is being incrementally implemented. At the time of writing (May 2010) the roadmap for the “peaceful development” of cross-strait relations, negotiated at the KMT/CCP level between 2005 and the 2008 presidential election, had been broadly respected, although at a slower pace than Beijing would expect. Indeed, less predictable than Taipei’s policies was the rhythm of cross-strait agreements, despite regular SEF-ARATS meetings. Some level of domestic pressure against increased cross-strait interaction, the DPP’s revival in local elections, uneasy technical negotiations, different groups lobbying for different interests in Taiwan, domestic gridlock in the aftermath of the Morakot typhoon and Ma’s quest for a second mandate in 2012 have all constrained the administration’s ability to move forward as quickly as it was previously envisioned at the second-track level or during KMT/CCP consultations. The delays in the negotiations for an Economic Cooperation Framework Agreement (ECFA) and a tax agreement are the result of these constraints. As a result, the prospect for some form of political agreement to be signed in 2012 has faded away during the second half of 2009.

The principles on which Ma’s mainland policy relies are well-known: the “three no’s” (no unification, no independence, no use of force), mutual non-denial, “easy issues first, then the difficult ones” (先易後難), and a legalist approach based on the “one China” ROC constitution. Officials in Taipei now echo their counterparts on the Mainland and argue that the current path of cross-strait relations is conducive to create “good conditions” for future political talks, eventually resulting in a peace agreement, but no definite timetable has been set. This tactical *modus vivendi* has enabled the Ma administration to focus on the objectives underlined during the presidential campaign: constructing an institutionalised framework for cross-strait interactions and securing concrete benefits for the Taiwanese population. Beyond these tactical goals, Ma Ying-jeou seeks to improve Taiwan’s position in East Asia, from an economic as well as a security perspective. His administration, with the support of Beijing, also seeks to secure the support of the Taiwanese population for cooperative cross-strait policies and deeper interactions. However, the longer-term strategic goal served by this policy is not easily decipherable, perhaps because Ma’s mainland policy depends on a four year democratic mandate, or because Ma is hiding his own beliefs as a ROC patriot, a Chinese nationalist or a politician, mainly interested in getting re-elected.

Looking back at two years of institutionalisation of cross-strait interactions, this paper explores the strategic rationale for Taiwan's current Mainland policy. It argues that the presidential office is now in full control of Mainland policy. Under Ma's presidency, policy towards the Mainland was aligned with the China policies of most Southeast Asian nations, in a regional strategic environment where the balance of interests is shaped by the rise of China. It can be best described as a mix of hedging and bandwagoning for profit. Ma Ying-jeou's policy is often depicted as conducive to a situation in which Taiwan will eventually have to give in its claim as a sovereign state. But Taipei is not pursuing a Finlandisation strategy. This is not the purpose of Ma's first mandate and it is highly unlikely that he will run on such a platform for his second term. At the present stage, Taipei seeks to exchange symbolic concessions on external sovereignty against concrete economic and security benefits. The paper concludes on the conditions that make this policy sustainable and on the factors that could induce a policy change.

## 1. The decision-making process: Party/State relations and Mainland policy

One of the greatest challenges that Ma Ying-jeou faced once he took office was to control the CCP/KMT platform. Before and immediately after his election, there was some suspicion about his supposedly tense relationship with the KMT hierarchy, rivalry with Lien Chan and incapacity to control the KMT's structural tendency for corruption and vote-buying at the local level. Ma Ying-jeou had a very clear understanding of this challenge. When asked whether the CCP/KMT platform would remain the major communication channel between the two sides, he retorted in an unusually firm manner: "The final decision-making power lies in my hands" (我說了就算)<sup>1</sup>. To turn the KMT/CCP channel into an asset and to avoid it becoming a liability was challenging because of Ma's weak power basis within his own Party. Within the KMT, Ma suffers from the reputation of a leader who disregards the norms of rewards distribution among the Party members after political victories (黨利益交換文化). The nomination of an opposition politician to chair the Mainland Affairs Council (MAC) has reinforced this reputation and led to many recriminations. This also led to suspicion that the coordination between the MAC and Chiang Pin-kun's Strait Exchange Foundation (SEF) would not be smooth, and that the SEF may evolve towards an emancipation from the MAC. But the major risk for the Ma administration was the emergence of an "enemy within", a group within the KMT making public announcements in favour of faster cross-strait integration, criticising the administration's policies, or even taking control of cross-strait interactions as in the Chen Shui-bian era, when major

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1 《馬英九專訪一》國共平台做主？馬：我說了才算，自由時報，November 20, 2008.

preferential measures were announced by China at the CCP/KMT platform, sidelining the constitutional decision-making process.

