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Discussion Paper

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of Tsai Ying-wen**

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Tsai Ying-wen and the DPP have won the presidential and legislative elections in Taiwan on a moderate cross-strait policy platform. While this has been insufficient to convince Beijing that she was not a pro-independence leader, her cautious approach has so far managed to maintain stability in the Taiwan Strait. At the same time, Tsai Ying-wen needs to compose with the internal balance inside the Democratic Progressive Party. Her choice of a Prime Minister openly supportive of Taiwanese Independence, Lai Ching-te, aimed at consolidating her support within her own camp. The rationale for Taiwan's Mainland policy under Tsai Ying-wen is to avoid direct cross-strait confrontation, but she needs to deal with shifting sands. On the one hand, many observers are anticipating a shift towards more coercion by Beijing after the 19th Party Congress. On the other hand, Taiwan needs to compose with unprecedented unpredictability in the cross-strait policy of the US. Uncertainties in Taiwan's external environment – including tensions on the Korean peninsula and their impact on US-China relations – contribute to President Tsai's prudence and to her current efforts to develop Taiwan's indigenous arms industry as a hedge. Is risk-avoidance sustainable? The balance of forces within Taiwan and within the DPP depends on the external environment. Stronger pressure from Beijing could provoke an adjustment of Taiwan's Mainland policy to accommodate the pro-independence supporters within the DPP, as Tsai Ying-wen is already criticized internally for being too accommodative in cross-strait relations.

1. Uncertainties in US-Taiwan ties

The history of US-Taiwan ties has been by marked by two strategic surprises – President Truman's last-minute decision to save Tchang Kai-shek at the outbreak of the Korean war, and the Nixon shock that led to the rupture of diplomatic ties between the US and the Republic of China. Given President Trump's emphasis on unpredictability and transactions in foreign affairs, the fear of a third strategic surprise is present in Taiwan, and fueled by the surge of tensions on the Korean peninsula.

So far, the Trump administration has sent confusing signals regarding its commitment to relations with Taiwan. The sequence that led from the publicized phone call between President Trump and President Tsai and Trump's questioning of the One-China principle to the summit meeting in Mar-e-Lago between Presidents Trump and Xi led many observers to question the consistency of President Trump's approach to cross-strait relations. In addition, key officials in

charge of the Taiwan Strait are yet to be nominated as of October 2017 (assistant secretaries for East Asia in the State Department and the Department of Defense). Some well-known advocates of deeper US-Taiwan ties in the Republican camp, whose names have circulated, have not been called to exert functions in the Trump administration.

Another element that contributes to the assessment that the US commitment to Taiwan under the Trump administration may have somewhat weakened is the ease with which Chinese diplomacy maneuvered in the US after the Tsai-Trump phone call. Nothing was made public, except for the blame put on Taiwan (including through naval signaling). In other circumstances, Chinese diplomacy would have attacked the perpetrator directly but given the stakes, China operated directly at the highest level in Washington DC to seek a clear reaffirmation of the US commitment to the One-China principle (in American terms, a reaffirmation of the One-China policy), which it obtained.

Some observers, like Shelley Rigger, have concluded that the sequence at the beginning of 2017 had in fact left Taiwan “more vulnerable” to Chinese pressure because it showed a lack of consistency, and because it came on top of abandoning TPP, which also dealt a blow to Taiwan.¹ Overall, the most worrying sign for Taiwan is the lack of commitment of the Trump administration to the principled defense of democracies worldwide, because this had been a solid basis for US-Taiwan ties since the end of the 1980s.

At the same time, the Trump administration has also stressed strategic reassurance in relation to Taiwan. It came in the form of three moves: the approval of a first arms sales package, comments by Defense Secretary Tillerson at the Shangri La dialogue, and a visit by the deputy assistant secretary of State responsible for Taiwan and the PRC.² These initiatives have reinjected a sense of continuity in US-Taiwan relations.

