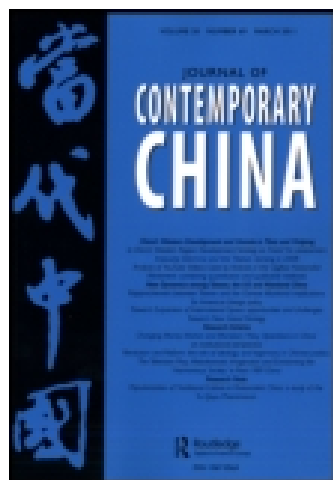


This article was downloaded by: [National Chengchi University]

On: 12 August 2014, At: 00:28

Publisher: Routledge

Informa Ltd Registered in England and Wales Registered Number: 1072954 Registered office: Mortimer House, 37-41 Mortimer Street, London W1T 3JH, UK



Journal of Contemporary China

Publication details, including instructions for authors and subscription information:

<http://www.tandfonline.com/loi/cjcc20>

National security vs. economic interests: reassessing Taiwan's mainland policy under Chen Shui-bian

Chien-Min Chao

Published online: 22 Jan 2007.

To cite this article: Chien-Min Chao (2004) National security vs. economic interests: reassessing Taiwan's mainland policy under Chen Shui-bian, *Journal of Contemporary China*, 13:41, 687-704, DOI: [10.1080/1067056042000281431](https://doi.org/10.1080/1067056042000281431)

To link to this article: <http://dx.doi.org/10.1080/1067056042000281431>

PLEASE SCROLL DOWN FOR ARTICLE

Taylor & Francis makes every effort to ensure the accuracy of all the information (the "Content") contained in the publications on our platform. However, Taylor & Francis, our agents, and our licensors make no representations or warranties whatsoever as to the accuracy, completeness, or suitability for any purpose of the Content. Any opinions and views expressed in this publication are the opinions and views of the authors, and are not the views of or endorsed by Taylor & Francis. The accuracy of the Content should not be relied upon and should be independently verified with primary sources of information. Taylor and Francis shall not be liable for any losses, actions, claims, proceedings, demands, costs, expenses, damages, and other liabilities whatsoever or howsoever caused arising directly or indirectly in connection with, in relation to or arising out of the use of the Content.

This article may be used for research, teaching, and private study purposes. Any substantial or systematic reproduction, redistribution, reselling, loan, sub-licensing, systematic supply, or distribution in any form to anyone is expressly forbidden. Terms & Conditions of access and use can be found at <http://www.tandfonline.com/page/terms-and-conditions>

National Security vs. Economic Interests: reassessing Taiwan's mainland policy under Chen Shui-bian

CHIEN-MIN CHAO*

Having finished its first term, the Chen Shui-bian Administration has found itself in deep water in the troubled cross-strait relations. Not only has Chen himself been making contradictory remarks, the Cabinet has been indecisive over issues related to China. The most difficult and irritating case for the DPP government has been the handling of the call made by high-tech industries to allow them to invest in the mainland. The controversy seems to highlight a dilemma for Taiwan: while it needs the mainland market to save it from the current economic doldrums and create yet another potential 'miracle' of becoming a global economic powerhouse, it is worried that further economic engagement with its former rival may pose new kinds of threats to its national security. The debate over whether to allow an eight-inch wafer foundry, the crown jewel of Taiwan's economy, to invest in the mainland market is but one case, albeit a highly significant one, of the difficult relations between the two sides of the Taiwan Strait.

After a bitter contest with a stroke of luck, President Chen Shui-bian won a second term in office over his opponents Lien Chan and James Soong, a joint ticket between the KMT and its ally the People First Party. With a razor-thin winning margin, a little shy of 30,000 votes out of a little over 12 million voters who cast their ballots, and the ensuing disputes over the legitimacy of the victory, the President would no doubt face a difficult time ahead. However, it is the relations with China that Chen will find most challenging.

Knowing that the intimacy he has developed for the cause of Taiwan independence might be his Achilles' heel on the way to presidency,¹ Chen coined the term

* Chien-min Chao is Professor of the Sun Yat-sen Graduate Institute of Social Sciences and Humanities at the National Chengchi University. He has been a visiting distinguished professor at George Washington University and a guest professor at the University of Wisconsin–Madison. His publications include *Taiwan and Mainland China: Relations and Foreign Competition* (1992), *Authoritarian Politics* (1994), *An Analysis to Contemporary Chinese Politics* (1997), and *Cross-strait Relations and Taiwan's Foreign Policies* (2000). He is also co-editor of several books including: *The ROC on the Threshold of the 21st Century: A Paradigm Reexamined* (1999), *Rethinking the Chinese State: Strategies, Society, and Security* (Routledge, 2001), and *Assessing the Lee Teng-hui Legacy in Taiwan's Politics: Democratic Consolidation and External Relations* (M.E. Sharpe, 2002). Dr Chao has also published 80 articles in academic journals.

1 For a look at Chen Shui-bian's relations with Taiwan independence, see Chien-min Chao, 'One step forward, one step backward: Chen Shui-bian's mainland policy', *Journal of Contemporary China* 11(34), (February 2003); 'Introduction: the DPP in power', *Journal of Contemporary China* 11(33), (November 2002), pp. 605–612.

‘new middle road’ to placate the apprehension that some voters might feel towards him during his first quest for presidency four years ago. In his inauguration address in May 2000, President Chen pledged that Taiwan under his stewardship would not be an irritant in what was known as the ‘five noes’ policy—Taiwan would not declare independence, would not change the official designation, would not amend the old constitution to accommodate the ‘state-to-state’ theory,² and Taiwan would not hold a plebiscite to decide its future. He also said that the National Unification Guidelines and the Nation Unification Council would not be abolished. This proclamation was good enough to calm the situation in the Taiwan Strait area after being destabilized by the proclamation that the relations of the two were that of ‘state-to-state’ made by former President Lee Teng-hui on 9 July 1999.

However, half way through his first term, Chen started to change. In August 2002, Chen proclaimed that there was ‘one nation on each side of the Taiwan Strait’, a term that would appear constantly with the election approaching. In November 2003, he insisted on the holding of the country’s first referendum over the opposition from foes both inside and outside of the country. While commenting on the recent developments in Taiwan with visitor Wen at his side, President George W. Bush stated that the US opposed ‘any unilateral decision to change the status quo and the comments and actions made by the leader of Taiwan indicate that he may be willing to make decisions unilaterally to change the status quo, which we oppose’.³ Since the election Chen has been flirting with the idea of enacting a new constitution through another referendum in 2006 and getting it implemented two years later in interview after interview even though Beijing has repeatedly warned of grave consequences.⁴ Writings of a possible outbreak of war between Taiwan and the mainland in 2006 are rife.⁵ What has caused Chen’s change? What are the relations between Taiwan and China like during Chen Shui-bian’s second term? Is military confrontation a possible scenario?