This has not happened and the Presidential Office is now in charge of policy-making and inter-agency coordination through the National Security Council (NSC). Many officials and analysts in Taipei argue that the core of Ma's Mainland policy is to "institutionalise" (制度化) cross-strait interactions. According to former NSC general secretary Su Chi, the two sides have now established about 20 different communication channels, most of which are functional, a few of them are secret, and as a result, a maritime incident in the Taiwan strait could be handled efficiently at the earliest possible time<sup>2</sup>. It was a priority task for the Ma administration to construct these channels, making them operational, as well as to coordinate them. Therefore, ensuring that the KMT/CCP platform would be only one of these 20 channels had a clear strategic dimension. This aimed at consolidating the executive power and making Mainland policy more manageable and predictable.

Ma Ying-jeou's decision to regain KMT chairmanship, a position he holds since October 17, 2009 was precisely motivated by the necessity to prevent the emergence of a rival power centre on cross-strait issues (and also by the highly political question of party nominations to local elections) and to ensure that lawmakers and members of the central committee would refrain from undermining the government policies for ideological reasons or self-interest. Obviously, the decision to chair the KMT ran counter to Ma's previous declarations on the importance of maintaining a separation between the party and the state (黨政分離) in order to avoid democratic erosion. But Ma came to believe that the best way to avoid power abuse was precisely to control the Party himself. During a June 2009 interview, he explained this reversal in Tianxia magazine with the following arguments<sup>3</sup>: (1) The public holds him accountable for the behaviour of the KMT, whether he is Chairman or not (a reference to the blow to his legitimacy that could unfold after corruption scandals against which he would remain powerless without stronger leadership over the Party). (2) He needs to control Party nominations to local elections. Candidates with a strong local power basis frequently indulge in vote-buying or corrupt practises and undermine the legitimacy of the KMT at the central level<sup>4</sup>. (3) He has to undertake the reform of KMT financial assets. During his campaign to run for the KMT chairmanship, Ma Ying-jeou insisted on faction politics, election bribery and corruption as the priority issues to be acted upon in order to improve governance and ensure the sustainability of the KMT as the ruling party. The fact that discipline and organisation were put at the top of the

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2 專訪蘇起 / 蘇證實：兩岸有秘密溝通管道 聯合報, May 16, 2010.

3 宣布參選主席後深度專訪 馬英九 要當協調型領導人 天下, 424 期頁 44-50, June 17, 2009.

4 兼黨主席不只是為了黨政一統 中國時報, June 11, 2009.

KMT agenda subsequently weakened the function of policy proposal of the KMT, a normal evolution for an opposition party regaining executive power.

The new arrangement was also meant to prevent Beijing from excessive reliance on the KMT/CCP platform and sidelining the Taiwanese administration. It is a longstanding policy of Beijing to favour inter-party communication over “officially non-official” channels. As Party chairman, Ma Ying-jeou appeared as a stronger leader, more likely to be seen in Beijing as the only legitimate interlocutor. In addition, as several Taiwanese scholars involved in second-track diplomacy with the Mainland argued in 2009, holding the chairmanship could pave the way for an historical “party-to-party summit” between Chairman Ma and Hu Jintao in his quality of General Secretary of the CCP. The party-to-party formula is still seen in Beijing as the only acceptable framework for signing an agreement to cease the state of hostility between the two sides<sup>5</sup>. Ma has recently retorted that the conditions were not ripe for such a meeting<sup>6</sup>. But by taking over the presidency, Ma Ying-jeou was subsequently putting the option on the table. The fact that such summit could be held in the future was a form of strategic reassurance towards Beijing.

