

II. Testing Balancing-Bandwagoning Concept on Taiwan's Mainland Policy

It has already been mentioned in the Introduction, that many scholars complain about lack of theoretically based research on the cross-Strait relations. We don't need, though, to take those complaints too seriously – there were and there are numerous attempts to explain the complexities of the cross-Strait relations from different theoretical positions. Realism, neoliberal interdependence theory, constructivism, and even neo-Marxism were applied by numerous scholars¹. Among this variety of researches, however, there is obvious and paradoxical lack of researches which would strive to answer the crucial question of Taiwan's response to China's rising power in a strict theoretical manner. It is noteworthy that in the brilliant overview of theoretical approaches towards cross-Strait relations, Prof. Wu Yu-shan, while speaking about power asymmetry in the Strait, cites only two papers which had applied balancing-bandwagoning concept.² This is a regrettable gap in research which this thesis intends to fill.³ China is the reality Taiwan is doomed to face and in the foreseeable future there are no indicators of the declining role of China; vice versa the role of it will only increase thus making mainland policy even more important for Taiwan.

¹ For the overview of theoretical approaches toward cross-Strait relations see these papers among others: Amitav Acharaya, "International Relations Theory and Cross-Strait Relations," *Taiwan Security Research*, <http://taiwansecurity.org/IS/Acharaya-International-Relations-Theory-Cross-Strait-Relations.htm>; Stephen Haggard, "The Balance of Power, Globalization, and Democracy: International Relation Theory in Northeast Asia," *Journal of East Asian Studies* 4 (2004): 1-38; Wei-chin Lee, "Field of Dreams: An Overview of the Practice and Study of Taiwan's Foreign Policy," *Issues & Studies* 40:3/4 (2004): 137-182; Yu-Shan Wu, "Theorizing Relations across the Taiwan Strait: nine contending approaches," *Journal of Contemporary China* 9:25 (2000): 407-428.

² Yu-Shan Wu, "Theorizing Relations across the Taiwan Strait: nine contending approaches," *Journal of Contemporary China* 9:25 (2000): 413-415. Both were written by Prof. Wu in Mandarin and therefore are not accessible to me.

³ Of course, I cannot claim that I reviewed all paper written. However, I am quite sure that main works on the cross-Strait relations don't use this concept or use it without any elaboration and critique.

In the previous chapter the Walt's concept of balancing and bandwagoning along with the critique of this concept were discussed. We've seen that the Walt's theory despite being a very convincing piece of research has not been universally accepted and ignited a heated theoretical debate in which some of the flaws of Walt's theory were revealed. Chapter I introduced some important issues raised in the course of this debate as well as some alternative theoretical approaches developed as responses to the inadequacies of Walt's theory.

Nevertheless, this chapter is essentially a test of the balancing-bandwagoning concept as the most authoritative and well-tested theory on alliance formation and alignment behavior. Though the chapter follows main theoretical assumptions of Walt, the peculiarity of the cross-Strait relations justifies some revisions of Walt's idea. Since the conflict between China and Taiwan is not only about power and security, but also about legitimacy and identity, it is reasonable to add ideological (or legitimacy) dimension into my analysis of Taiwan's mainland policy strategies.

The structure of this chapter will be as follows. First, the the mainland policy of the ROC since 1949 will be briefly described. It is necessary to consider such a long period in order to understand changes and/or continuity in Taiwan's mainland policy. Four periods in Taiwan's relations with China will be covered: authoritarian regime period (1949-1987), Lee Teng-hui's period (1988-2000), Chen Shui-bian's period (2000-2008), and Ma Ying-jeou's period (since 2008). Then I will test balancing and bandwagoning hypothesis as introduced by Walt on the empirical evidences from 60 years of ROC-PRC relations.

Having done that, I will be able to assess the validity of Walt's theory at least in its application to Taiwan's mainland policy. If balancing-bandwagoning concept proves to be adequate in explaining Taiwan's mainland policy I will continue applying it for the in-depth analysis of Ma Ying-jeou's mainland policy. If not, then some alternatives will be used.

