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Rise of China and the Cross-Strait Relations

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In East Asia, the rise of China has dominated most regional policy discussion and deliberation. In almost every field of regional concerns, China's rise has posed new challenges and brought profound implications. The impacts of China's rise on cross-strait relations are also heatedly discussed in Taiwan's academia as well as media. China's surging economy and newfound political clout expand its tool box in handling cross-strait relations and complicate U.S. role in dealing with the cross-strait political and military stalemate.

With its missile deployments directed at Taiwan and the adoption of an anti-secession law threatening the use of force to deter Taiwan's pursuance of *de jure* independence, China's coercive cross-strait policy could severely challenge the island and its most important ally, the United States. However, China's rising economic power and political status in the region have also been translated into a growing pool of "soft" power, affording Beijing increasing leverage on cross-strait issues. Five major areas can be identified as the immediate impacts of China's rise on cross-strait relations:

1. Continuing increase of cross-strait economic interdependence
2. Shrinking room for Taiwan's aspiration for independence
3. Gradual shifting of cross-strait military balance
4. Further isolation (marginalization) of Taiwan in regional organizations
5. Increasing cooperation between Beijing and Washington on the management of the Taiwan issue

Nevertheless, this paper argues that China's rise should not be treated simply as the emergence of a large country with expanding foreign policy influence, but rather, it represents a new dynamic process of structural change in East Asia as well as in the international arena. China's rise will bring about new challenges from both within and without the country, which will further complicate cross-strait relations. These structural challenges include:

1. Outside request of China's being a responsible stakeholder
2. The increase of power competition between China and other major powers

3. The rise of Chinese nationalism and Taiwan identity
4. The increasing demand of political reform and democratic governance

This paper aims at addressing the aforementioned two sets of questions respectively. The first five questions concern with the immediate impacts of China's rise on cross-strait relations while the last four questions are related to the long-term implications for this vital relationship.

I. China's Rise and Cross-Strait Relations: Policy Implications

1. Continuing increase of cross-strait economic interdependence

Cross-strait trade relations have been increased rapidly in recent years. As China's economy keeps startling development, it is likely that the intensity of cross-strait economic interactions and social exchanges might make China and Taiwan a single economy eventually. Taiwan is the largest source of foreign investment in China, and the bulk of China's high-tech exports are actually made by Taiwanese-run factories. Taiwan's total investment in China has reached some 160 billion dollars and grows at a rate of four to six billion dollars per year. Taiwanese businesses own 60 to 70 percent of China's information technology market, and about 50,000 Taiwanese firms operate in mainland China.¹

When China is emerging to become a regional and global manufacturing center as well as the economic powerhouse, Taiwan's prosperity clearly links to that of the Mainland. Huge and intimate economic and social ties are leading the two sides into gradual integration and interdependence. Furthermore, the cross-strait ties are increasing their interpersonal facets when large numbers of Taiwanese citizens living, studying and working in China. The personal touch might help calm volatile political relations across the Taiwan Strait.

Afraid of a possible "hollowing out" effect resulting from the increasing economic integration with China, Taiwan has adopted a rather restrictive policy toward cross-strait investment and trade, which was known as "no

¹ Clyde Prestowitz, "China-Taiwan Economic Ties," Economic Strategy Institute, April 8, 2005, at http://www.econstrat.org/news/cprestowitz_voa_04082005.html.

haste, be patient” policy during the Lee Teng-hui government and becomes “active opening, effective management” in the current Chen Shui-bian administration. Although Chen’s policy contains the element of “active opening,” the implementation outcome shows that it is the “effective management” part that is in charge. However, with the enhancing economic strength and expanding market attractiveness in China, the restrictive policies could hardly be implemented with effectiveness. Taiwanese capital utilizes every loophole to circumvent regulations and gets touchdown on Mainland China. What is worse is that these restrictive policies might force enterprises to leave no headquarters, R&D or marketing divisions on the island, undermining tax sources of the Taiwanese government and leading to a genuine “hollowing out” effect.

The current economic trend across the Taiwan Strait fits into the neo-mercantilist viewpoints about globalization, which claim that interdependence has not only altered the way people related with each other but eventually, becomes an arena for power struggle among states. China believes that the increasing cross-strait economic and social integration has become a unification-enhancing mechanism, rather than a limit to its cross-strait policy. However, the interdependence argument cuts both ways. Cross-strait trade and investments are as much an advantage to Taiwan as a disadvantage. The huge Taiwanese investment in China means also extremely high economic costs for the Mainland should the latter opt for conflict. Taiwanese scholars argue that the cross-strait interdependence makes Taiwan overly dependent on the mainland as such a hostage to Beijing's manipulation². It is perhaps right that economic interdependence constrains China less than Taiwan due to the much larger economic scale of the former. Nevertheless, increasing cross-strait economic and social interdependence and integration may develop to be a restraining factor on provocative talks or policies for the both sides. As the economic and social interactions grow, the costs of either Beijing’s resorting to military means for unification or Taipei’s pursuance of a reckless *de jure* independence would become increasingly prohibitive.