From accommodation to ‘embrace the mainstream’

Chen Shui-bian has indeed undertaken a series of policy initiatives to improve relations with mainland China during his first term in office. The ‘mini direct links’ were started on 1 January 2001 so that people across the Taiwan Strait could now travel directly into the territories controlled by the other side for the first time via the frontline islands of Jinmen and Xiamen. In a major policy shift the DPP government decided to ditch the more defensive policy of ‘no haste, be patient’ (designed by former President Lee in 1996 in order to tamp down on Taiwan

2 In an interview with a German journalist on 9 July 1999, former President Lee Teng-hui said that the current state of relations between Taiwan and mainland China was that of a ‘state-to-state’. See *Lianhe bao* [United Daily News] (Taipei), (10 July 1999), p. 1.

3 *Taipei Times* (Taipei), (11 December 2003), p. 1.

4 For example, Chen emphasized the urgency of a new constitution and the rise of Taiwan identity as a result of his electoral victory in interviews with the *Washington Post* (published on 29 March 2004), the BBC (30 March 2004), and the *Wall Street Journal* (1 April 2004).

5 For example, David M. Lampton and Kenneth Lieberthal, ‘Heading off the next war’, *Washington Post*, (12 April 2004), p. A19; Wendell Minnick, ‘The year to fear for Taiwan: 2006’, *Asia Times*, (10 April 2004); Tom Plate, ‘Don’t bet against China going to war over Taiwan’, *Strait Times*, (1 April 2004).

businessmen's impetuous rush to the mainland market) at the Economic Development Advisory Conference held in August 2002 and replaced it with a more proactive 'active opening, effective management' (jiji kaifang, youxiao guanli) policy. A few months later, the Executive Yuan, Taiwan's cabinet, decided amid fierce protest by the fundamentalist Taiwan independence promoters (including former President Lee) to lift the ban on investment by Taiwanese firms manufacturing eight-inch wafer foundries in the PRC.

In yet another unprecedented policy move the Chen Administration decided in January 2003 to allow Taiwanese businessmen residing in mainland China to travel back to Taiwan to celebrate the Chinese lunar New Year holidays through charter flights. Overall, 11 such direct flights provided by three major Taiwanese airlines were flown to provide these services. Chen was obviously accommodative and cooperative towards China.

The Bush Administration of the United States has more importantly been showing a keen interest in helping Taiwan furnish a more secure external environment by agreeing to the procurement of an unprecedented amount of arms proposed by Taiwan. High-level military visits and joint cooperation are also being probed by the two sides. The DPP Administration seems to be well-positioned to redress the previously unbalanced trilateral relationship between Washington, Beijing, and Taipei.

Despite the progress, cross-Strait relations remain precarious. The negotiations that were cut off when former President Lee visited his alma mater Cornell University in June 1995 have yet to be resumed. The much-touted 'three direct links' remain issues of rhetoric. Actually, the DPP government seems to have back-pedaled from some of the positions that it has held previously. Chen appears to have developed the habit of spreading inconsistent messages to different groups on different occasions. The most conspicuous case of this inconsistency has been his stand on the 'one China' issue.

In his inauguration speech, President Chen was conciliatory enough to suggest that based on common historic, cultural, and ethnic backgrounds the two sides should be able to jointly manage the issue of the 'future one China'.⁶ A few months later while receiving a delegation from the Heritage Foundation of the United States, Chen continued the line that he could accept the 'one China, different interpretation' formula.⁷ In his 2001 New Year address President Chen went one step further and proposed that Taipei and Beijing should proceed with 'political integration' based on the economic and cultural integrations already in place. However, in a speech foreshadowing a change of mind when he was campaigning for DPP candidates contesting for the Legislative Yuan election held at the end of 2001, Chen contradicted himself by saying that 'one China, different interpretations' amounted to the 'end of the ROC'.

Upon taking up the chairmanship of the DPP in July 2001 and in reaction to the decision of the Republic of Nauru to terminate official relations with the ROC,

6 For Chen's inaugural speech, see www.taiwanpresident.org/page3.htm.

7 The formula was reached between delegations of the SEF and the ARATS in 1992 before the historic meeting between Koo Chen-fu and Wang Daohan that was held in Singapore on 7 April 1993.

Chen warned that Taiwan should seriously think of how to ‘walk its own road’ in the future.⁸ He then dropped a bombshell in a speech given to the 29th annual meeting of the pro-independence World Federation of Taiwanese Association in Tokyo in August 2002, proclaiming that there is ‘one nation on each side of the Taiwan Strait’ and that the Taiwanese should seriously ponder the importance of the legislation on plebiscite.⁹ He lambasted KMT Chairman Lien Chan for proposing a ‘journey of peace’ to the mainland if elected president in the March 2004 election as instead being a ‘journey of surrender’, even though he himself had made a similar proposal eight times.¹⁰ After Taiwan’s quest for membership in the World Health Organization failed for a seventh time at the World Health Assembly held in Geneva in May 2003, President Chen asked relevant government agencies to ponder ways to hold a referendum (the same as a plebiscite in Chinese) to demonstrate overall support for the event.¹¹ When the Referendum Law was finally passed in November 2003, the President exercised his prerogative enshrined in Article 17 of the legislation to call on a referendum originally intended only when the country’s sovereignty was under threat. During the presidential election campaign Chen lambasted his opponent’s mainland policy as capitulating to China by accepting the ‘one China principle’ and rendering the country into a status no different than Hong Kong. Consequently, his winning was hailed as a victory for ‘Taiwanese mainstream opinions’.

In light of the dismal economic performance in the past four years, to galvanize the people of Taiwan in defiance of China is evidently good strategy. Others attribute this apparent inconsistency to the ingrained ideology that his party has been holding onto. It is well known that the DPP has suffered from chronic factional infighting and differences over mainland policies have been at the core of this schism.¹² It is no secret that the party’s loyalist die-hard advocates of independence on the left have been putting pressure on the President lest he steer too far towards the center and deviate too much from the party’s sacrosanct mission of striving for independence.¹³ Still others argue that despite increasing economic integration across the Taiwan Strait, the divergent political cultures cultivated from a long history of separation and different ways of governance are responsible for the alienation that people on the two sides have felt toward each other.¹⁴

In this paper the author opts for the neo-functionist view of economic integration, arguing that while the theory is correct in predicting that the growing economic interdependence between Taiwan and mainland China has indeed led the Chen Administration to loosen its previously hostile attitude towards the PRC and that cross-Strait economic integration has indeed generated ‘spill-over’ effects in

8 *Lianhe bao*, (22 July 2002), p. 1.