Mainland Policy of Authoritarian Taiwan

Before proceeding to the analysis of democratic Taiwan's mainland policy it is worth to take a look at the mainland policy of authoritarian Taiwan under presidents Chiang Kai-shek and Chiang Ching-kuo.

In 1949, the remnants of the Nationalist government of the Republic of China settled in Taiwan. Communist forces were preparing to invade Taiwan and it was expected that confrontation would not last long. President of the U.S. Harry S. Truman was to write off the KMT regime and deal with the Communists. However, the North Korean invasion to South Korea in 1950 changed everything. The United States dispatched the Seventh Fleet to the Taiwan Strait; foreign aid was approved for the KMT. When American troops had engaged invading Chinese forces in Korea, the commitment to Taiwan was sealed.

In response to the September 1954 PRC's attack against Quemoy and other offshore islands, Taiwan was brought formally into alliance with the U.S. through the signing of the U.S.-ROC Mutual Defense Treaty (MDT) on 2 December 1954. The U.S. Congress passed the Formosa Resolution on 29 January 1955, giving the President the authority to defend Quemoy and Matsu if he felt it necessary for the security of Taiwan and the Pescadores. During the second Taiwan Strait crisis in October 1958, President Eisenhower allowed the Seventh Fleet to escort ROC shipping engaged in re-supplying Quemoy and President Kennedy reaffirmed U.S. commitments to defend the offshore islands following a new build-up of Chinese forces opposite Taiwan in June 1962. The Vietnam War further consolidated the close ties between Taipei and Washington and increased the level of U.S. troops on the island considerably. Total U.S. aid from 1949 exceeded \$5.9 billion, with \$1.7 billion in economic assistance and \$4.2 billion in military assistance. The U.S. terminated economic assistance in 1965 and military assistance ended in the mid-1970s. In sum, however, America's economic, political, and military assistance to the government of the ROC played a conspicuous centrality in Taiwan's attainment of survival and prosperity throughout the 1950s and 1960s.⁴

Chiang Kai-shek's policy toward mainland was just a continuation of the Chinese Civil War. He claimed that the ultimate goal of the KMT in Taiwan is to prepare to the "fourth military campaign" or "second North march" that would finally unite all China under the KMT rule. The *raison d'être* of Chiang Kai-shek's regime was the recovering of the mainland from the

⁴ Øystein Tunsjø, *US Taiwan Policy. Constructing the Triangle* (London: Routledge, 2008), 54

“communist bandits.” Though pathetic claims to recover mainland with the flow of time were looking increasingly less credible, this policy prevailed until the end of the 1970’s.

The Taiwan government under Chiang Kai-shek and his son, Chiang Ching-kuo, held the “one China principle” by claiming upon itself to be the sole legitimate government of the whole China, including both mainland and Taiwan, and called Beijing government “communist bandits.” Both sides claimed the exclusive sovereignty over China and Taiwan. Therefore, ROC’s goals went beyond just maintaining its security. In fact, both PRC and ROC were revisionist in their intentions.

Therefore this period policy is an example of extremely hostile relations and of course this kind of policy prevented any interaction between two sides. Both sides engaged themselves in a “zero-sum” competition which resulted in complete absence of any contacts. The official policy toward mainland China was expressed in 三不 (three no’s) – no contact, no negotiation, no compromise.⁵

Taiwan’s mainland policy of this period obviously carried the significant feature of pure balancing strategy. Threatened by PRC’s pledge to use force for the aim of unification (coined “peaceful liberation” in the PRC) ROC had to balance biggest threat to its existence both externally by means of close military and political alliance with the United States established in the aftermath of the Korean War, and internally, keeping high level of military expenses and maintaining high level of population mobilization for the case of any military conflict with China.⁶ ROC’s balancing strategy included military, diplomatic, security, and ideological components.