² Tse-Kang Leng, "A Political Analysis of Taiwan's Economic Dependence on Mainland China", *Issues & Studies*, vol. 34, no. 8, August 1998, pp. 132-154.

2. Shrinking room for Taiwan's aspiration for independence

From China's perspective, the Taiwan issue is a matter of sovereignty and territorial integrity, but how would Beijing deter Taiwan independence without alienating the increasingly assertive Taiwanese from the mainland? Even though leaders in Beijing have learned from past experiences that overt saber-rattling would only push Taiwanese people further apart from the unification, threat of force is still the cornerstone of Beijing's policy toward Taiwan. In 2004, China held two large-scale amphibious exercises (division to group-army level in size), one of which explicitly dealt with the Taiwan scenario, bringing the total number of amphibious exercises to ten over the past five years. Beijing continues to see the threat and possible use of force as an integral part to its policy of dissuading Taiwan from pursuing independence.

The enactment of the Anti-Secession Law on March 4, 2005 was regarded as Beijing's effort to demonstrate its determination to deter Taiwan independence through legal and physiological measures. The law enlists three scenarios as preconditions for the use of "non-peaceful means" against Taiwan: efforts taken by the separatists to split Taiwan from China under whatever means or by whatever names; any major incidents that could lead Taiwan towards splitting from China; and the possibility of peaceful unification is entirely exhausted. Scholars in China argue that the Anti-Secession Law is in fact a "status quo law," designing to maintain the current situation in the Taiwan Strait; or at least a "one-China law," which emphasizes the idea of maintaining unity of one-China and warns that any separating effort will face military sanction from the mainland.

International reaction to this obviously coercion-leaning policy of China might fall well short of Taiwan's expectation. Countries including Russia, Cambodia and Indonesia uttered support to China's enactment. Major powers such as the European Union and Japan only reiterated their interests in a peaceful resolution of the cross-strait dispute while the U.S. named the law an unnecessary act but reaffirmed its one-China policy and non-support of Taiwan independence. A more alarming response came from Australia, America's most staunch ally in the region. The country's Foreign Minister Alexander Downer professed that under the ANZUS treaty, Australia should consult with the U.S. when American troops were to involve in a conflict with

China over Taiwan, but that did not dictate Canberra's contribution of military forces.³ In fact, Mr. Downer openly denied Australian military obligation under the ANZUS treaty in a scenario of Sino-US conflict in the Taiwan Strait in his earlier visit to Beijing, which should be the most dramatic demonstration of the tilt in cross-strait political balance resulting from China's rise.⁴

As for maintaining cross-strait status quo, it seems that Beijing, Taipei, and Washington all agree to maintain the status quo in the Taiwan Strait. The problem is that all three have different definitions and perceptions of the status quo. Beijing insists on the one-China principle, which states that Taiwan is part of one-China. By insisting on a static status quo, Beijing in fact tries to prevent Taiwan independence from receiving more domestic and international supports. Taiwan regards itself as an independent sovereign state and rejects any form of reunification with the current regime in Beijing. The United States wants to maintain a peaceful status quo and warns against any unilateral action that may alter that status quo. Furthermore, though the US has a one-China policy, Washington insists that differences between the two sides of the strait should be worked out peacefully.

3. Gradual shifting of cross-strait military balance

In recent years, China's defense capability has improved significantly, thanks to a strong rise in defense expenditure accompanying its economic growth. Between 2000 and 2005, China's official defense spending doubled to \$29.6 billion, allowing the military to spend on weapons procurement and upgrading, troops training and communication, computer and intelligence improvement. The focus of cross-strait military balance has shifted from quantity to quality in the past few years. With the PLA's aggressive modernization program, the military strength of China is likely to surpass that of Taiwan in the coming years if Taiwan could not acquire enough advanced defensive weapons in time.

PLA modernization has accelerated since the mid 1990s, in response to its central leadership's demands for military options in cross-strait scenarios.

³ "Interview—Sky Television with David Speers." See http://www.foreignminister.gov.au/transcripts/2005/050314_sky.html.

⁴ "Downer Denies War Speculation," *Melbourne Herald Sun*, Aug. 19, 2004. See <http://taiwansecurity.org/News/2004/MHS-190804.htm>.