9 *Zhongguo shibao* [China Times] (Taipei), (4 August 2003), p. 1.

10 *Zhongguo shibao*, (1 April 2003), p. 2.

11 Knowing that with mainland China’s objection gaining membership in the WHO is highly unlikely, the strategy has shifted to applying for observer status in the past couple of years. On Chen’s demand for a plebiscite over joining the WHO membership, see *Lianhe bao*, (21 May 2003), p. A2.

12 Chao, ‘One step forward, one step backward’.

13 *Ibid.*

14 Chien-min Chao, ‘Can economic integration lead to a more congenial political culture?’, *Asian Survey* 43(2), (March/April 2003).

terms of broadening exchanges to areas untouched in the past, it is not so correct in that closer economic integration has not only been unable to solve issues related to sovereignty, but it has also precluded Chen from making bolder moves towards mainland China due to the apprehension of over-dependence on a market still harboring a hostile regime. The economic geography across the Taiwan Strait area as shaped in the past decade has resulted in an 'accelerated integration' in favor of mainland China, forcing Taiwan into a more defensive mode. The worry that 'China fever', meaning that an increasing amount of capital and talents flowing from Taiwan to the other side may one day hollow Taiwan out, has blunted Chen Shui-bian from capitalizing on his campaign promise. Taiwan has thus become retroactive and lost the initiative. As Taiwan's dependence on the Chinese market increases, the debate between the realists and the idealists has emerged. While the idealists want to have unrestrained economic relations with mainland China so as to help Taiwan build a regional operations center and transform mainland China with the liberal political and economic practices that Taiwan has been adhering to, the realists are worried that an over-dependence on the market still harboring a hostile regime would plunge the nation into a potential peril.

The ongoing debate is best illustrated in the DPP government's handling of the issue of the 'three direct links'. Although Taiwan has more incentive for direct cross-Strait transportation than mainland China does since Taiwan is a lot more active in cross-Strait exchanges as it exports more goods to the Chinese market than the other way around, the island has been lukewarm in bringing the policy to fruition. Two years after formally ditching Lee Teng-hui's 'no haste, be patient' policy Chen Shui-bian seems to have brought it back again. What effects would this 'accelerated integration' generate over Taiwan's policy towards mainland China? What would this type of unbalanced relation bear on the future of cross-Strait relations? Would security concerns continue to drain the resources of Taiwan and restrain the freedom of the government? These are the issues the paper wants to address.

From peaceful transition to bandwagoning

Taiwan's economy undertook a major transformation in the 1980s. The original labor-intensive and low-tech industries, the backbone of the economy that Taiwan had managed to excel at in many areas such as umbrellas, toys, and mechanical tools, gradually gave way to technology- and capital-intensive industries. In 1980, industrial output accounted for 45.8% of the GDP while the service industries and agriculture accounted for 46.6% and 7.7%, respectively. Among that 45.8% of industrial output, 36% was contributed by the manufacturing industries. Consequently, Taiwan had emerged as one of the major producers of semi-conductor, personal and notebook computers, and computer peripheral products. The halo of the success story of the 'Taiwan miracle', leader of the much-touted East Asian model, has mesmerized the political leadership as well as the people of Taiwan. As Taiwan became poised for another miracle, this time in the political arena as KMT's rigid grip started to loosen up amid the 'third wave' of democratization,

Taiwan has strategically positioned itself to flex its muscle both economically as well as politically in its first encounter with its Chinese compatriots.

The newly found confidence no doubt bolstered Taiwan's morality when its businessmen started to explore overseas markets during the last decade of the last century. Strengthened by economic prowess and burgeoning democratic proclivity, former President Lee Teng-hui was confident enough to engage in unprecedented institutional reforms as the old constitutional code was drastically amended to reflect the newly won popular sovereignty, and new institutions were created as the government was trying to adjust its role to accommodate a new era. Among the newly-created institutions, those related to mainland China such as the National Unification Council, the Mainland Affairs Council, and the semi-official Strait Exchange Foundation, all came into light in the early 1990s and had the most bearing. The innovative building of institutions was prompted by a tacit consent to exchanges across the Strait in non-political spheres.¹⁵ After bridging the conceptual gap with mainland China and reaching a consensus in 1992 on the thorny issue of the 'one China' principle, a historic meeting between the heads of the semi-official SEF and the ARATS was held in Singapore in April 1993. Consequently, two documents were signed which made notarization of official documents and verification of registered mails possible for the first time during the past half-a-century of rivalry.

A false euphoria in Taiwan arose with a feeling that it was not impossible to induce a great peaceful transition in mainland China by duplicating the 'Taiwan experiences' and that reunification of a greater China under the Three Principles of the People China could be in fact not an unrealistic dream. It was this optimism, coupled with a new strategic thinking designed by President Lee to end the decades-long rivalry so that the two sides could proceed to develop normal and peaceful relations, that drove Taipei to opt for a more constructive policy towards the mainland in the early 1990s.¹⁶ The first sign of the new policy came in 1991 as President Lee recognized the existence of the People's Republic of China by reneging the long-held official position that regarded the Chinese communist regime as an illegal and rebellious organization by dismantling the Temporary Provisions Effective During the Period of Communist Rebellion promulgated during the height of the Chinese civil war in 1948. This in turn laid the institutional foundation needed for further exchanges delineated above.

As the trend continued, a benign circle began to take shape in which a multiplication of economic exchanges spilled over to other areas resulting in the emergence of the most relaxed era in the tumultuous history of bilateral relations. Table 1 shows the rapid integration of the two economies during the past decade. During this period, cross-Strait trade multiplied eight-fold to reach US\$40 billion in 2002. Taiwanese invested US\$844 million on the mainland in 1990, a large sum considering the level of hostility that existed prior to that year, but the number has since increased to five billion in 2002. In 1990, the amount of Taiwanese who took

15 Chien-min Chao, *Liangnan hudong yu waijiao jingzhu* [Cross-Strait Interaction and Diplomatic Competition] (Taipei: Yongye Publishing, 1994).