Military component of the balancing included arms races and direct confrontation which sometimes took forms of full-scale military engagements. Taiwan had also established firm

⁵ This principle was outlined by the President Chiang Ching-kuo but can be applied also to the previous period

⁶ See Waltz for distinction between internal and external balancing Kenneth N. Waltz, *Theories of International Politics* (New York: McGraw-Hill, 1979), 168

military alliance with the United States to counter Chinese threat. For the United States alliance with the ROC was a part of a communism containment strategy in Asia.

Ideologically, the ROC claimed that only it can represent the whole China. Communist regime was called “bandits” or “traitors”. Anti-Communism was the main feature of all aspects of the ROC’s activity.

Diplomatically, ROC tried to limit the international presence of its opponent; however, in 1971 it lost the battle for the UN seat and withdrew from this organization. Taipei, thus, was forced to change its policies and adjust to reality that the expanded recognition of the PRC worldwide is a fact of life. Situation further deteriorated when the United States switched recognition to PRC in 1979. However, the channel for military cooperation was preserved when the United States enacted and promulgated the “Taiwan Relations Act” on April 10, 1979 in order to maintain its relations with Taiwan. The Act requires the United States to “provide Taiwan with arms of a defensive”, and “to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan.”⁷ The United States therefore have been selling arms to Taiwan despite discontent and criticisms from China.

The new international reality along with the domestic changes in both rivals had led to the reconstruction of Taiwan’s mainland policy. In the year 1987, towards the end of Chiang Ching-kuo presidency, trips to the mainland for the limited categories of ROC citizens were permitted. It opened up a new chapter in the cross-Strait relations began.

⁷ "Taiwan Relation Act," *American Institute in Taiwan*, http://www.ait.org.tw/en/about_ait/tra/

Mainland Policy in the Lee Teng-hui's period (1988-2000)

The period of Lee Teng-hui's presidency embraced the whole era in the development of the cross-Strait relations. And, this period was long enough to face ups and downs in the Taiwan-China relations.

In the case of cross-Strait relations over his twelve years as President, Lee was apparently inclined toward a strategy of balancing against the PRC, choosing to ally with the United States as before. However, Lee was confronted with a political and economic cross-Strait reality that was totally different from that of both President Chiang Kai-shek and President Chiang Ching-kuo. Politically, PRC arose rapidly as a new giant in Asia, achieved normalization with all major powers, was gradually engaged in global activities as one of the world leaders, and widely recognized as the only legitimate government of China. Economically PRC ranked top in the world in terms of GDP growth during past two decades, succeeded in becoming the fastest growing market for world investors, and became a major trade partner of the United States. In spite of these unprecedented changes, the PRC stuck to its ideological principles at least formally, and remained the largest authoritarian state ruled by a single communist party.

Despite the significant changes in the PRC's rhetoric and deeds the essence of PRC's Taiwan policy remained unchanged. China indeed offered a new framework for incorporation of Hong Kong, Macao, and potentially Taiwan. This framework called "one country, two systems" promised Taiwan wide autonomy which would give Taiwan rights almost equal to rights of sovereign states (except the right for the international representation). China, however, never renounced the right to use force to achieve reunification. Therefore, threat of Chinese military attack remained. Though Chinese leadership turned its attention to the domestic economic growth and despite the fact that Chinese military capabilities remained weak or even became weaker, Taiwan still had enough reasons to stick to balancing.

At the first glance, some steps of Lee might look as bandwagoning with China. President Lee made such important steps:

- Gave up the old KMT claim that the ROC is the sole legitimate government of the whole China;
- Developed institutional and normative infrastructure for achieving reunification (establishment of the National Unification Council, NUC, 1 October 1990, National Unification Guidelines, NUG, passed by NUC 23 February 1991, establishment of Mainland Affairs Council and Straits Exchange Foundation etc.)
- Agreed to the idea of the so called “1992 consensus” which acknowledged the right of each side and allowed to have its own interpretation of “one China” principle. China, however, never officially admitted the existence of this consensus.