As a result of this new concentration of powers, Ma redefined party-state relations. The new decision-making process was summed up by the formula “the Party complements the state” (以黨輔政<sup>7</sup>). More specifically, Ma now chairs the party-state meetings, exactly like Lee Teng-hui in the 1990s. A seat at the KMT standing committee has been arranged for ranking officials in the administration: the General Secretary of the Executive Yuan, and the head of the Council of Economic Planning and Development of the Executive Yuan. However, Ma has refrained from having the Premier and the Vice-President elected to the vice-chairmanship of the KMT. Having one of his closest allies hold the position of Secretary General (King Pu-tsong) was seemingly enough to control the Party – although from another perspective, one could argue that Ma Ying-jeou was not in a position to nominate key allies at top positions in the KMT, because of party resistance, or just because he has few trusted allies among the top brass of the KMT.

However, these moves were sufficient to extend the administration’s power over the KMT/CCP platform, and as a result, this platform’s role in the overall cross-strait relationship was weakened. Once Ma Ying-jeou was elected as Party chairman, Wu Po-hsiung, his predecessor at the chairmanship and one of Ma’s most faithful allies within the top hierarchy of the Party, was given the same rank as Lien Chan (Chairman emeritus of the KMT) and was put in charge of the

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5 李英明 未來「馬胡會」：歷史潛規律的試煉... 聯合報, June 17, 2009, 馬胡會可能成真? 中國時報, June 15, 2009.

6 馬胡會? 總統: 目前沒有任何計畫 中央社, May 09, 2010.

7 By opposition to „the Party leads the State“ (以黨領政) during the authoritarian era.

CCP/KMT forum<sup>8</sup>. Another sign of Ma Ying-jeou's sidelining Lien Chan and the CPP/KMT platform emerged during the August 2009 visit of the Dalai Lama to the island, in the aftermath of the devastating typhoon Morakot. Pro-CCP media from Hong-Kong revealed that the Ma administration had avoided relying on KMT/CCP channels to handle the issue<sup>9</sup>. Meanwhile, Su Chi declared that the handling of the Dalai-Lama affair provided evidence of the efficiency of cross-strait communication channels and sound crisis management in Taipei<sup>10</sup>. The total lack of impact of the Dalai-Lama's visit on cross-strait relations gives credit to Su's version. Last but not least, one good example of Ma Ying-jeou's willingness to tighten his control over cross-strait exchanges was his attempt to send Su Chi to attend the March 2010 Bo'ao Forum as a member of the board of the Cross-strait Interflow Foundation, a think-tank, and meet Xi Jinping. Although Su had to cancel his visit due to domestic pressure, the presidential office now obviously favours second track diplomacy with close associates that it can trust over the party-to-party platform.

The priority shifting of the government towards ECFA negotiation has confined the KMT in an even more complementary role. KMT politicians can play no meaningful role during the technical negotiations phase – which will last beyond the signing of the agreement except for informally defending the interests of their political constituencies. But on the whole, putting the KMT/CCP platform under government control has no impact on Taipei's policy agenda. Ma Ying-jeou has refrained from downplaying Lien Chan's legacy in cross-strait affairs and has not adopted new priorities. On the day of Ma's election, the Central Committee immediately voted new policy guidelines (國民黨政策綱領) but avoided any new content for cross-strait relations. But the "Hu-Lien five-points common vision", which stays in the first position of the KMT's agenda for cross-strait relations, ahead of the normalisation of cross-strait economic relations, is far less influential than in 2008 because apart of the signing of a peace agreement, it has already been implemented and thus provides no vision anymore<sup>11</sup>.

During his first two years in office, Ma Ying-jeou has arranged a repartition of the roles and functions between the Executive Yuan, the KMT and second track channels coordinated by the presidential office through the NSC, which also oversees the implementation of cross-strait policies by the MAC and the SEF. Ma has also downplayed the role of the KMT/CCP platform. This is not a meaningless

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8 馬兼黨魁 連戰、伯公榮譽主席分擔重任 聯合報, October 17, 2009.

9 擱置國共平台 馬英九墜落達賴陷阱 [www.chinareviewnews.com](http://www.chinareviewnews.com), August 28, 2009.

10 專訪蘇起 / 蘇證實：兩岸有秘密溝通管道 聯合報, May 16, 2010.

11 Five points: (1) Resume cross-strait communication for the benefit of the people of the two sides of the strait. (2) Promote the ceasing of the state of hostility between the two sides and reach a peace agreement. (3) Build a framework for economic cooperation. (4) Exchange views on the problem of Taiwan's international space. (5) Create a regular party-to-party exchange forum.

evolution. Ma Ying-jeou has reached a double goal: concentrate the decision-making power in the presidential office and avoid any disruption of the administration's agenda for the institutionalisation of cross-strait ties. Although this is nothing more than a return to the unwritten rule in which the ROC President is in charge of cross-strait affairs and security issues, the uneasy relationship between Ma Ying-jeou and the KMT and Beijing's effort to deal with Taiwan at the party-to-party level had initially put the whole decision-making process (including its legitimacy in the eyes of the public) into risk.