China's military buildup appears to focus on preventing Taiwan independence while also seeking capabilities to swiftly compel Taiwan to negotiate a settlement on Beijing's terms. At the same time, China beefed up its forces to counter potential third-party intervention, particularly that from the U.S., in cross-strait crises. PLA preparations, including an expanding force of ballistic missiles (long-range and short-range), cruise missiles, submarines, advanced aircraft, and other modern systems, come against the background of a declaratory policy of "peaceful reunification" toward Taiwan. With the force development, the tools that the PLA can afford its leadership in a coercive action against Taiwan will become increasingly diversified. Missile threat from China is viewed as the greatest threat to the security of the island. So far, China has deployed over 600 ballistic missiles on the opposite shore of Taiwan, including the short-range mobile ballistic missiles known as the *Dongfeng-11* (M-11) with a range of 300 kilometers and the *Dongfeng-15* (M-9) with a range of 600 kilometers.

U.S. arms sales to Taiwan have been the major source for the island to upgrade its military equipment and to maintain its qualitative edge over the Mainland. In April 2001, the Bush administration approved the sale of a robust package of weapons to Taiwan, the largest one in nearly a decade. However, the arms procurement bill is delayed in Taiwan's Legislative Yuan due to political feuding, pressure on the budget, the outcome of the referendum and fears of igniting an arms race in the Taiwan Strait. These can all be regarded as domestic factors and are the result of political parties and camps having different interpretations and attitudes of the cross-strait situation.

The development of Taiwan's democracy, the dramatic changes in the cross-strait relationship and relations with the US, and the impact of China's "rising" mean that Taiwan's purchase of arms from the US is not a simple military problem, but is a complex issue that is critical to the cross-strait situations and the relationship between Taiwan, the US and China. The administration of the Democratic Progressive Party (DPP) has put the focus of its concern on military security and US relations. They fear the growing military threat presented by China and the imbalance in military preparedness. As they believe that China will never relinquish its ambition to annex Taiwan, they have put their faith in the purchase of advanced weapons and military modernization, as well as improving military cooperation with the US, and making themselves part of the US effort to contain China. They

believe that this provides the best guarantee of security. The DPP's position emphasizes the difference in power and materials, but has neglected to give sufficient consideration to the impact the arms purchase may have on security dilemma, and therefore tends to put too much faith in the offer of US protection.

The Kuomintang (KMT) and the People First Party (PFP), which make up the pan-blue camp, place a greater emphasis on the development of peaceful cross-strait relations and are unwilling to see a conflict in the Strait. They point to the high level of mutual economic interdependency that exists across the Strait and argue that military parity would not help ensure peace and stability in the Strait. As China has pointed to Taiwan independence aspirations as the main cause of conflict, the pan-blue camp argues that the necessity of the arms procurement deal must be assessed in terms of its impact on cross-strait peace, in addition to the debt that such a purchase would lay on the next generation, worries about a financial crisis and the individual items on the list of proposed purchases. In IR theory, this is more an argument of constructivism, compared to the more realist one presented by the DPP government. It emphasizes perception and beliefs, but this cannot negate the importance of strengthening Taiwan's military and improving relations with the US.

The traditional distinction between offensive and defensive weapons made in security dilemma theory⁵ (i.e. the concept that only an increase in offensive weapons will cause other countries to feel threatened, and that the possession of defensive weapons should not cause a security dilemma) cannot be applied to relations between Taiwan and Mainland China. China deems that even the possession of purely defensive weapons will give Taiwan increased self-confidence and encourage it to move towards independence. As a result, the government in Beijing constantly accuses the US of violating their "August 17 declaration," in which the US stated that it would gradually decrease arms sales to Taiwan, in terms of both quality and quantity. Mainland China also constantly criticizes the U.S. support for Taiwan's national defense as interference in China's internal affairs. However, Taipei argues that it seeks only to strengthen its defensive capabilities in response to

⁵ For a discussion of offensive and defensive weapons and the roles they play in bringing about war, see Van Evera, "Offense, Defense, and the Causes of War"; and L. Glaser and Chaim Kaufman, "What is the Offense-Defense Balance and Can We Measure It?" *International Security*, Vol. 22, No. 4, Spring 1998, pp. 44-82.

the threat from Mainland China, which would help give ordinary people in Taiwan more confidence in developing peaceful and mutually beneficial relations with the latter. From Taiwan's point of view, therefore, maintaining military parity with Mainland China through strengthening Taiwan's defensive capability is considered as a confidence-building measure. All in all, if the dyadic interaction in military preparation deteriorates into an cross-strait arms race, Taiwan's prospect of keeping the edge is indeed dismal given China's decent economic and political potential.

4. Further isolation/marginalization of Taiwan in regional organizations

The number of countries with which Taiwan maintains formal diplomatic relations and the international intergovernmental organizations in which the island has chances to participate is so low as to be merely symbolic. This is a direct result of the international isolation imposed by Beijing. Taiwan was known as an "international orphan" or "pariah state." Paradoxically, when the world praised Taiwan's stable democratic transition, Taipei's official relations with other governments and participation in international intergovernmental organizations were still thoroughly blocked by Beijing under the rigid Westphalian sovereign state system.