16 Chao, 'One step forward, one step backward'.

Table 1.

Year	Trade (US\$ million)	Taiwan investment on the mainland (US\$ million) ^a	Two-way telephone calls	Taiwanese visits to the mainland
1990	5,160	844	8,830,093	948,000
1993	15,097	3,139	47,958,683	1,526,969
1996	23,787	3,475	96,497,184	1,733,897
1999	25,835	2,599	178,328,419	2,584,648
2000	31,233	2,296	206,652,715	3,108,650
2001	27,848	2,980	235,862,871	3,441,960

Note: ^a This is according to statistics released by mainland China customs department. The amount here is capital in use as opposed to contract investment.

Mainland Affairs Council, *Liang'an jingji tongji yuebao* [Cross-Strait Economic Statistics Monthly] (Taipei), no. 119, (July 2002).

trips to the mainland to do business or engage in other activities amounted to just short of one million, with the number leaping to over three million per year a decade later.

The relations are specifically characterized with the following traits.

First, as a huge amount of capital and personnel have traveled across the previously hostile waters of the Taiwan Strait and the exponential trend is showing no signs of receding, popular cultures in both places have virtually been reshaped. Works in arts, literature, sports, and other areas previously unknown to the other side due to the two sides' separation have found ways to penetrate the frontiers artificially redrawn by the Chinese civil war. People who had been living under different forms of government and ideology have had the chance to witness and make contact with people coming from the other world previously blatantly distorted by the propaganda machines of the respective ruling parties. The fact is that the superfluous flow is skewed and largely one-way in Taiwan's favor, as shown in Table 1 (Taiwan imposes restrictions to limit Chinese capital as well as passengers from entering freely). Furthermore, because of the lack of openness in the Chinese political system, the cultural penetration seems to be more visible on the other side of the Strait.

Second, the experiences from the first encounter gave Taiwan a shot in the arm as its people were taken aback by the backwardness of the huge land mass where they previously felt so close and yet so distant. As the businessmen from Taiwan started to canvass the mainland market in search of business opportunities, they were met with bureaucratic inertia and a malfeasance hatched by the disintegration of the socialist value system and the slow installment of new institutions and values in their place. This frustration led the first wave of the Taiwanese who landed in the mainland to have the conviction that the so-called 'Taiwan experience' was on the right course of history and that time was on their side.

Third, tight control on information and demonization of life under the rule of Chiang Kai-shek as put forth by the CCP propaganda department during Mao Zedong's reign heightened the shock of the people of mainland China in their first

encounters with their Taiwanese compatriots. It was obvious that the Chinese on the mainland were rather fazed when meeting with the Taiwanese. The Taiwanese came in at just the right time, as they provided part of the answers that the Chinese were searching for through a heap of history in order to fill the void vacated by the gradual disappearance of socialism. Lyrics and novels mimicked after works originating from Taiwan and Hong Kong replaced the old ones tinged with revolutionary fervor left by the tumultuous Cultural Revolution.

The burgeoning relations shown in Table 1 are no doubt reflective of the healthy mindset characterized by the people as well as the government of Taiwan during the first half of the 1990s. Economic statistics displayed in Table 2 give mainland China no visible advantage in comparison until after the early 1990s. Actually, with its huge size mainland China's GDP was merely a bit over twice the size of Taiwan's in the early 1990s and it traded less goods (than Taiwan) with the outside world until 1992 (with the exception of 1985). The 'Taiwan miracle', both in economic as well as in political terms, was the very foundation of this aggressive policy.

It soon became clear that Taiwan was not going to be able to hold on to this comparative economic advantage as mainland China was fast emerging as the center of global manufacturing and a major economic powerhouse. Table 2 shows that with an astonishing rate of growth mainland China's GDP tripled in the last decade from US\$406 billion to more than US\$1,240 billion while Taiwan's GDP increased less than US\$90 billion in the same period. While mainland China's economy was only twice the size of Taiwan's in 1991 it grew to more than four times in 2002. Averaging at 10%, mainland China has had the fastest economic growth rates in the world in the period under surveillance. Taiwan's growth rates pale by comparison at only 5.5%. In 1991, mainland China attracted close to US\$4.4 billion of foreign direct investment (FDI) and the amount increased 11-fold in 2002 totaling at US\$469 billion. Actually, mainland China surpassed the US as the most favorable destination for foreign direct investment in 2002. Taiwan, on the other hand, has paled in comparison, attracting US\$5.1 billion of FDI in 2001. Boosted by the huge sum of FDI, mainland China's foreign trade has quadrupled during this period. Taiwan itself has done all right in absolute terms, gaining an additional US\$90 billion in the amount of business conducted with the rest of the world, but is small relative to mainland China's performance. It is obvious that the 'Taiwan miracle' is still glistening, but it dulls when compared with this sizzling economy of mainland China.

The change of economic strength has dramatically altered the policies that Taipei and Beijing have taken towards each other. Towards the second half of the 1990s, Beijing became more confident in that the increase of economic integration between the two was working to its favor and conversely, Taiwan was increasingly apprehensive about a possible 'hollowing out' effect as a result of the integration.¹⁷

17 See Du Yingyi, 'Chanye jigou biandong yu chanye kongdonghua' ['Changes of structures of industries and hollowing-out effects'], *Jingji qianzan* [Economic Prospects] (Taipei), (January 1997), pp. 84–87; Gao Rongzhou, 'Ribei chanye kongdonghua de zhenxiang' ['Truth about industrial hollowing-out in Japan'], *Jinri jingji* [Today's Economy] (Taipei) 327, (November 1994), pp. 6–10. Wu Chongli and Yan Shufen, "'Jieji yongren" huo "dadan xijin"? Woguo duiyu dalu touzi de yingxiang yinsu pinggu' ["Go slow, be patient" or "go west with

Table 2. Economic performance between Taiwan and mainland China

	GDP (US\$ billion) ^a		Economic growth rate (%) ^a		FDI (US\$ million) ^b		Foreign trade (US\$ billion) ^c	
	MC	TW	MC	TW	MC	TW	MC	TW
1980	301.5	41.4	7.9	7.3	^d	465	38.1	39.5
1985	305.3	62.1	13.5	5.0	1,661	704	69.6	50.8
1990	387.8	160.4	3.8	5.4	3,487	2,301	115.4	121.9
1991	406.1	199.4	9.2	7.6	4,366	1,778	135.7	149.1
1992	483.0	212.2	14.2	7.5	11,007	1,461	165.5	153.5
1993	601.1	224.3	13.5	7.0	27,515	1,231	194.7	162.2
1994	542.5	244.3	12.6	7.1	33,767	1,631	236.6	178.3
1995	700.2	265	10.5	6.4	37,521	2,925	280.8	215.3
1996	817.9	279.6	9.6	6.1	41,726	2,461	289.9	218.3
1997	898.2	290.2	8.8	6.7	45,257	4,267	325.2	236.5
1998	946.2	267.2	7.8	4.6	45,463	3,295	324.0	215.3
1999	991.2	287.9	7.1	5.4	40,319	4,185	360.6	232.3
2000	1,079.8	310	8	5.9	40,715	7,608	474.3	288.3
2001	1,158.7	286.2	7.3	- 1.9	46,878	5,129	509.7	230.1
2002	1,240.6	286.2	7.5	3.3	-	-	-	243.2

Sources: ^a International Monetary Fund, <http://www.imf.org/external/pubs/ft/weo/2002/02/data/index.htm>.