## 2. The policy: creating an institutionalised framework for cross-strait interactions and relaxing regulations governing exchanges

Sticking to the "economic first" principle, Mainland policy under Ma Ying-jeou has been a mix of cross-strait negotiations and government (de)regulation. On the one hand, through the reactivation of the SEF/ARATS channel and four rounds of high-level cross-strait talks, 12 agreements were signed and one consensus was reached on the principle of Mainland investment in Taiwan<sup>12</sup>. The agreements were designed to facilitate the operating environment of Taiwanese businessmen on the Mainland, to address issues with a direct impact on the Taiwanese population (food safety, crime, quality norms), and to insufflate new vigour into Taiwan's economy. Although direct transportation had been a divisive issue for years, crystallising the Mainland policy debate between the successive ruling parties and the opposition, it is striking to observe the lack of controversy on a measure that seems now to be widely accepted and uneasily reversible, even by a potential future DPP government. Other measures were also consensual in the sense that polls revealed that they were supported by a majority of the Taiwanese population<sup>13</sup> and they haven't brought about a lot of political bickering.

On the other hand, Taipei has taken unilateral steps to relax regulations regarding Chinese activities on the island. A package of measures has been adopted early during Ma's first year in office. Policies with the most obvious

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12 First Chiang-Chen talks (June 13 2008): (1) SEF-ARATS minutes of talks on cross-strait charter flights; (2) Cross-strait agreement on Mainland tourism in Taiwan. Second Chiang-Chen talks (November 4, 2008): (3) Cross-strait air transport agreement; (4) Cross-strait food safety agreement; (5) Cross-strait sea transport agreement; (6) Cross-strait postal service agreement. Third Chiang-Chen talks (April 26, 2009). (7) Joint crime fighting and judicial assistance agreement; (8) Air transport supplementary agreement; (9) Financial cooperation agreement. (10) Consensus reached concerning Mainland investment in Taiwan. Fourth Chiang-Chen talks (December 22, 2009). (11) Cooperation of agricultural quarantine and inspection agreement. (12) Cross-strait agreement on cooperation in respect of standards, metrology, inspection and accreditation. (13) Cross-strait agreement on cooperation in respect of fishing crew affairs. Source: Mainland Affairs Council.

13 These polls were published by the Mainland Affairs Council, the Global Views Survey Research Centre, and other polling institutions, not all pro-government. Many of these polls are online on [www.taiwansecurity.org](http://www.taiwansecurity.org).

effects include allowing RMB/NTD conversion in Taiwan, lifting the ceiling on Mainland-bound investment to 60% of companies net worth (instead of 20 to 40% previously), relaxing restrictions on Mainland media coverage of news in Taiwan (Xinhua correspondents have been expelled by the Chen Shui-bian administration), and relaxing regulations on Mainland students. Between the early 2009 and the early 2010, Taipei has also increased the quota of Chinese tourists permitted to travel to Taiwan from 3000 to 6000 daily, allowed the establishment of tourism offices on both sides of the Strait, and decreased the time needed by Mainland spouses to obtain an ROC identity card from 8 years to 6 years. Last but not least, a new set of policies regarding Mainland investment in Taiwan is progressively put into place.

Taipei has also allowed high-level ranking and highly publicised visits by Mainland officials to visit the island. Previously unthinkable during the Chen Shui-bian era, Taiwan has hosted delegations led by the Chinese vice-minister of commerce, the head of China national tourism administration (a central government agency), a CCP provincial-level party secretary, Shanghai mayor, Fujian governor... Some of the delegations were purchasing groups pouring hundreds of millions of US\$ into the Taiwanese economy. The two sides find common ground on the positive implications of these visits in terms of public relations because they both need immediate and visible economic effects for their cooperative policies.