In the past few years, China has launched an aggressive campaign to establish closer political and economic ties with its neighbors. Starting from 1997 when China struggled to sustain its currency during the Asian Financial Crisis, Beijing's new regional policy included efforts to settle border disputes with Russia, Vietnam, and India and accepted Code of Conduct of South China Sea. Beijing's recent decision to establish a free trade agreement with ASEAN counties in the pursuance of a China-ASEAN FTA has become another cornerstone of Beijing's efforts to dominate regional economic agenda. China also maintains active diplomacy, including military, relations with most ASEAN member states to promote positive views of China's rise, gain access to resources, and isolate Taiwan.

Beijing has successfully exercised its growing influence to isolate Taiwan in regional activities and prevent the cross-strait issue and crisis from becoming a topic of regional and international discussion. To a great extent, China utilizes its growing trade and investment ties to achieve this political ends. Some studies point out that, with China's rise in regional and

international politics, Beijing has managed to enhance its influence and expand its policy choices in handling cross-strait relations. Globally, strangling Taiwan's international breathing space and constraining Taiwan's international profile remain important elements of China's foreign and diplomatic strategy, particularly among developing countries. Meanwhile, Taipei's leverage to launch counter-measures is dwindling.

From a certain angle, then, Taiwan itself can be seen as a special type of non-status quo country, based on its continued dissatisfaction with the existing limits placed by the international society and countries in the East Asia region. As a truly sovereign, independent, democratic, and economically vibrant country, Taiwan nevertheless is not recognized by a single country in its neighborhood. With the island's self-identity and democratization growing stronger day by day, Taipei is stepping up efforts to enlarge its international role and increase its participation in international organizations. The diplomatic struggle between Beijing and Taipei has until now been a zero-sum game. Taipei's active seeking for the possibility of dual recognition together with the Mainland has until now been futile because Beijing normally has more leverage in maintaining its strategy of internationally isolating Taiwan, especially in the East Asia.

5. Increasing cooperation between Beijing and Washington on the management of the Taiwan issue

In the past, Chinese leaders wanted to keep the Taiwan issue a purely internal affair of China. Beijing tried to prevent cross-strait issues to become a negotiation topic with the United States and would not allow countries in East Asia to raise concerns with this regard. However, understanding Washington's influence over Taipei, Beijing has quietly shifted its stubborn resistance in recent years and often appeals to Washington for support of Beijing's policy and position regarding cross-strait relations and resorts to Washington for bringing pressure to bear on Taipei's pursuance of independence.

Take the defensive referendum issue before Taiwan's 2004 presidential election as an example. Beijing's strategy to a great extent sought to roll back Chen Shui-bain's ruthless referendum plan through the avenue of Washington. The U.S. was not amused with the many surprises from

President Chen before the 2004 election either. In the beginning, Washington reminded Chen of his "Four-No's" pledge, including no referendum on independence. When asked to comment on Taiwan's plans for a defensive referendum, U.S. State Department spokesman Richard Boucher said the United States opposed any attempt by either China or Taiwan to change the status quo in the Taiwan Strait. "We also urge both sides to refrain from actions or statements that increase tensions or make dialogue more difficult to achieve. Therefore we would be opposed to any referendum that would change Taiwan's status or move toward independence," he said.⁶ The development climaxed in President Bush's personal and public criticism of the referendum plan during his meeting with the Chinese Premier Wen Jiabao. Bush reaffirmed in strong terms the heightened concern of his administration that the plan could badly affect US interests by destabilizing the situation in the Taiwan Strait. It is very unusual for an American president to criticize a Taiwanese leader publicly while at the side of a Chinese leader. G.W. Bush has on occasion, praised democracy in Taiwan and announced his intention to do "whatever it takes" to defend Taiwan, and the very same president tried to put a stop to Chen's defensive referendum. Bush obviously realized that an unnecessary military conflict with China over Taiwan would serve nobody's interests.

In its relations with Taiwan and China, therefore, Washington has adopted a clear dual strategic policy of balance and deterrence. One aspect of playing the part of balancer is to maintain a military balance between the two sides through arms sales to Taiwan and strengthen the island's defenses. The other aspect is the political balancing act—utilizing diplomacy with Taipei and Beijing to express a strong resolve to uphold cross-strait peace. As for the deterrence strategy, America's dual role is also clearly conveyed to both sides of the strait in that it opposes any unilateral action to change the status quo. Any such action would warrant a political or, possibly, a military response. Therefore, other than its standpoint of "no military action by China, no Taiwanese independence," Washington's policy actually consists of preventing either side from defining or legalizing the status quo.