In his first inaugural speech on May 20 1990, President Lee continued to maintain that Taiwan was part of China. “Taiwan and the mainland are indivisible part of China’s territory, and all Chinese are compatriots of the same flesh and blood.”⁸ In 1991 the ROC recognized that it did not control the Chinese mainland. By this step the ROC recognized the fact that two equal political entities exist in two independent areas of one country. With this articulation, it resulted in first Koo-Wang meeting in Singapore on April 27-29, 1993. Two semiofficial organizations were created by Taiwan and China respectively SEF (Straits Exchange Foundation) and ARATS (Association for Relations Across Taiwan Strait). They almost immediately started negotiations to solve practical problems of mutual relations avoiding at the same time the sensitive political issues.

Strategically, *status quo* was taken by President Lee as the highest strategic value. Lee understanding of status quo was based on three assumptions:

1. Taiwan shall postpone search of a sovereignty deal with the PRC until there is political parity between two sides.

⁸ Bruce J. Jacobs and I-hao Ben Liu, "Lee Teng-hui and the Idea of "Taiwan," *The China Quarterly* 190 (2007): 375

2. Taiwan is in disadvantage on political issues unless it first highlights the ROC's equal status and sovereignty internationally.
3. It is therefore inevitable to confront diplomatic struggles with the PRC before cross-Strait negotiation on political issues.⁹

Lee put these assumptions into practice on two fronts: as to political interaction, persistent refusal to initiate political dialogue and negotiation was also aimed at delaying the sovereignty discussion and lessening bilateral institutionalization. Moreover, Lee also embarked on a sovereignty promotion campaign after 1993, in an attempt to show Taiwan's appeals in the hope of gaining international support. Regarding economic exchanges, both the NUG's three political preconditions and "go slow" policy were designed to decelerate the pace and restrict the scope of cross-Strait economic cooperation.

In the political dialogue with the PRC even when Lee made seemingly conciliatory steps their essence often was to balance Beijing and maintain the certain distance from it. For example, Lee's endorsement of the NUG put political preconditions for the development of practical which led to cross-Strait relations being restrained and institutionalization of the bilateral relations hindered. Similarly, contacts between ARATS and SEF were strictly confined to nonofficial and nonpolitical level. Taipei characterized the contacts as practical consultation instead of political negotiation. In the result, the booming economic relations didn't come up with any rapprochement between two sides.

Ideologically, President Lee moved more and more away from the concept of "one China." In July 5 1994, MAC published a white paper called "Explanations of Cross-Strait relations". It showed Lee's determination to change the definition of "one China" from a political concept to a

⁹ Julian J. Kuo, "Cross-Strait Relations: Buying Time Without Strategy," in *Assessing Lee Teng-hui's Legacy in Taiwan's Politics. Democratic Consolidation and External Relations*, ed. Bruce J. Dickson and Chien-min Chao (New York: An East Gate Book, 2002), 209

nonpolitical one, meaning the “historical, geographical, cultural, ethnic China”.¹⁰ In May 9, 1994 in the Interview with Shiba Ryōtarō, famous Japanese journalist, Lee revealed his anti-Chinese identity and labeled KMT as an “emigrant regime.”

Lee’s policy backfired when the trip to his *alma mater*, University of Cornell, turned into a military crisis in the Strait. Two months after the Cornell visit PRC launched a series of military exercises aimed at Taiwan. Beijing and ARATS also unilaterally declared that Koo-Wang talks would be indefinitely postponed. These steps marked a strategic shift from striving for peaceful reunification to suppressing the Taiwan independence movement by threat of using force. This strategic shift was expressed in the following three aspects. The first was to move from nonintervention in Taiwan’s domestic affairs to intervening in Taiwan’s internal politics, including efforts to affect the results of presidential elections. The second was to move from the long-term waiting to setting a deadline for reunification, which includes the formulation of a timetable for the final reunification. And the third was to move from an emphasis on peaceful reunification to an emphasis on taking Taiwan by force.¹¹

The 1995-1996 backfire didn’t teach Lee a lesson. Similar misfortune happened in 1999, when on July 9 Lee while giving interview to the *Deutsche Welle* radio, proposed “special state-to-state relationship” to redefine Taiwan’s political status vis-à-vis the PRC. Again, this led to the abortion of Wang Daohan’s trip and military threat from China. Contrary to Lee’s wishes, Taiwan was accused even more vehemently in the United States as a “troublemaker” and the “1992 consensus” was aborted as well.