The most divisive policies pursued by the Ma administration have been the Economic Cooperation Framework Agreement and the relaxation of the rules that govern the cross-strait education exchanges. The administration's project to allow Mainland students to undergo graduate programs in Taiwan and to recognise diplomas delivered by Mainland universities have obviously raised fears that the Taiwanese education system soon would be overwhelmed by competitive Mainland students who would then turn into strong candidates on the employment market. According to a TVBS polls, 51% disapproved authorising Mainlanders to take graduate programs within the island. Disapproval towards the recognition of Mainland diplomas was also 51%<sup>14</sup>. Examined at the Legislative Yuan, the draft amendment to the Act Governing the Relations between the Peoples of the Taiwan area and the Mainland area provoked a furious debate but the administration will continue pushing for the amendment<sup>15</sup>. One of the sensitive issues was whether the Mainlanders could take the ROC government exams, but it was soon resolved since the Ma administration confirmed that they would need at least 10 years of working experience in Taiwan after having obtained a ROC identity card. It left the real controversial issue unresolved though. The levelling of the playing field between the education systems of the two sides creates new fears that the

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14 開放大陸學歷及大學生印象民調 TVBS, April 22, 2010.

15 "Cross-strait bill passes 1st review", *China Post*, May 12, 2010.

Taiwanese students would on the long run face too much competition from their Mainland counterparts.

More than ideology and positions on national identity, making room for a new competitor is also one of the main reasons why the ECFA negotiations are bringing so much controversy in Taiwan. A Ma campaign commitment, ECFA has crystallised party competition since Taipei officially announced in February 2009 that it was looking to talk with the Mainland on a comprehensive framework for economic relations. ECFA has been divisive along a new cleavage in Taiwanese domestic politics. This is not only about “unification vs. independence” anymore. Different groups of the Taiwanese population differ greatly in their interests towards increased economic exchanges with the Mainland. The Taiwanese scholar Chang Wu-yueh has proposed the Chinese term “three middles” (三中) to characterize the three groups who could suffer from increasingly liberalized cross-strait exchanges compared to the main stakeholders of Taiwan’s opening towards the Mainland’s big firms, white-collar elites and people involved in other aspects of cross-strait interactions: small and medium enterprises, populations from the South and the Centre of the island, and the lower middle class<sup>16</sup>. Although this is schematic for the sake of analytical clarity, Chang’s article raises questions about the society model envisioned by the KMT policy-makers and puts the issue of the compensation measures prepared for these groups at the core of the administration’s agenda. In this sense, Mainland policy will have to be integrated even more tightly in a comprehensive package of economic and social policies. The Ma administration has evoked a budget of NT\$ 95 billion (US\$ 2.9 billion) for compensatory measures, but will it be sufficient?

Although it is still early to say – until the publication during the summer 2010 of the new DPP 10-years policy vision and the party program endorsed by the DPP candidate to the 2012 presidential election – ECFA, and more generally increased competition from the Mainland, could have far-reaching consequences for the party system of the island. The question whether Ma’s policies will push the DPP towards a more left-leaning and less ideological line remains open. To some extent, this trend could be observed during the Ma Ying-jeou/Tsai Ying-wen debate on ECFA, with Tsai Ying-wen attacking Ma Ying-jeou more on the socio-economic impact of the ECFA than on the political consequences for Taiwan. But on the whole, the DPP’s criticism of the ECFA has focused on the lack of transparency of the negotiation process, while being very moderate on the content, and abstaining from opposing the very idea of economic integration with the Mainland. However, if the DPP could attract the “losers” of cross-strait economic integration, especially as their numbers are likely to increase, it could stand a better chance at future elections.

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16 張五岳 兩岸領導人對於經濟合作協議（ECFA）的聚焦評析 亞太和平研究基金會，March 11, 2010.

In 2010, Mainland policy has moved into a new stage. As integration progresses between the two sides, new measures are less consensual and need more public relations efforts. Policy-makers in Beijing are obviously willing to operate limited concessions within the United Front policy framework. Taking advantage of the fact that Chinese officials already admitted that ECFA was the strategic priority of 2010 for cross-strait relations, Taipei obtained major concessions on the content of the negotiations<sup>17</sup>. But opacity remains a problem in the sense that it is likely to continue to foster doubts on the real intention of the KMT administration. During the ECFA negotiations, the Ma administration has been constantly avoiding transparency on the technical details of the negotiation process and refused to disclose the early-harvest list in order to soften public pressure on Taiwanese negotiators. One could argue that the Ma administration took advantage of this opacity to convince the Mainland that the agreement had to be asymmetrical to be considered politically acceptable by the Taiwanese population when the list of early-harvest products would be disclosed to the public. But this is only a limited advantage secured out of opacity, compared to the huge challenge for the legitimacy of cross-strait negotiations.