China's adherence to rules-based international practices and its growing soft power are not inherently a threat to U.S. interests, but how Washington responds to Beijing's change of policy will shape prospects for future

⁶ "U.S. Urges Taiwan Leader to Drop Referendum Plan," *Reuters*, Dec. 2, 2003.

cross-strait development and stability. When political relations between China and the United States are basically stable as economic and trade links are expanding, Taiwan remains a major source of unease in the Sino-U.S. relationships. As Lieberthal warns that: “[o]ne of the greatest dangers to international security today is the possibility of a military confrontation between China and Taiwan that leads to a war between China and the US.”⁷

Scholars argue that China’s Taiwan policy under the third generation leadership of Hu Jintao place economic development at the center and start utilizing the United States to suppress Taiwan.⁸ However, with the rise of China’s economic power and international status, Beijing learns to invite Washington to manage cross-strait situations and prevent military crisis from happening. For instance, on May 5, 2005, Chinese President Hu Jintao and US President George W. Bush had a phone conversation. Hu stressed that the proper handling of the Taiwan issue remains the key to the healthy growth of China-US relations. Hu also said that China hopes the US side to adopt a constructive attitude in support of the improvement and development of relations across the Taiwan Straits and supports the cross-Straits situation to march toward peace and stability.⁹

In September 2005, when Chinese President Hu Jintao urged US President George W. Bush men met in New York on the sidelines of the UN General Assembly's 60th anniversary meeting, Hu said to Bush that "I hope that the United States will join the Chinese side in safeguarding peace and stability across the Taiwan Straits and opposing so-called Taiwan independence." Bush initially had no response to that, and omitted any reference to Taiwan in his public statement before the meeting. During the closed-door meeting, however, Bush reiterated Washington's position on Taiwan matters.¹⁰

Both Beijing and Washington governments want to avoid conflict with each other over Taiwan. Beijing and Washington have so far managed to deal with their differences in a pragmatic and flexible approach. Washington has

⁷ Kenneth Lieberthal, “Preventing a War Over Taiwan” *Foreign Affairs*, Mar/Apr 2005, 84: 2, pp. 53-63.

⁸ Chen-yuan Tung, “An Assessment of China’s Taiwan Policy Under the Third Generation Leadership,” *Asian Survey*, Vol. 45, Issue 3, May/June 2005, pp. 343-361.

⁹ “President Hu, Bush talk about Taiwan, trade,” *Xinhuanet*, May 5, 2005, at <http://www.chinaembassy.org.in/eng/zgbd/t194361.htm>

¹⁰ Charles Snyder, “Bush changes topic after Hu asks for support on Taiwan,” *Taipei Times*, Sep. 15, 2005.

now asked Beijing to talk directly to Taipei's ruling party and its leader, President Chen Shui-bian. Beijing has intensified efforts to work with Washington to contain Taiwan's moves toward independence, reflecting a new emphasis on preventive diplomacy. Chinese scholars also admit that only by coordinating its U.S. policy with its policy toward Taiwan can Beijing restrain Taiwan independence movements.¹¹ Recently, more and more Chinese and U.S. government agencies, think tanks and scholars hold bilateral dialogue on the Taiwan issue, both in Washington and Beijing.

II. China's Rise of Cross-Strait Relations: Structural and Long-Term Challenges

1. Outside request of China's being a responsible stakeholder

"It is time to take our policy beyond opening doors to China's membership into the international system: We need to urge China to become a responsible stakeholder in that system," said Robert Zoellick, U.S. Deputy Secretary of State, in a speech on US-China relations in September 2005¹². This new Bush policy toward China, "a responsible stakeholder" or a responsible major world citizen, asks China to be more mature and supportive of the international system and norms. This means China has to not only comply with international law but also more actively support international responsibilities and the U.S. policies. In other words, China should not hinder UN Security Council action on Iran and should exert its influence over North Korea to entice the latter to accept denuclearization. China should also assume responsibility for reassuring other Asian countries, including Taiwan, of its military buildup and security posture.

Christopher Hill, the U.S. Assistant Secretary of State for East Asian and Pacific Affairs, asserted that the United States sought to have China as a global partner that took on international responsibilities. "The key question is how a more integrated and powerful China uses its growing influence and whether it will do so in concert with the United States and its allies," Hill said at a June 7 hearing before the Subcommittee on East Asian and Pacific Affairs

¹¹ Wang Jisi, "China's Search for Stability with America," *Foreign Affairs*, 84: 5, Sep/Oct 2005, pp. 39-48.