Pursuing two-pronged strategy of appeasing both Beijing and pro-independence supporters, Lee changed the reality of the cross-Strait relations in the different unexpected direction. Persisting on the three prerequisites for the cross-Strait relations – mainland makes a commitment to renounce

¹⁰ "Relations Across The Taiwan Straits. Published by Mainland Affairs Council, The Executive Yuan, Republic of China , " *Mainland Affairs Council*, <http://www.mac.gov.tw/english/index1-e.htm>

¹¹ Suisheng Zhao, "Reunification Strategy: Beijing Versus Lee Teng-hui," in *Assessing Lee Teng-hui's Legacy in Taiwan's Politics. Democratic Consolidation and External Relations*, ed. Bruce J. Dickson and Chien-min Chao (New York: An East Gate Book, 2002), 227

the use of force against Taiwan, mainland recognizes Taiwan as a political entity on the equal footing, and allows Taiwan's separate participation on the international arena – Lee carefully but effectively disentangled the previous connection between China and Taiwan.¹²

In terms of economics, President Lee took a more business-oriented approach to cross-Strait exchanges in the beginning which was geared toward gradual deregulation and taking mainland China as Taiwan's economic hinterland. Business circles and the planning technocrats in the government, who tended to see Taiwan's economic future as being dependent on close cooperation with the mainland pressed for direct links and rapid liberalization. However, as cross-Strait political conflict began to surface after Lee's trip to Cornell in 1995, President Lee began to fear that economic overdependence on the mainland would enable Beijing to put political pressure on Taiwan, which was summed up in the political slogans "using people to pressure officials" and "using business to besiege politics."¹³ After the PRC's military drills against Taiwan in March 1996, President Lee was even more concerned about the PRC's strategy of encroachment by economic means. On September 14, Lee announced a new guideline called "go slow, be patient," and appealed for stricter regulation of Taiwan's mainland investment. Eight months later the Ministry of Economic Affairs further stipulated four limitations on investment:

1. Any single investment to mainland China should be below \$50 million;
2. Investment in mainland China's infrastructure is prohibited;
3. Investment in mainland China's high-tech industries should be more strictly regulated;

¹² Ibid., 224

¹³ Julian J. Kuo, "Cross-Strait Relations: Buying Time Without Strategy," in *Assessing Lee Teng-hui's Legacy in Taiwan's Politics. Democratic Consolidation and External Relations*, ed. Bruce J. Dickson and Chien-min Chao (New York: An East Gate Book, 2002), 213

4. Capital outflows of listed companies to mainland China should be more strictly regulated.¹⁴

This strategy of economic balancing had two essential purposes. First, the restrictions were to slow down China's growth and thus the increase of its capabilities. Second, the aim of policy was not to let Taiwan to get overly dependent on China's market and investments.

However, because Taiwan entered a period of economic liberalization at the same time, it was extremely difficult for the state to regulate capital flows in the age of global capital. Insofar as China was the fastest growing market in the world, it would be against business interest to impose such anti-market measures. In the wake of such a policy change, Taiwan's businessmen became even more alienated from their government, and, consequently, were also left alone to confront the PRC's sticks and carrots. Without cooperation from business circles, the Taiwan state's inability to regulate capital flows to mainland was appalling.