But on balance, the mixed signals and the Trump administration’s handling of other issues – especially the Korean nuclear crisis and the veiled threats on trade issues – create a sense, possibly on purpose, that all options are always on the table. As a result, the eternal Taiwanese fear that the US could strike a grand bargain with Beijing has awoken – it even has a name, the “Taiwan abandonment theory” (弃台论). This translates in a sense that the US might be less willing to intervene in the Taiwan Strait in case of military clash. While no one has concrete evidence that a new strategic surprise may actually take place, what is worth taking in consideration is how the worst-case scenario for Taiwan affects the cross-strait policy of the Tsai administration. As mentioned by Tsai Te-sheng, the

¹ Shelley Rigger, ‘Donald Trump is No Friend of Taiwan’, Foreign Policy Research Institute, 16 March 2017. <https://www.fpri.org/article/2017/03/donald-trump-is-no-friend-of-taiwan/>

² Alan Romberg, ‘Cross-Strait relations: Skepticism abounds’, China Leadership Monitor, no. 54, September 2017.

former head of Taiwan's National Security Bureau, the risk of abandonment needs to be addressed by the current Taiwanese government.³

An observation of the early trends in military-to-military relations between the US and Taiwan under the Trump administration suggests consistency and continuity. The relationship is continuing to be upgraded in a low-key manner that respects the recommendation of cross-strait relations experts in the US, such as Bonnie Glaser who advocates deepening ties with Taiwan “without fanfare”.⁴ The Taiwanese Defense Ministry has disclosed for the first time the number of such exchanges. In 2016, there were 140 visits by about 1000 US military officials in ten categories: policy discussion, arms sales, academic exchange, intelligence sharing, combat training, supply and logistics, cyberwarfare, armament management, defense capabilities evaluation and training.⁵ For example, in February 2017, US Marines were stationed at Taipei's American Institute in Taiwan for the first time since the US and the Republic of China broke ties in 1979.⁶ This is a typical example of substantial deepening of US-Taiwan ties in a way that is non-provocative but bears symbolic consequences. In addition, in June 2017, the US Senate Committee on Armed Services passed a provision to re-establish port calls between the two navies, but still has to be passed as part of National Authorization Act.⁷ The provision also called for a general enhancement of US-Taiwan military-to-military relations, in particular in the area of undersea warfare capabilities, including vehicles and sea mines – it called the Department of Defense to implement a program of technical assistance to help Taiwan develop its indigenous capacities.⁸

Where the US policy on Taiwan is much more constrained than a decade ago is on arms sales. For example, the Taiwanese defense ministry has recently made clear its intention to locally upgrade its M60A3 main battle tanks instead of purchasing surplus M1 Abrams tanks from the US.⁹ This is consistent with the real objective of Chinese policy, at least in the short term, which is to maintain arms transfers to Taiwan at a low level. In that area, the US is accommodating Chinese sensitivities and that arms sales are being approved in considering their effects on

³ 蔡得胜：川普利益至上「弃台论」值得关心，China Times, 10 November 2016.

⁴ Bonnie Glaser, 'Managing Cross-Strait Ties in 2017', CSIS, China Power Project, January 2017.

⁵ 'Visits help US military ties: MND', Taipei Times, 1 May 2017.

⁶ 'US Marines to be stationed at new AIT building in Taipei: former director', The China Post, 17 February 2017.

<http://www.chinapost.com.tw/taiwan/intl-community/2017/02/17/491791/us-marines.htm>

⁷ 'Military welcomes possible US Navy ports of call', Taipei Times, 30 June 2017. <http://www.taipetimes.com/News/front/archives/2017/06/30/2003673575>

⁸ Summary document :

<https://www.armed-services.senate.gov/imo/media/doc/FY18%20NDAA%20Summary6.pdf>

⁹ 'Giving up on Abrams tank acquisition, Taiwan moves to upgrade its M60A3 tanks', Defense News, 6 October 2017. <https://www.defensenews.com/land/2017/10/06/giving-up-on-abrams-tank-acquisition-taiwan-moves-to-upgrade-its-m60a3-tanks/>

the dynamics of cross-strait relations, and not purely in terms of the objective needs of the Taiwanese military. In that regard, the Trump administration seems to be closer to the practice instituted by the Obama administration than to the early Bush administration.

2. *The security strategy of the Tsai administration: risk avoidance and reaffirmed emphasis on deterrence and defense*

How is Taiwan responding? On the short term, facing greater pressure, the Tsai administration has responded with a renewed emphasis on deterrence. On the longer term, the response of the Tsai administration is to allocate more resources to the reinforcement of Taiwan's defense posture.

However, like previous administrations, but even more today as the balance of military power clearly tilts in favor of China, the security strategy of the Tsai administration does not entirely rely on defense policy and military power. The most salient aspect of Taiwan's Mainland China policy under Tsai is risk avoidance.

Risk avoidance does not change the general perception in Beijing that the Tsai administration is pro-independence, and indeed signs of a pro-independence strategy (usually so-called "de-sinicization") are patiently collected on the other side of the strait to build a case against Tsai Ying-wen. But by avoiding rocking the boat, testing China's red lines or simply provoking China to a degree sufficiently serious to invite retaliation, the DPP national security team shows that lessons from the failure of the Chen Shui-bian administration have been learned.