¹² Robert B. Zoellick, "Whither China: From Membership to Responsibility?" Remarks to National Committee on U.S.-China Relations, September 21, 2005.

of the Senate Foreign Relations Committee. "Will it accept the challenge of the international community to help enhance the peace, prosperity, and stability of the region and in doing so, positively change the international system as we know it today?"¹³

The United States is thus seeking a cooperative relationship with China and wants to encourage constructive action of Beijing, including democratic reforms. If China can indeed rise to be a responsible stakeholder, it will be more likely to become a status quo country, which will favor solving its disputes with other countries through peaceful means. Beijing has demonstrated its capability to negotiate with neighbor countries, such as Russia and India, in resolving chronic border disputes, but to what extent does Beijing accept a negotiating approach to solve the "Taiwan question" remains unknown. Nevertheless, it seems that while enhancing its defense capabilities as part of a hedge, Washington has made extra efforts to assure that a "stronger China" will also be a peaceful power.

2. The increase of power competition between China and other major powers

History has shown that the rise of a large country is often accompanied by conflicts and wars. One of the most frequent asked question today by international relations scholars is how the US and China will manage their relationship in the coming decades. Washington's perception and attitude toward the rise of China are complex and complicated. China is, after all, the only country that has the prospect of challenging America's power and economic strength in the foreseeable future.

Realists deem intentions powerfully affected by capabilities, and rising power will inevitably be exploited. The Taiwan question is a potential lure for China's revisionist ambition, one where the interests of the U.S. and China might directly conflict. The 2003 DoD report draws a direct link between capabilities and intentions.

The PRC's ambitious military modernization casts a cloud over its declared preference for resolving differences with Taiwan through

¹³ "Emergence of China in the Asia-Pacific: Economic and Security Consequences for the United States," Statement by Christopher R. Hill, Assistant Secretary for East Asian and Pacific Affairs, June 7, 2005.

peaceful means ...[and] may reflect an increasing willingness to consider the use of force to achieve unification. ... We estimate that Beijing's objectives in any Taiwan-related crises would be (1) to compel Taiwan authorities to enter into negotiations on Beijing's terms and (2) to undertake military operations as required with enough speed to preclude third-party intervention.¹⁴

A confrontation between continental powers and coastal powers is recently looming in East Asian security environment. Along with the immediate problem of Pyongyang's nuclear ambition, Japan is gradually developing a more assertive security strategy, which just named North Korea and China as its potential threats. However, the most important mid-to-long-term challenge obviously comes from China's rise. The continued military presence and security commitments of the United States are viewed by certain countries as critical to stability in the region while also bringing about doubts from others.

The U.S. believes that the presence of the U.S. military in East Asia serves as a deterrent against potentially hostile states and helps maintain regional peace and stability. However, PRC does not fully embrace this rationale for the US forward military deployment. Beijing has long warned against American hegemonic leadership and has recently accused the new "2 plus 2" arrangements between the U.S. and Japan, their development and possible deployment of the missile defense systems as well as other issues are the sources of instability in the East Asia region. Since Washington initiated military contacts and dialogue with Beijing, US military leaders have discovered that high-level Chinese military officials, especially the PLA generals, commonly believe that the U.S. East Asian strategy is a wolf in sheep's clothing: inside the sugar coating of exchanges lie America's true hope of containing and preventing China's growth and development. Such an attitude of extreme mistrust and doubt provides the psychological basis for China's policy and behavior of challenging the status quo.

Another potential source of friction between the US and China is energy. The economies of both countries are heavily dependent on oil imports. China's aggressive attempt to lock up oil supplies is understandable in the light of its

¹⁴ Department of Defense, *Annual Report on the Military Power of the People's Republic of China* (2003), p. 46.

national interests. However, the US and China are pursuing quite similar international oil acquisition policies, and some of Beijing's actions were putting it at odds with the goals of American foreign policy, such as signing oil deals with countries which are hostile to the US, like Sudan and Iran. Therefore, Senator Joseph Lieberman recently has warned “competition for scarce oil supplies could put the United States and China on a collision course if both countries fail to improve cooperation on energy issues.”¹⁵

3. The rise of Chinese nationalism and Taiwanese Identity

Many argue that the CCP has turned to nationalism as the ideological glue that hold the country together and maintain CCP's control of political power. Indeed, for leaders in Beijing, Chinese nationalism could be used as an effective device for providing a sense of solidarity in times of social unrest and political uncertainty. From Beijing's point of view, China's recent rise marks the end of a century-long painful internal convulsions, civil wars, and foreign humiliations.

The special sensitivity of the Taiwan question comes from its intimate emotional connection with China's historical memory and therefore, links to CCP's legitimacy. In fact, the fate of Taiwan remains highly symbolic of the nation's recent past, and it is so central to the meaning of 'Chineseness' on the mainland. Many Chinese scholars believe that, for the majority of the Chinese population, Taiwan independence would not only symbolize the continuation of China's division and humiliation but also call into question the very nature of 'China'.