Today, the key to a domestic politics success for the Ma administration's Mainland policies is in Beijing. It lies in the future of Taiwan's trade diplomacy. The Ma administration has been seeking discreet reassurance from Beijing on the issue of Taiwan signing FTAs with third countries, an issue on which both sides prefer strategic ambiguity although they seem to enjoy basic mutual trust. However, the degree of autonomy in which Taiwan's future economic diplomacy will operate is still unclear and depends entirely on Beijing's goodwill.

### 3. The strategy: Between hedging and bandwagoning for profit

For some observers, these policies are paving the way for future cross-strait unification. This view is held by some American commentators who warn their domestic audience that Taiwan is intentionally secluding itself from the US sphere of influence, and analyse the current "peaceful development" of cross-strait relations through the lens of a global power shift between the US and China. Bruce Gilley recently argued that Ma Ying-jeou was pursuing a strategy which would progressively lead to the "Finlandisation" of the island, by which he especially meant severing security ties with the US<sup>18</sup>. Philip Bowring argued that Taiwan's accommodation strategy was pushing the island towards the status of Hong Kong and could provoke an erosion of the support that Taiwan gets from the US and

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17 Alan Romberg, "All Economics is Political: ECFA Front and Center", *China Leadership Monitor*, n°32, April 2010, p. 3.

18 Bruce Gilley, "Not so Dire Straits, How the Finlandization of Taiwan Benefits US Security", *Foreign Affairs*, January-February 2010.

Japan<sup>19</sup>. Nevertheless, in Taiwan this is a minority view. Although many independence supporters suspect Ma Ying-jeou of seeking unification and still accuse him of “selling out” Taiwan, scholars in charge of second track channels for the administration still believe in a political agreement preserving Taiwan’s sovereignty and conceding only symbolic unification, but not at the cost of severing security ties with the US. Other scholars have argued that Ma Ying-jeou is lacking a grand strategy and hesitates between bandwagoning, balancing, integration, unification and independence<sup>20</sup>. This section argues that Mainland policy is based on a short-term strategy lacking a clear vision for the future of Taiwan in the region, besides trying to keep every option on the table for as long as possible. This strategy is in line with the China policies of most Southeast Asian states: a mix of hedging and bandwagoning for profit.

A first perspective to reconstruct the rationality of Ma’s Mainland policy is to look at its “path dependency”. There is a clear continuity between Ma’s policy and the Mainland policy of Lee Teng-hui during his first term in office. There is nothing surprising about that since Ma Ying-jeou constructed many of his views and practise of cross-strait relations as the first vice-chairman of the MAC, upon its creation in 1991. As Ma himself argued during the presidential campaign, his mainland policy seeks “nothing more than a return to the situation before 1995”<sup>21</sup>. The influence from the early 1990s can be observed in the language employed in Taipei, for example when Taiwanese officials refer to the two sides of the strait as “two political entities” (兩個政治實體). The strategic ambiguity on which current interactions are based is also an idea which emerged during that period. Another source of continuity lies in Ma Ying-jeou’s experience as a researcher with the National Unification Council, from 1990 to 1991. He was part of the team in charge of preparing the National Unifications Guidelines. It has been demonstrated since that the principal strategic purpose of the NUG was to freeze the unification issue in order to buy time for democratic reforms<sup>22</sup>. To some extent, Ma’s current policy is also exchanging a mix of strategic reassurance (no independence) and strategic ambiguity on future unification against room for manoeuvre, although the main target of this message is now more Beijing than the conservative factions within the Kuomintang. But the logic remains the same.

However, the main difference between Ma’s policy towards China and the policies of the early Lee Teng-hui lies in the tremendous transformation of the

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19 Philip Bowring, “Taiwan and China”, *The New York Times*, October 6, 2009.

20 Wang, Yuan-Kang, “Taiwan's Response to Rising China: Evaluating Grand Strategic Choices”, Paper presented at the annual meeting of the Theory vs. Policy? Connecting Scholars and Practitioners, New Orleans, LA, February 17, 2010.

21 Ma Ying-jeou, “A SMART Strategy for National Security”, A speech before the Association for the Promotion of National Security, Republic of China, February 26, 2008.