^b *Zhonghua minguo huaqiao ji waiguoren toji tongji yuebao* [Monthly Statistical Reports of Overseas Chinese and Foreign Investment in the ROC], (Investment Commission, Ministry of Economic Affairs—MOEAIC, ROC, April 2002), p. 5; *Zhongguo tongji nianjian* [China Statistics Yearbook] (2002), p. 602.

^c *Zhonghua minguo tongji yuebao* [Monthly Statistics of the Republic of China], (Directorate General of Budget Accounting and Statistics, Executive Yuan, ROC, June 1998), p. 27; (February 2003), p. 27; *Zhongguo tongji nianjian* (2002), p. 586.

^d Mainland China started to provide statistics on its FDI in 1983. Between 1979 and 1982 mainland China attracted US\$1.17 billion from overseas, see *Zhongguo tongji nianjian*, 1993, p. 647.

Thanks to capital and technological assistance from Taiwan, mainland China has become one of the major exporters of high-tech products, including personal computers, notebooks, and computer peripheral products, displacing the island as the third largest producer of information technology in 2000. A recent report shows that mainland China has overtaken Japan as the second largest producer of information technology last year.¹⁸ In 2002, 51% of the goods produced by Taiwan's IT industries came from firms established on the mainland (the ratio was 22.8% in 1997),¹⁹ with 62.4% of motherboards (for which Taiwan is the biggest producer in the world) now manufactured there.²⁰ Taiwanese firms on the mainland play an important role in mainland China's economic transition, too, contributing 63.6% of the IT products produced in that place. If the trend continues, it is not unlikely that mainland China may overtake the US as the largest producer of information technology products in the not too distant future.

This intimate economic amalgamation would most certainly benefit the island's economy. Some have even argued that Taiwan's investment on the mainland has actually helped with the island's ongoing economic transition towards more being capital- and technology-intensive. Studies show that except for some small and medium enterprises, most of the Taiwanese businesses which have made investments in mainland China in the past few years have not reduced their domestic investments since these overseas adventures are intended as being a part of the firms' drive towards internationalization. The resettlement of some of the traditional labor-intensive industries, the backbone of the economy until very recently, over to the mainland has given those industries a new lease of life as the domestic environment has become increasingly hostile with the costs of production skyrocketing. The outflow of capital, in that sense, has facilitated the transition. For example, in 1987 67% of Taiwan's exports came from small- and medium-sized enterprises, but the number has fallen to 49% a decade later.²¹

As Table 2 illustrates, as more capital is destined for the mainland, more talents are looking for career opportunities there, and as its economic development hinges more and more on the mainland market, Taiwan's worry over its economic security has also heightened. While there was barely any political contact between the two before the 1990s, by the end of the last century business and other exchanges had multiplied: two-way trade amounted to a whopping US\$40 billion in 2002 while Taiwan businessmen have accumulatively poured roughly US\$60–80 billion of contracted capital into the mainland Chinese market.²² In 2001 Taiwanese people

Footnote 17 continued

boldness"? ROC's investment in mainland China and its impact'], *Wenti yu yanjiu* [Issues and Studies] (Taipei) 38(7), (1999), pp. 43–62.

18 *Lianhe bao*, (12 March 2003), p. 6.

19 The data is provided by the Institute for Information Industry, see *Lianhe bao*, (16 August 2002), p. 22. But according to the Directorate General of Budget Accounting and Statistics, the Executive Yuan, the ratio is 46.9%; see *Jingji ribao* (Taipei), (12 March 2003), p. 6.

20 *Lianhe bao*, (3 April 2003), p. C3.

21 Tung Chen-yuan, 'Taiwan yu zhongguo jingmao guanxi-jingji yu anquan de jiaoyi' ['Economic relations between Taiwan and mainland China-the trade-off between economics and security'], *Yuanjing jikan* [Prospect Quarterly] 1(2), (April 2000), pp. 31–82.

22 The figure is based on statistics released by the PRC customs. Taiwan's Mainland Affairs Council puts the figure already in use at \$US17 billion. See Mainland Affairs Council, *Liang'an jingji tongji yuebao* [Cross-Strait

took over 3,441,960 trips to the mainland. Accumulatively, over 22 million such trips have been made across the Strait since 1988. It is even more astonishing that reports state that over 300,000 Taiwanese have settled in the Shanghai metropolitan area alone and between 500,000 and 1,000,000 Taiwanese elites are living in mainland China at any time.²³ As a result, the channel across the Taiwan Strait has become one of the busiest in the world as trade, personnel, and venture capital flow from one side to another. As Taiwan's dependence on the mainland market increases and the trend towards joining the Chinese economic bandwagon is obvious the previous strategy of peacefully transforming mainland China has been ditched and a new and more defensive one has been installed in its place. Consequently, Taiwan is woefully dissected between economic interests and national security.

Contrary to Taiwan's losing control in the cross-Strait game, Beijing has become more assertive. In the past, economics was part of a two-pronged policy, along with coercion, to sweeten the Taiwanese into accepting its ultimate goal—unification. Although Beijing's resolve to achieving that goal is as strong as ever, it is less dependent on coercion now and more inclined to promoting exchanges without attaching the political strings as was the case previously. One conspicuous example contrasting the change of attitudes between the two has been over the issue of the 'three direct links'.

The three direct links

Taipei's quandary is best illustrated in its indecision on the issue of the 'three direct links'.