CCP cannot afford to compromise on the issue of Taiwan. From time to time, The Chinese leadership makes it clear that it will declare war regardless of the costs if Taiwan moves toward independence, and it would be dangerous to ignore this real possibility. Outside observers tend to emphasize the assertive and thus worrisome sides of the rise of the Chinese nationalism while Chinese scholars tend to stress the benign and responsive sides of the nationalism in China. This is not surprising when one thinks of the cliché that nationalism is a double-edged sword. For CCP leaders, much of the implication of the rising Chinese nationalism will depend on their capability to continue reining in the populist aspect of the nationalism and lead its zeal

¹⁵ “China and US 'on collision course over oil,” *Straits Times*, Dec. 1, 2005.

to the stable development of China. To achieve this end, the Taiwan issue is a ground that no one dares to compromise.

On the other side of the Taiwan Strait, the formation of a Taiwanese identity developed together with the process of democratization on the island. This author has argued in another article that the Taiwanese identity is less about certain unique language, culture, or ethnicity, but has more to do with Taiwan's reaction under its democratic mechanism toward the island's international status and cross-strait tensions. Currently, two types of "Taiwanese identities" are taking shape, "*native Taiwanese identity*" (or local Taiwanese identity) and a "*status quo Taiwanese identity*." Both identities can be regarded as "Taiwan-centered national identities"¹⁶ which view Taiwan as having de facto separating and independence from mainland China. Though both groups seem to be on the same page with international politics, the two identities have different perception toward Taiwanese domestic politics and cross-strait affairs.

The "Native Taiwanese identity" emerged as a reaction against an authoritarian era under which local culture and identity were suppressed. The shift was from "anti-authoritarianism" to "anti-KMT." Later on, in the face of China's military threats and diplomatic isolation, the focus was switched again, to "stand up against China's hegemony." "Native Taiwanese identity" is the core value and principle for the Democratic Progressive Party (DPP) and the Taiwan Solidarity Union (TSU) comprising the "pan-green" camp. They favor a sovereign Taiwan, and, if security conditions allow, de jure independence.

The "Status quo Taiwanese identity" is a response to the emergence of local Taiwanese identity. Under the idea of "Taiwan first," it stresses the importance of maintaining the status quo and keeping up economic development. As it concentrates on current interests and future prospects, it incorporates more pragmatic viewpoints. Status-quo Taiwanese identity is supported by the KMT (Kuomintang) and the PFP (People's First Party), which comprise the "pan-blue" camp. It tries to preserve the identity of the Republic of China and wants to see the de facto autonomy remain unchanged.

¹⁶ T.Y. Wang and I-Chou Liu, "Contending Identities in Taiwan: Implication for Cross-Strait Relations," *Asian Survey*, Vol. 44, Issue 4, August 2004, pp. 568-590.

The differences between the two identities represent a major source of conflict and power struggle within Taiwanese domestic politics. Native Taiwanese identity, strongly supported by Lee Teng-hui, has apparently become the cornerstone of the Chen Shui-bian administration and is forging Taiwanese nationalism. Polls have shown an increase in the numbers of people that see themselves as Taiwanese, rather than Chinese. The status quo identity is strongly supported by the KMT/PFP policy position which also emphasizes the need to maintain the current political status quo across the Taiwan Strait while they are more willing to negotiate with Beijing on economic linkages.

Multiple factors make Taiwan the central test of the Chinese nationalism, but the rise of the Taiwanese identities, whether or not directly on the contrary to the Chinese identity, is one of most emotional factors. The magnitude of Taiwan's growing economic interdependence with China and China's complete willingness to use force to resolve the so-called Taiwan issue have far-reaching and paradoxical implications for Taiwan's identity-building. Taiwan's self-identity and democratization grow stronger day by day, and the Taiwanese government is stepping up efforts to enlarge its international role and increase its participation in international organizations. The development of the Taiwanese identities, both native and status quo leaning, reflects the emotion of dissatisfaction and frustration of Taiwanese public.

4. The increasing demand of political reform and democratic governance

In the post-Cold War era, almost all major powers run democratic political systems and have free elections of their top political leaders while China remains a one-party, authoritarian, communist regime. The rise of China as a communist state gives other powers a legitimate concern about the challenge and threat posed by China's rising political and economic power. For the Western World and the Taiwanese people as well, much of the assurance of a peaceful rise of China depends upon the development of democratic value and system in China.