22 On the history and strategic dimension of the NUC and the NUG, Linda Chao and Ramon Myers, *The First Chinese Democracy, Political Life in the Republic of China on Taiwan*, Baltimore, The John Hopkins University Press, 1998.

regional order. In the early 1990s, Taiwan's GDP was half of China's, Taiwan enjoyed air superiority over the Taiwan Strait, and US-Taiwan trade was larger than US-China trade. Today the balance of military power tilts in China's favour and China's GDP is twelve times bigger than Taiwan's. As a result of China's rise, Taiwan's Mainland policy is formulated in a regional strategic environment where the balance-of-interests is shaped by China. Moreover, priorities have shifted for Taiwan. Gaining space for political reforms is not an issue anymore. At stake now is Taiwan's place in the future regional security and economic order. And the growing uncertainties over the future of the regional balance of power is a powerful incentive for Taipei to wait and see if China will at some point replace the United States as the dominant regional power.

In this context, the main priority of Taipei's Mainland Policy is to offset Taiwan's vulnerabilities and to join the bandwagon of a regional economic integration process led by China. Mainland policy is clearly integrated into the regional strategy. This had led to the set of policies described above and as such, they could be interpreted as bandwagoning moves. The classical definition of bandwagoning is "alignment with the principal source of threat". Bandwagoning implies unilateral concessions to reduce the threats of a superior enemy, and materialises in a weak state joining the stronger side in a conflict, even though it is the most threatening to its interests or values<sup>23</sup>. A bandwagoning strategy would result in a set of bold conciliatory policies towards China, including less budgetary efforts on defence, weaker security links with the US, alignment with China on foreign policy issues, unilateral economic and trade concessions, and implementation of other policies that fit Beijing's preferences. Most of all, it would imply a clear choice in favour of China over the United States, a choice that Taipei is precisely trying to avoid. There have been some steps towards bandwagoning – especially on foreign policy – but since Ma is in office, the structure of cross-strait relations has allowed Taiwan to pursue benefits in cross-strait relations with mostly symbolic concessions. The Ma administration has benefited from US\$ 13 billion of arms sales. Taiwan's military has not severed the land-attack cruise missile program, and is still pushing to get new F-16s for its air force. Furthermore, on the economic sphere, the ECFA negotiation shows that concessions are mostly being made by Beijing.

Therefore, classical bandwagoning fails to explain Taiwan's current Mainland policy. One should rather look at Randall Schweller's analytical framework, "bandwagoning for profit". Accordingly, in an asymmetric relationship, the weaker side can adopt conciliatory policies towards the great power threatening its existence in order to preserve its core values but most of all, in order to make gains. As the benefits of accommodation outweigh the costs, bandwagoning

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23 Stephen Walt, *The Origin of Alliances*, p. 17.

differs from a pure alignment strategy<sup>24</sup>. From Schweller's perspective, bandwagoning is not the opposite of balancing because it relies only partially on an assessment of the balance of threats, and mostly on a perception of the balance of interests<sup>25</sup>. Currently, Taipei pursues a strategy where minor concessions lead to economic gains and minor improvement in terms of foreign relations that could not be achieved without a conciliatory tone. Of course, Taipei can pursue such strategy as Beijing thinks that "conceding benefits" (讓利) can promote the cause of unification. In a relationship where the balance of interests is shaped by Beijing, Taipei has adopted a profit-maximising strategy under constraint.

However, "bandwagoning for profit" is integrated into a wider hedging strategy. Taipei has in fact aligned its Mainland policy with the China policies of most Southeast Asian nations. States engaged in the China-ASEAN FTA increasingly rely on China and accommodate Beijing on many issues but at the same time, most of them have consolidated their security relationship with the US and remain wary of China's growing power, especially ASEAN founding members and Vietnam. Comments on Taiwan becoming a minor issue in US-China relations because of growing consensus between the two great powers, or remarks on the Obama administration delaying arms sales to Taiwan for months to secure Chinese support on global issues are not completely misleading. But as a matter of fact, Taipei and Washington have managed to preserve their security relationship and to isolate it from other issues of cross-strait relations and US-China relations. Although security relations between Taipei and Washington suddenly appear to be low-key, the two sides have built a dense network of exchanges after the 1995/1996 Taiwan Strait crisis and there is no convincing sign that this network is less functional than it used to be during the Chen Shui-bian administration, when arms sales were delayed and Washington was denying the democratic legitimacy of the Chen administration.