The other side of risk avoidance in Taiwan's current security strategy is the emphasis on defense spending. National defense budget has stagnated under the Chen and Ma administrations. During the Ma administration, security policy was relying less on deterrence and defense and more on economic integration and political confidence-building. Today, Taiwan's defense spending, at an annual average of 10 billion USD, is the equivalent of the annual increase of China's official defense budget, which all observers know does not include R&D spending or arms imports. The Taiwanese Defense Ministry has announced an increase of military spending from 2,05% to 3% of GDP in 2018.¹⁰ If this budgetary trajectory is respected, the Taiwanese military will be supported by an annual budget at an average of 15-16 billion USD, which would give some breathing space for modernization, especially in the form of additional weapons procurement.

There is no question that the aim of Taiwan's military spending is not catching up with the PLA, but already about seeking asymmetries to exploit to deter

¹⁰ "Ministry plans to obtain stealth fighter jets", Taipei Times, 17 March 2017. <http://www.taipeitimes.com/News/front/archives/2017/03/17/2003666923>

military action. The question is how will the Tsai administration allocate these new resources?

Part of the new funding will support the local arms industry. The Tsai administration has made it a national priority to rejuvenate Taiwan's shipbuilding industry – a priority at the crossroads between military modernization and economic development policy. The construction of eight diesel submarines is the symbol of this new emphasis on the local arms industry. Strategically, it is a recognition that given the constraints faced by Taiwan in importing weapons systems, relying on Taiwan's own technologies and industrial power has not been sufficiently explored. The design budget has been allocated and a blueprint is expected to be delivered by the end of 2017.¹¹ Some technologies are missing and Taiwan needs input from foreign sources to overcome technological bottlenecks.¹² If construction is in schedule, the first submarine will be commissioned in the Taiwanese Navy in 2025. At the same time, the Taiwanese arms industry is currently upgrading existing indigenous missile systems, including the Hsiung-Feng (Brave Wind) series of anti-ship missiles, the Tien Kung (Sky Bow) surface-to-air missile and the Tien Chien (Sky Sword) II air-to-air missile, while working on the land-attack cruise missile system that had been first unveiled during the Chen Shui-bian administration.¹³

Regarding arms procurement, Taiwan has been facing political restrictions in the US when it comes to access to new advanced weapons systems, which in turn has contributed to direct the Taiwan defense posture in the direction of asymmetry. Recent arms packages approved by the Obama and the Trump administration make it clear that it is much easier for Taiwan, to purchase munitions, stockpiled missiles and electronic products than to acquire new weapon systems.¹⁴

Two systems are receiving attention for their potential to boost Taiwanese defense but also to affect considerably the political dynamic in the US-China-Taiwan security triangle. Since the Ma administration, the Taiwanese Defense Ministry has evoked acquisition of F-35B. The request has been renewed by the Tsai administration.¹⁵ Under the present circumstances, it seems extremely unlikely that the US would authorize such a sale. Taiwan has a clear incentive to

¹¹ 'Taiwan to build eight submarines', The Straits Times, 6 April 2017. <http://www.straitstimes.com/asia/east-asia/taiwan-to-build-eight-submarines>

¹² 'Taiwan struggles to acquire 5 types of submarine tech for local program', Defense News, 7 April 2017. <https://www.defensenews.com/naval/2017/04/07/taiwan-struggles-to-acquire-5-types-of-submarine-tech-for-local-program/>

¹³ 'Taiwan to upgrade indigenous missile capabilities', Defense News, 6 February 2017. <https://www.defensenews.com/global/asia-pacific/2017/02/06/taiwan-to-upgrade-indigenous-missile-capabilities/>

¹⁴ Michael Cole, 'The Trump Administration's First Arms Package for Taiwan: What's in it?', Taiwan Sentinel, 7 July 2017. <https://sentinel.tw/trump-first-arms-package-taiwan/>

¹⁵ 'F-35s for Taiwan? Expect to wait a long time', The China Post, 15 May 2017. <http://www.chinapost.com.tw/taiwan/national/national-news/2017/05/15/497388/f-35s-for.htm>

maintain on its wish list advanced weapons systems, in order to avoid lowering the standards of US-Taiwan relations. This is also a very costly option. The version with vertical takeoff and landing costs more than 120 million per unit, which does not include armament, training and maintenance.¹⁶ The RAND corporation has produced in 2016 an interesting study showing that the most cost-effective option for Taiwan's air force was to acquire a fleet of 57 Joint Strike fighters and abandon its current air force, which is too vulnerable to various PLA operations.¹⁷ The alternatives are a modernization of the current fighter fleet and of surface-to-air missiles and a force exclusively composed of air defense systems, which at the same time need to be modernized to ensure greater survivability.