China has allowed direct elections in its one million villages across the country for more than a decade. The major aim of this plan was to relieve tensions and help maintain social and political order at a time of unprecedented economic reform. The government began direct village

elections in 1988, soon after the dismantling of the collectivist commune system. Every village in China - homes to some 600 million voters - is now required to hold direct elections every three years for a new village committee, which has powers to decide on such vital issues as land and property rights. Village elections have been growing more competitive, and the use of the secret ballot is not uncommon.¹⁷

However, Beijing has so far refused to institutionalize village elections at the next higher level of government—townships. At the same time, China has seen a rash of local protests over the past year held by various social constituents, ranging from farmers angry about polluting industries to city dwellers forced out of their homes to make way for new developments. Not unusually, Beijing opts to respond forcefully. For instance, in the village of Taishi in southern Guangdong province, the recent arrest of dozens of villagers and their legal advisers since the launch of a petition in July to dismiss the director of the Taishi village committee have gained nationwide attention. Such incident highlights the deep-seated problems in implementing limited democratic reforms at the local level and has thrown into fresh doubt Beijing's claims to be introducing genuine democracy "from the bottom up".¹⁸ Ironically, the assault coincided with a meeting of China's 354-member central committee in Beijing, a party plenum that among other issues is considering "deepening" political reforms. Interestingly, Wen Jiabao, China's premier, told British prime minister Tony Blair in a meeting in September 2005 that his government would press ahead with developing more democratic politics, without giving a timetable.

On the contrary, Taiwan is hailed as a successful story of democratization. Taiwan lifted martial law and the ban on political parties and press in 1987. During the following decade, Taiwan accomplished its democratic reform step by step by holding elections of the Legislative Yuan, Taiwan's parliament, and conducting a direct presidential election in 1996. The second direct election of the president and vice president that took place on March 18, 2000, marked the first alternation of ruling political parties. It was also a peaceful transition of power. On Nov. 18, 2005, when President Bush visited Japan and

¹⁷ Weixing Chen, "Village Elections in China: Cooperation between the State and the Peasantry," *Journal of Chinese Political Science*, Volume 5, Number 2, Fall 1999, pp. 63-82.

¹⁸ Richard McGregor, "Political Reforms in China Suffering Problems," *Financial Times*, Oct. 11, 2005.

addressed to international media, he said that “[m]odern Taiwan is free and democratic and prosperous. By embracing freedom at all levels, Taiwan has delivered prosperity to its people and created a free and democratic Chinese society.” With respect to Taiwan, Bush noted Washington’s one-China policy remains unchanged. “The United States will continue to stress the need for dialogue between China and Taiwan that leads to a peaceful resolution of their differences,” he said. But Bush points out that “[a]s China reforms its economy, its leaders are finding that once the door to freedom is opened even a crack, it cannot be closed. As the people of China grow in prosperity, their demands for political freedom will grow as well.”¹⁹

Meanwhile, Beijing leaders also face increasingly strong demand from Hong Kong to respond to calls for full democracy and the right to choose their leaders. When Hong Kong was a British colony, its rulers denied its residents the freedom to elect their leaders and full legislature. The tradition has continued since the city returned to China in 1997 under a "one country, two systems" formula that promised Hong Kong wide autonomy. Two pro-democracy marches helped trigger the territory's first leadership change since the handover in 1997. Both protests – in 2003 and 2004 – drew half a million people demanding the right to pick their leader and all lawmakers. Currently, only half of the legislators are directly elected, while the other half are selected by interest groups. Again, on December 4, 2005, more than 250,000 protesters demanded a timetable for general elections in Hong Kong.²⁰ Beijing is stalling on democratic reforms because the Communist leadership fears that it would lose control of Hong Kong's government. The push for full democracy poses an acute problem for China's leaders.

Concluding Remarks

The rise of China in terms of economic development, political status, and military modernization has created complex impact on cross-strait relations. China’s assertion of peaceful rise faces serious challenges in its cross-strait policy and the resultant possible Sino-U.S. confrontation on the Taiwan issue. The paper makes some preliminary examination of both short-term policy changes and long-term structural implication of the rise of China and

¹⁹ “Bush Holds Up Taiwan as an Example of Democracy,” *Reuters*, Nov. 16, 2005, at <http://taiwansecurity.org/Reu/2005/Reuters-161105.htm>

²⁰ Keith Bradsher, “Hong Kong Protesters Want Election Timetable,” *New York Times*, Dec. 5, 2005, at <http://taiwansecurity.org/NYT/2005/NYT-051205.htm>

cross-strait relations.

The first five questions concern with the immediate impacts of China's rise on cross-strait relations: continuing increase of cross-strait economic interdependence; shrinking room for Taiwan's aspiration for independence; gradual shifting of cross-strait military balance; further isolation (marginalization) of Taiwan in regional organizations; and increasing cooperation between Beijing and Washington on the management of the Taiwan issue.

Nevertheless, this paper argues that China's rise also represents a new dynamic process of structural change in East Asia as well as in the international arena. China's rise will bring about new challenges from both within and without the country, which will further complicate cross-strait relations. The last four questions are related to the long-term implications for this vital relationship: outside request of China's being a responsible stakeholder; the increase of power competition between China and other major powers; the rise of Chinese nationalism and Taiwan identity; and the increasing demand of political reform and democratic governance.