In terms of diplomacy, Lee pursued new policy of pragmatism, striving to expand Taiwan's international living space and to participate in international organizations. The new policy aimed at advancing Taiwan's substantive relations with countries which had cut off official ties with Taipei by keeping semi-official or unofficial relations. The new approach, known as "flexible diplomacy" in the early 1990s, abandoned Taiwan's insistence on being the only legitimate Chinese government in the international arena. When Saudi Arabia established diplomatic relation with Beijing in 1990, Taiwan for the first time decided not to terminate its relations with this country. Saudi Arabia did that under PRC's pressure. This new policy was elaborated in Taipei's first foreign policy report in 1993, which called for an expansion of international links disregarding the reaction of mainland China. In addition, Taipei's White Paper on Cross-Strait

¹⁴ Julian J. Kuo, "Cross-Strait Relations: Buying Time Without Strategy," in *Assessing Lee Teng-hui's Legacy in Taiwan's Politics. Democratic Consolidation and External Relations*, ed. Bruce J. Dickson and Chien-min Chao (New York: An East Gate Book, 2002), 214

Relations of 1994 stated that Taipei would "no longer compete with Beijing for the right to represent China in the international arena."¹⁵

Flexible diplomacy tried to utilize Taiwan's greatest asset – its democracy and economic prosperity. Taiwan's democratization facilitated the favorable reorientation of Washington's Taiwan policy.

Successful democratization in particular allowed Taipei to secure close relations with the United States. Such an important component of balancing as weapons acquisition was also present. In 1992, President George Bush Sr. approved the sale of F-16 fighter aircraft to Taiwan. The Clinton administration modestly upgraded the status of Taiwan's diplomatic representation in the United States. In spite of the repeated promises not to grant Lee Teng-hui a visa, following an intensive lobbying effort, Lee was granted the visa to visit his alma mater, Cornell University, in May 1995. Trade embargoes and sanctions Western powers put on China after the Tiananmen massacre also allowed relatively smooth purchase of French Mirage jetfighters.

Assessing President Lee's mainland policy we can see that it was in many respects pure balancing. Lee tried to balance China on all fronts: politically, economically, ideologically, and militarily. In some periods of Lee Teng-hui's presidency the balancing was particularly obvious. In the first part of his tenure Lee tried to bandwagon China and to promote pragmatic policy. However, he soon realized that pursuing confrontational policy suits his domestic needs more.

During Lee's presidency both sides viewed their goals as irreconcilable: Taipei's priority was to earn equal status, confidence, peace, and international space, because it was worried that if it accepts the "one-China" principle first, Beijing might confuse it with the PRC and reduce Taiwan to subordinate status. In contrast, Beijing's priority was to achieve symbolic unification, since the PRC worried that if Beijing recognizes the ROC or renounces the use of force first, Taipei might immediately postpone unification talks indefinitely.

¹⁵ Suisheng Zhao, "Reunification Strategy: Beijing Versus Lee Teng-hui," in *Assessing Lee Teng-hui's Legacy in Taiwan's Politics. Democratic Consolidation and External Relations*, ed. Bruce J. Dickson and Chien-min Chao (New York: An East Gate Book, 2002), 225

It was apparent from the beginning that President Lee did not prefer the choice of engaging China. Lee's emphasis on three political preconditions prior to the mid-term stage of the NUG reiterated his "postpone and wait for changes" approach toward cross-Strait relations. Most of Lee's actions were directed toward balancing, buying time, and waiting for chances presuming that time was on Taiwan's side. In doing so he believed that Taiwan's status quo and security were at least guaranteed and would not be traded away.

This tactics proved incapable of holding cross-Strait relations under control. On the contrary, the tactics backfired and jeopardized the cross-Strait balance, putting Taiwan in increasingly disadvantageous position. Though this policy allowed maintaining de jure status quo, Lee could not protect Taiwan's de facto status quo. Lee's shift toward cross-Strait economic restrictions was not only tactically ineffective but also strategically unwise. Lee's strategic reasoning was quite simple: to maintain Taiwan's security meant to keep autonomy from the PRC, namely, to avoid economic overdependence upon the PRC. But in view of the fact that cross-Strait negotiations were inevitable and the PRC's growth of the national strength was faster than Taiwan's, Taiwan would jeopardize its bargaining position if it maintained a "postpone and wait for changes" approach in the cross-Strait talks. It would be politically wiser for Taiwan to make earlier use of its still effective economic edge as a bargaining chip in exchange for political promises from the PRC, such as membership in the international organizations, confidence-building measures, peace agreement etc.