During a policy debate organized by the then opposition party DPP in February 1998, two conflicting visions regarding Taiwan's economic relations with mainland China emerged within the party. The moderate wing, represented by the Formosa faction, suggested that economics should be separated from politics in Taiwan's overall policy towards mainland China and hence they vied for a 'go westward boldly' policy. The radical wing, represented by the New Tide faction, however, asserted a more cautious 'go slow, be patient' policy.²⁴ The center of the great debate within the party regarding its policy towards mainland China in the second half of the 1990s focused on Taiwan's economic relations with its big neighbor. A lack of consensus regarding how to redefine the status of mainland China, a place many within the party would like to sever all relations with, in this new sub-regional political-economic environment was indeed a big challenge. The collapse of the moderate wing further complicated the situation.

Footnote 22 continued

Economic Statistics Monthly] (Taipei) no. 108, (July 2002). This is obviously a conservative assessment. The Head of the Central Bank, Peng Huainan, estimates that amount at US\$ 67 billion. See *Lianhe bao*, (17 January 2003), p. 22. However, some private sources claim that by the end of 2001 a staggering \$US140 billion might have been contracted, being either already there or prepared to enter the mainland market and over 62,000 firms have been set up by the Taiwanese on the mainland. See *Touzi zhongguo* [*Fortune China Monthly*] (Taipei) no. 100, (June 2002), p. 44.

²³ *Shangye zhouban* [*Business Weekly*] (Taipei), (12 August 2002), pp. 70–84.

²⁴ Chao, 'One step forward, one step backward'.

In order to allay the apprehension many voters still felt towards him on the sensitive issue of Taiwan independence and therefore increase his chance of winning the 2000 presidential election, DDP candidate Chen Shui-bian changed his earlier stance and moved to adopt an 'active opening, effective management' policy in 1999. The policy was formally adopted at the Economic Development Advisory Conference in August 2001. Overall, 332 proposals were made, including suggestions on taxation and finance reforms. Among them, 36 items were aimed at developing closer economic ties with the mainland, the most significant being the lifting of the US\$50 million cap on any single investment in mainland China, as well as the limit on total investments there by listed companies.²⁵ The conference also urged the government to actively pursue direct trade, transportation, and postal links (the so-called 'three direct links') with the mainland.²⁶

This policy has met with resistance. Given the lopsided nature of the bilateral trade and personnel exchanges currently in place in the Taiwan Strait area, many in Taiwan are afraid that a further relaxation of restrictions would only facilitate the process of a one-way street transfusion to the benefit of mainland China. At present, Taiwan exports nearly three times more goods to the mainland than the other way around and the ratio for passenger traveling is even more astonishing at about 30 to 1. It is thus understandable that the ruling DPP is displaying ultra precaution on the issues of the 'three direct links'.

Public opinion in Taiwan has vividly characterized the dilemma. On the one hand, it is obvious that the people of Taiwan are keenly aware of the importance of the mainland to its future development. More and more residents are choosing cross-strait relations over foreign policy as the priority task for the government. However, a great majority of Taiwanese (between 72% and 76% of the respondents) would like to see the 'three direct links' implemented on the condition of not damaging Taiwan's security. The same amount of respondents is worried that the 'three direct links' will result in greater capital flight and unemployment. Over half of the respondents want the government to impose stiffer restrictions on investment in mainland China.²⁷ These opinions and unfavorable economic statistics have no doubt added to the indecision and vacillation in the making of mainland China policy in the Chen Shui-bian Administration. Compared with Taiwan, Beijing is in a much better situation and hence has been showing more latitude on these issues.

Beijing has long been adamant that negotiations for the 'three direct links' could only be entered under the condition of 'domestic lines', a repetition of the 'one China' mantra. Taiwan, on the other hand, has been countering that argument by suggesting that the links be connected as 'international lines'. In a major policy turnabout, Qian Qichen, former deputy premier and second in command of the CCP Central Leading Group on Taiwan Affairs (CLGTA),²⁸ proposed in September

²⁵ *Zhongguo shibao*, (28 August 2001), p. 1.

²⁶ Chen's proposals were not without conditions. He suggested that the 'three direct links' be negotiated according to the principles of one-way, negotiated points, shipping before air, and cargo before passenger.

²⁷ Relevant statistics can be found on the website of the Mainland Affairs Council.

²⁸ The CLGTA was reorganized after CCP's 16th Party Congress. The new party boss Hu Jintao has taken over the helm from Jiang Zemin as its new leader. Other members include Jia Qinglin, chairman of the China People's Political Consultative Conference, State Councillor Tang Jiaxuan, Wang Daohan, head of the ARATS,

2001 that before the talks between the Strait Exchange Foundation and the Association of Relations across the Taiwan Strait resume (Beijing is boycotting the quasi-official communication channel, because it is furious with the SEF for not being able to live up to the consensus that it reached with the ARATS in 1992 concerning the 'one China' principle), talks of the 'three direct links' can be held through a non-official conduit, either by the relevant aviation and shipping firms or by their representative industries.²⁹ He further suggested that instead of being addressed as 'domestic lines' the links could now be called 'cross-Strait lines'.

In a tour to the offshore island of Danan in May 2002, President Chen Shui-bian agreed for the first time that cross-Strait talks did not have to be carried out through the established channel—the SEF and the ARATS; instead, he proposed that they could be conducted through private channels as well. However, Chen changed his tone afterwards once again. By October, he revived the old line that the private sector is no substitute for the government. These contradictory messages no doubt portray the different considerations embodied by different forces regarding Taiwan's relations with mainland China. Nevertheless, Taiwan does not rule out the possibility of inviting the participation of non-governmental organizations in the tedious negotiations as the Statute Governing the Relations Between the People of the Taiwan Area and the Mainland Area is being amended at the current moment to provide a legal embedment for that empowerment.

Beijing is also showing some flexibility in the interpretation of the 'one China' principle, the main impediment in current Taipei/Beijing relations. Beijing has made it known that there is no room for maneuvering when it comes to the issue of sovereignty. The standardized line goes like this: 'There is only one China in the world; the People's Republic of China is the sole representative of China; Taiwan is a part of China'. While attending the 9th National People's Congress meeting in March 2001, Qian Qichen broached for the first time the new 'three-sentence discourse': 'There is only one China; both Taiwan and the mainland are parts of China; the sovereignty of China is indivisible'.³⁰ The new definition was written into the political report of the 16th Party Congress, held in November 2002, for the first time. In addition, in his last report to the party congress, Jiang Zemin mentioned three scenarios under which negotiations are possible: ways to end the state of hostility, Taiwan's international role, and the future status of Taiwan.³¹

Responding to Jiang's overture, President Chen expressed his wish to see the creation of a 'peace and stability framework' in the Taiwan Strait area in his 2003 New Year address. The President further suggested 'direct transportations' and a resumption of talks as priorities to start the process. At about the same time, Tsai Ing-wen, chairwoman of the Mainland Affairs Council, echoed the President's proposals by suggesting that problems accumulated through continued economic

Footnote 29 continued

Chen Yunlin, head of the State Council Taiwan Affairs Office, Xu Yongyao, head of the Ministry of National Security, General Xiong Guangkai, deputy chief of general staff of the People's Liberation Army, Wang Gan, head of the CCP's Central Office, and Liu Yandong, CCP's minister of the Department of United Front Works. See *Zhongguo shibao*, (26 December 2003), p. A13.