There is a strategic intention to hedge against future contingencies in Taipei that is very clear. Although US-Taiwan relations are less visible than cross-strait achievements because there was no major breakthrough, Taiwanese officials in charge of cross-strait affairs emphasize US-Taiwan relations as much as cross-strait interactions when they share their views on Taiwan's strategy. Su Chi takes a great power politics perspective when he argues that Taipei seeks a balance between China, the United States and Japan<sup>26</sup>. Lai Hsin-yuan takes a regional perspective when she argues that "Taiwan has taken up a constructive role as

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24 Randall Schweller, "Bandwagoning for Profit, Bringing the Revisionist State Back In", *International Security*, vol 19, n°1, summer 1994, pp. 72-107.

25 Schweller's definition of a "balance of interests": "At the unit level, it refers to the costs a state is willing to pay to extend its values against the costs it is willing to pay to defend its values. At the systemic level, it refers to the relative strengths between status quo and revisionist states". Ibidem, p. 99.

26 專訪蘇起 / 蘇證實：兩岸有秘密溝通管道 聯合報, May 16, 2010.

peacemaker and responsible stakeholder and is no longer a troublemaker”<sup>27</sup>. Both seek to counterbalance growing cross-strait interactions with a sound partnership with the United States despite the global power shift. In the case of US-Taiwan relations, back to a low-key normalcy is a step forward from Taipei’s perspective.

Most of all, Taipei’s insistence on building an institutional framework to deal with the Mainland should not be seen from an exclusively economic perspective. “Institutionalisation” has a strategic dimension from Taipei’s perspective. The framework has to survive the power shift in the region and embed China in a set of cooperative policies that narrow offensive options.

#### 4. Conclusion

Ma’s mainland policy operates in a tight strategic environment within which it tries to maximise the benefits conceded by Beijing under the United Front strategy. There are three main reasons to explain why the Ma administration is sticking to a hedging strategy. First, Ma would exceed the limits of his democratic mandate if he didn’t do so. Second, the socio-economic impact of current policies is still uncertain, because it brings subtle and gradual changes to the repartition of wealth within the Taiwanese society and also because there are no reliable statistics on their impact on economic growth. Third, the uncertainties on the future of the regional order, especially its security architecture, are strong arguments in favour of finding a balance between the US and China and pay attention to Japan.

The biggest weakness of Ma’s strategy is that it is highly dependable on Chinese strategy. Taipei’s Mainland policy operates under a framework created by Beijing, and is sustainable only in the sense that Beijing calculates that current trends in cross-strait relations promote the goal of political integration between the two sides. But one interesting question for the sustainability of the current process is its impact on the party system in Taiwan. Will the current trends erode the mainstream KMT’s position on the sovereignty of the ROC? Will the DPP China policy change? The ECFA debate seems to have pushed the DPP policy platform towards a “left-wing” discourse that had disappeared after the party had gained executive power in 2000, but that is a historical part of its political identity. If the DPP articulated a new policy towards the “left-behinds” of the cross-strait economic integration process, it could change the rules of the game for the making of Taipei’s Mainland policy.

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27 Lai Hsin-yuan, “The current stage of cross-strait relations and the ROC Government Mainland China Policy”, 38th Taiwan-US conference on Contemporary China, July 14, 2009 (Institute of International Relations, National Chengchi University and the Brookings Institution).

However, two years of cooperative cross-strait relations have had a limited impact on the traditional cleavages structuring Taiwan's party system. Integration into the globalised economy is still a mainstream view and the DPP defines itself as a member of the Liberal International. Therefore, the opposition discourse had focused on negotiation procedures rather than on the essence of the project of the Ma administration. As the opposition is seen as unable to achieve the same results because a DPP government could not engage in talks in China unless it agreed to concessions to its core identity – pro-independence and pro-national identity – the DPP is unlikely to make an electoral difference on cross-strait relations and Mainland policy. Therefore, all the factors that could lead to a break in Taiwan's Mainland policy are external and among them, the broad legitimacy of the Ma administration (and its ability to avoid corruption scandals or poor performance on domestic issues) and the degree of pressure exerted by Beijing on Taipei to engage in political talks are arguable the two key factors that could provoke a policy transformation by the Ma administration.