Worse, both Cornell trip and "state-to-state" theory went so far as to abuse the U.S. trust in Taiwan. Lee's assertive and provocative actions inevitably turned the U.S.-Taiwan relationship sour and produced distrust and antipathy to Taiwan, sometimes even stirring voices that accused Taiwan as being a new "troublemaker." It is claimed that missile crisis in the Strait coerced President Clinton to reverse his policy of improving American-Taiwan relations.¹⁶ In 1998 President Clinton during his meeting with Jiang Zemin proclaimed 3 no's in which he reiterated

¹⁶Robert S. Ross, "The 1995-96 Taiwan Strait Confrontation: Coercion, Credibility, and the Use of Force," *International Security* 25:2 (2000): 88

American commitment to “one China” principle. Andrew Nathan noted, “What was novel (in Clinton’s three no’s) was the manner and the context of their articulation – on Chinese soil, clustered together as a package of negatives directed at Taiwan, framed as reassurance to China, devoid of the other elements of U.S. policy that were favorable to Taiwan, and given canonical status by public presidential utterance.”¹⁷

Chen Shui-bian’s Period (2000-2008)

The election of Chen Shui-bian, a representative of the DPP, as a President of the ROC marked new era both in domestic development of Taiwan and in its relation with China.

In the run-up to the 2000 presidential election, candidate Chen Shui-bian tried to distance himself from the more radical elements in his party - and in his own resume. His campaign rhetoric stressed the need for good relations across the Taiwan Strait and his economic program was unmistakably pro-China. Among all three presidential candidates – Lien Chan, James Soong and Chen – the DPP nominee was the most vigorous advocate of opening direct links with the mainland. Being elected, President Chen faced a daunting task of re-building pragmatic relations and trust with both Washington and Beijing. These relations were seriously harmed as a result of Lee’s provocative steps and Chen’s own record as a staunch pro-independence activist.

Following his election, Chen continued move away from his pro-independence rhetoric. Perhaps most significant was his inaugural address on 20 May 2000. In the speech, the new president referred to himself as the president of the Republic of China (not Republic of Taiwan as some feared he might) and outlined what has become known as the "Five No's." Chen proclaimed that, as long as the PRC did not use military force against Taiwan:

1. He will not declare independence of Taiwan;
2. He will not support changing national title of the Republic of China;

¹⁷ Andrew Nathan, "What's Wrong with American Taiwan Policy?" *The Washington Quarterly* 23:2 (2000): 96-97

3. He will not push for the inclusion of Lee Teng-hui's "state-to-state" description in the ROC Constitution;
4. He will not promote referendum on the island's status; and
5. He will not abolish the National Unification Council or National Unification Guidelines.

Chen's inaugural address was received enthusiastically in Taiwan. Public opinion polls revealed that almost 80 percent of Taiwan's populace was satisfied with the content of the speech, while roughly 63 percent believed it expressed "goodwill" toward the PRC. In the United States, analysts described Chen's address as a significant effort to accommodate the United States and reach out to Beijing.

It is obvious that by this statement Chen was trying to avoid provoking Beijing. In his mainland policy emphasized a so called "middle-of-the-road" approach – moving away from traditional DPP position towards more pragmatic and centrist approach.

Following his inaugural address, Chen Shui-bian continued to seek to alleviate fears that he would inch the island closer and closer to war with China. One of his most significant gestures occurred in January 2001 when the president delivered his new year's address. During his speech, Chen made his customary reference to "one China" as a "question for the future." However, he also offered something different. Perhaps borrowing some ideas of the opposition-particularly former premier Vincent Siew - Chen raised the prospect of Taiwan's eventual "political integration" with mainland China. Chen proclaimed that "the integration of our economies, trade, and culture can be starting point for gradually building faith and confidence in each other. This, in turn, can be the basis for a new framework of permanent peace and political integration."¹⁸

Despite the explosion in cross-Strait trade, investment, and travel, Chen continued to reject to "direct" transportation, trade, and postal linkages with the mainland. Beijing has long called on