²⁹ *Lianhe bao*, (30 September 2001), p. 13.

³⁰ *Lianhe bao*, (9 March 2001).

³¹ For Jiang's speech at the 16th Party Congress, see *Renmin Ribao* (Beijing), (18 November 2002), p. 1.

and trade exchanges needed to be addressed and that the first half of 2003 may be a good time for the resumption of such talks.³²

In response to Chen Shui-bian's rhetoric, Chen Yunlin, director of the Taiwan Affairs Office at China's State Council, made clear that bilateral relations would be significantly enhanced as long as Taiwan agreed to the 'three direct links' and to resume negotiations on the basis of the '1992 consensus'.³³ On 24 January 2003, speaking to commemorate the eighth anniversary of the 'Eight Point' policy regarding Taiwan issued by Jiang in 1995, Qian Qichen tried again to woo Taiwan back to the negotiation table by reiterating that the 'three direct links' are economic rather than political issues and hence could be smoothed over by the private sector and sanctioned by their respective government later without consideration of the political meanings of 'one China'.³⁴

In sum, the two sides have demonstrated weird twists and turns on the 'three direct links'. A decade ago, mainland China was eager to expand contacts at all levels with Taiwan and the 'three links and four exchanges' were the main items on the agenda.³⁵ Acting in accordance with its National Unification Guidelines, enacted in 1991, in which direct transportation links were to come only after the two sides had made substantial progress in their relations, Taipei refused to take the bait. After the cross-Straits talks were suspended, because of former President Lee's visit to the United States in 1995, Beijing lost interest in the exchange programs. Beijing's fervor was further dampened after the political power in Taiwan was transferred to the DPP in 2000.

New economic configurations across the Strait of Taiwan have given Beijing much needed confidence to pursue more aggressive external endeavors. In a change of strategic thinking (no doubt influenced by the success of the 'one country, two systems' practised in Hong Kong in which economic integration between the former British colony and the province of Guangdong occupies a pithy part), Beijing seems to be convinced that the ultimate goal of unification can now be realized through closer economic relations. The new approach to national unification is more receptive to the rulers of Beijing now that Taiwan's economy is highly dependent on the Chinese market for development. Qian displayed that optimism at the commemoration of the eighth anniversary of Jiang's 'Eight Point' speech in January 2003 when he stated that new opportunities for cross-Straits economic cooperation would surge as the mainland's GDP is going to double again in 2020. It is out of this optimism that Beijing has allowed the 'three direct links' to be promoted without attaching political terms. In the same speech Qian described the drive to assume the 'direct links' as the utmost urgent task in bilateral relations.

Under these circumstances, it is not impossible for the two semi-official organi-

32 *Ziyou shibao* [*Liberty Times*] (Taipei), (2 January 2003), p. 2.

33 For Chen Yunlin's arguments, see *Liang'an guanxi* [*Cross-strait Relations*] (Beijing) no. 1, (2003).

34 *Renmin ribao*, (25 January 2003), p. 1.

35 Reversing its previous hostile stands against the island republic, Beijing broached the 'three links' and 'four exchanges' on 1 January 1979 in a letter to the people of Taiwan written by the Standing Committee of the National People's Congress. The policy statement was considered ground-breaking, marking a new era in the PRC's policies towards Taiwan.

zations, the SEF and the ARATS, to meet to jump start talks with the ‘three direct links’. Beijing’s attitude clearly demands that talks carried out through this manner have to be based on the conditions of ‘one China’ and the ‘1992 consensus’. At the commemoration of the eighth anniversary of Jiang’s ‘Eight Point’ speech, Qian put the context into perspective, stating that the Koo-Wang talks of 1993 were conducted on the premise that the two organizations ‘reached a consensus to orally insist on the one China principle’ and thus the resumption of talks between the two institutions is conditional on the maintenance of the ‘political basis’ laid out before.³⁶

In his ‘Eight Point’ proposal, Jiang praised the Koo-Wang talks as ‘a critical step in history’. It is on this basis that we should understand the meaning of the ‘political basis’ that Qian was referring to. In November 1997 the former KMT government proposed a trip by Koo Chen-fu to mainland China to thaw the icy relations between the two caused by the journey made by former President Lee Teng-hui to Cornell University in the United States a couple of years earlier. Earlier, former ROC premier Vincent Siew pronounced that future SEF–ARATS talks may be used to resolve political issues in addition to the ‘technical issues’ such as fishing disputes and criminal repatriation.³⁷ The pronouncement was perceived as a signal marking Taipei’s readiness to begin political dialogue with Beijing. With this expectation, Beijing responded favorably to the proposed journey. When Koo finally landed on the mainland and successfully visited Shanghai and Beijing in October 1998, Beijing refused to let Wang Daohan reciprocate a return visit if the trip was designed simply for the purpose of ‘understanding Taiwan’ as was perceived by the Taiwan side. A decision was finally granted by Beijing only after it was assured that the trip would also include ‘political dialogue’ in the agenda.³⁸

Since Wang never made the trip to Taiwan as it was derailed by the publication of the ‘state-to-state’ theory by Lee Teng-hui in July 1999, the momentum that was so painstakingly built was soon lost. After the DPP came to power the ‘political basis’ was eroded further. After stalling for a while Beijing decided to circumvent the ‘political basis’ by avoiding the established SEF/ARATS channel and bringing the private sector into the foray. In his speech at the eighth anniversary of Jiang’s ‘Eight Point’ speech, Qian repeated the call for private negotiations to resolve the issues hindering the talks over the ‘three direct links’. While fielding questions from journalists on the eve of the 10th NPC in March 2003, Zhang Cunxian, PRC’s Minister of Transportation, further relaxed the requirements for the ‘three direct links’ by dropping the exclusion of foreign companies from participating in the operations of cross-strait aerial and marine transportations.³⁹

It is clear that a change in the economic map in the past decade in the Taiwan Strait has provided mainland China with much momentum in its shift to a more

36 *Renmin ribao*, (25 January 2003), p. 1.