The second system is THAAD, Terminal High Altitude Area Defense. As mentioned in the introduction, Chinese commentators have threatened the use of force in case that missile defense system was deployed in Taiwan or acquired by the Taiwanese military. Defense Minister Feng Shih-kuan has already voiced its opposition to a THAAD deployment in Taiwan.¹⁸ However, the discussion persists in the media, alimented by speculation and angry comments in China. From the perspective of Beijing, what is seen is a US-effort to integrate missile defense regionally in order to undermine the PLA's nuclear deterrent force – one could also speculate, although no comments have been made public by the Chinese military about that last point, that what is also at stake for the PLA is the reliability of the conventional deterrence towards Taiwan based on short-range and medium-range ballistic missiles. One thing is clear, China perceives THAAD as a threatening system but beyond THAAD itself, the Chinese strategy consists of opposing the regional integration of missile defense in East Asia – for China, what matters most is the offense-defense balance in East Asia between ballistic missile systems and missile defense. For Taiwan, the cost of THAAD is prohibitive. One unit is said to cost approximately 800 million USD.¹⁹ There are cheaper and less political options currently being pursued by the Taiwanese military, in particular the indigenous Tien Kung system and the development of a navy-based system.²⁰

In sum, Taiwan operates in an extremely constrained environment to strengthen its defense capacity which mixes budget constraints with political constraints linked to Chinese pressure on potential partners of Taiwan's defense modernization, including the United States. The trend in Taiwan's defense policy is to respond to an unfavorable balance of military power by seeking asymmetries.

¹⁶ Kyle Mizokami, 'The Cost of the F-35 Is Going Up Again', Popular Mechanics, 17 July 2017. <http://www.popularmechanics.com/military/aviation/a27332/f-35-rising-cost/>

¹⁷ Michael Lostumbo, David Frelinger, James Williams, Barry Wilson, Air Defense Options for Taiwan, an assessment of relative costs and operational benefits, Rand Corporation, 2016.

¹⁸ 'Editorial: Can there be a THAAD for Taiwan?', Taiwan News, 9 March 2017.

¹⁹ 'Could Taiwan be up next in THAAD trouble?', The China Post, 10 March 2017. <http://www.chinapost.com.tw/taiwan/analysis/2017/03/10/493244/p3/could-taiwan.htm>

²⁰ Michael Thim, Liao Yen-fan, 'Taiwan and the Missile Defense Dilemma', Taiwan Sentinel, 30 March 2017. <https://sentinel.tw/taiwan-missile-defense-dilemma/>

3. *Conclusion: is risk-avoidance sustainable as a security strategy?*

For Tsai Ying-wen, risk avoidance means walking a thin line as the hardliners within the DPP can become critical but overall, this approach has contributed to stability in cross-strait relations and US-Taiwan relations. The Tsai administration is under internal pressure from the more radical pro-independence supporters within the DPP, who think their agenda could benefit from more confrontation in cross-strait relations. The balance of power within the DPP between the radical pro-independence faction and the realist managers of cross-strait relations is one of the key questions for the future of the Taiwan Strait. The realist managers have so far won the argument, but the internal balance between the two is unstable, and is extremely sensitive to changes in Taiwan's external security environment.

Seen from Beijing, there are many signs that Taiwan policy will undergo adjustments after the Party Congress. Will China try to provoke a shift in the Tsai administration's cross-strait policy? The military dimension of cross-strait relations is slowly regaining center stage as the most salient issue in the Taiwan Strait. For China, military pressure aims at deterring the Taiwan independence movement and shaping a domestic political environment conducive to return of the Kuomintang to power in 2020. This strategy has not been altered since 2005, when the ASL was adopted in synchronization with a new United Front with Lien Chan's Kuomintang.

But if China turns to coercion, there is a high risk of negative spiral in cross-strait relations. How to avoid that the sequence that led cross-strait relations from a phase of awkward status quo in 2000 to the high tensions of 2004-2005, characterized by cycles of actions and retaliation? China could seek to alter that balance by creating tensions that would help the radicals within the DPP in order to send to the world – and especially to the US – the message that the Tsai administration is not capable of managing stability in the Taiwan Strait. This would be a high-risk strategy given the current regional volatility. In the end, the sustainability of Tsai Ying-wen's risk avoidance strategy depends of the intensity of external pressure she will be under.