37 *Lianhe bao*, (15 October 1997), p. 9.

38 Chien-min Chao, ‘Weilai liangan zhengzhi huitan: Beijing, xuqiu, wenti’ [‘Future political negotiations between Taiwan and China: background, demands, and problems’], *Zhengzhi kexue luncong* [Annals on Political Science] (Taipei, 1999), pp. 247–259.

39 *Zhongguo shibao*, (6 March 2003), p. 11.

aggressive policy over the issue of the ‘three direct links’. As China is emerging as a major global power sucking ever more capital and human talents from Taiwan to flow westward, Beijing is feeling more comfortable relying on economic means to achieve its political goals. Confident that a further liberalization of restrictions would work to its favor, Beijing has adopted a more relaxed policy. The ‘one China’ principle is no longer a requirement for the establishment of ‘direct links’ nor is the condition that foreign firms are off limits in the running of these operations.

For the DPP Administration, one cannot emphasize enough the economic benefits that the ‘direct links’ will accrue. The large volume of bilateral trade is in Taiwan’s favor (Taiwan exports three times more goods to mainland China than the other way around) and so is human travel across the channel (a ratio of about 30 to 1). Direct transportation is no doubt monetarily appealing, but the fast rise of mainland China’s economy and the rate that Taiwan’s capital and talents are rushing to the mainland have evidently alarmed the government. Consequently, the debate over economic interests and national security has intensified. While meeting with the US Congress ‘Taiwan caucus’ in January 2003, Tsai Ing-wen reaffirmed that the ‘three direct links’ will not only reduce the costs of conducting business with mainland China by Taiwanese businessmen and multinational corporations, but it will also help the island’s drive towards creating a regional operations center. However, the MAC chairwoman cautioned, it has to take into consideration the issue of national security and make adjustments accordingly.⁴⁰ On different occasions, Tsai struck a similar tone by remarking that the ‘three direct links’ are complicated issues involving defense as well as economic security and therefore should not be politicized.⁴¹ While commenting on the suggestion made by Taipei Mayor Ma Ying-jeou that Taipei’s Sung Shan airport be considered as a hub to accommodate direct transportation, Vice President Annette Lu warned of a possible ‘Trojan horse’ effect since it takes only seven minutes for a PLA jet fighter to cross the Strait. Direct flights, according to Lu, would render the presidential hall in PLA’s direct line of threat.⁴²

Although Beijing’s change of position on the ‘three direct links’ is lauded by some as a demonstration of good will, it is received by the DPP government with wariness. Beijing’s new policy that these issues are not political, but economic in nature and hence do not have to be linked with the ‘one China’ principle and that the SEF and the ARATS can resume negotiations only after Taipei returns to the ‘1992 consensus’, have led some to the conclusion that Beijing is actually setting up a trap for Taiwan to fall into and that Beijing is concealing its ulterior motives with non-political issues.⁴³

40 *Zhongguo shibao*, (17 January 2003), p. 2.

41 *Zhongyang ribao* [*Central Daily News*] (Taipei), (22 January 2003), p. 4.

42 *Taiwan ribao* (Taipei), (2 November 2002), p. 3.

43 ‘Yiyuan fushi yinsinshui, liangan yanhao zheng fengchun’ [‘New Year is the best time for the two sides of the Taiwan Strait to resume normal relations’], *Zhonggong yanjiu* [*Studies on Chinese Communism*] 37(2), (February 2003), p. 20.

Concluding remarks

Economics is growing more important in the Taiwan–China relationship. The success story of the ‘Taiwan miracle’ helped the island forge an aggressive policy towards the mainland when the two sides began to engage each other a little over a decade ago. Former President Lee Teng-hui wanted to capitalize on Taiwan’s economic prowess and its coincidental development of democracy in what was dubbed the ‘third wave’ of democratic advancement. The results were astonishing: not only in that new institutions were created and new regulations enacted to facilitate contacts and handle the problems emerging from the engagement, but that the moves also forced Beijing to reciprocate and create compatible structures to expedite exchanges. Although economics was not the sole reason responsible for the historic Koo-Wang talks held in April 1993, it was certainly one of the critical factors contributing to that meet from Taipei’s perspective.

As Taiwan’s businessmen hastened the process of resettling their capital in the mainland market since the mid-1990s and as the mainland’s overall economy was gaining strength rapidly, Taiwan started to pull back in what was known as the ‘no haste, be patient’ policy. Mainland China continued its economic growth in a rigorous way, forcing Taiwan into a dilemma. While the island is counting on the mainland market for the elevation of its economy up to another ladder, it is also trying very hard to avoid being overly dependent on an economy that is still harboring a hostile regime.

Taiwan’s tenuity is vividly displayed by one example. Gordon Chang, an American-Chinese lawyer who believes that mainland China is teetering on the brink of collapse and its accession to WTO will speed up that collapse, and Kenichi Ohmae, a Japanese business strategist and economic analyst who believes that mainland China is destined to surpass Japan to become a super-economy second only to the US and that Taiwan should join the Chinese federation around 2005, were invited to a debate in Taiwan in April 2003. Although neither perspective is viewed as realistic, it is Ohmae’s theory that has resonated wider and jerked more nerves.

On top of its relatively enervated economy, Taiwan’s political wrangling over its identity and future relations with mainland China and the lack of consensus over the scope and rate of engaging mainland China have also contributed to a more reserved policy. Although the ‘three direct links’ were part of the promise made by Chen Shui-bian in the 2000 presidential campaign and have been made part of the government’s mainland policy in the new ‘active opening, effective management’ policy adopted in August 2001, the opposition KMT and PFT have been more enthusiastic in having the links established than the ruling party. The ruling DPP not only has to combat Beijing’s more assertive policy and its accusation of renegeing on the ‘one China’ principle, but it has to do battle with the hostile opposition which considers the ruling party’s mainland policy as cliff-hanging and self-defeating. The pan-green and pan-blue camps are currently embroiled in a fierce fight over the timing of the opening of the ‘three direct links’ as is shown in the tug of war over the revision of the Statute Governing the Relations Between the People of the Taiwan Area and the Mainland Area. Lastly, the DPP also needs

CHIEN-MIN CHAO

to overcome its internal factional strife over the pace and scope with which Taiwan should engage mainland China. The picture is not all rosy for the first transition of power through a democratic way.