¹⁸ Dennis V. Hickey and Yitan Li, "Cross-Strait Relations in the Aftermath of the Election of Chen Shui-bian," *Asian Affairs* 28:4 (2002): 203

Taipei to lift the ban on "the three links." The Chen administration has surprised some observers by making a move toward meeting Beijing's demand though a small one. In January 2001, Taipei authorized three "mini-links" between the two offshore islands of Kinmen and Matsu and the Chinese mainland. The initiative was described by the island's press as "the most significant move made by the DPP since winning power in the March 2000 election." The intention behind the mini-links was to express our goodwill to Beijing and to build mutual cross-Strait trust and act as a warm-up to the three major links.¹⁹ In May 2001, President Chen journeyed to Central America and the Caribbean - a region of enormous importance to Taiwan as it represents the island's last diplomatic stronghold. While traveling to the area, Chen made a two day stopover in the United States where he met with American lawmakers. The visit came only days after the George W. Bush administration approved a multibillion dollar arms sales package to Taiwan. It was feared that any (or all) of these developments might trigger a strongly negative reaction from Beijing. After all, it was Lee Teng-hui's visit to Cornell University that forced the PRC to suspend cross-Strait negotiations and to initiate a series of provocative missile tests off Taiwan's coast in 1995. Perhaps in an effort to assuage Beijing's fears and avoid another nosedive in cross-Strait relations, President Chen unveiled five new no's during a tea ceremony in Guatemala. Chen declared that 1. Taiwan's recent arms purchases and his travel to the U.S. were not intended to provoke Beijing; 2. Taiwan will not misjudge or miscalculate the current state of cross-Strait relations; 3. Taiwan is not a vassal state or pawn of the United States; 4. Taiwan will not cease in its efforts to improve relations with the PRC; and 5. Taiwan is a sovereign state and will not become a pawn in power politics.²⁰

¹⁹ Ibid., 209

²⁰ David G. Brown, "China-Taiwan Relations: A Fragile Calm," *Council for Strategic and International Studies*, http://csis.org/files/media/csis/pubs/0102qchina_taiwan.pdf

In addition to abovementioned measures, Chen also backed China bid for normal trade relations with the U.S., its drive to enter the WTO and to host 2008 Olympics.²¹ These goodwill gestures on cross-Strait relations revealed Chen's pragmatism and earned him some praise for adopting more flexible approach toward China. However, this so called "middle of the road" approach ceased, when Chen entered the second year of his term particularly when he took part in the Legislative Yuan election campaign. He realized that the most effective way of attracting core supporters is to make China look belligerent.²² Consequently, since the year 2001 Chen's policy moved to confrontation.

The first step in the confrontational politics towards China was the repudiation of "1992 consensus." Chen publicly renounced this principle while campaigning for the DPP candidates in the local election at the end of 2001. The next step was the declaration that "there is a state on each side" proclaimed by President Chen on August 3, 2002. This statement caused disappointment in Beijing and Washington and raised doubts about Chen's sincerity regarding 5 no's."

When running for re-election in 2004, Chen shifted to a more radical and pro-independence position. Facing strong competition from a united ticket of Lien Chan and James Soong and trying to boost his popularity despite poor domestic record, Chen adopted more provocative and nationalistic strategy, trying to avert attention from sluggish economic record. In the course of the campaign Chen raised issues about defensive referendum and new constitution. The campaigning was marked by hostile and provocative anti-Chinese rhetoric and though that was purely vote-maximizing strategy, both Beijing and Washington were alarmed.²³ Chen's re-election in 2004 was surprising. Though Chen in his second inaugural address again promised not to alter the five no's during his second term, after the failure of DPP in 2005 local elections he announced plans

²¹ Philip Yang, "Cross-Strait Relations Under the First Chen Administration," in *Presidential Politics in Taiwan. The Administration of Chen Shui-bian*, ed. Steven M. Goldstein and Julian Chang (Norwalk: EastBridge, 2008), 207

²² *Ibid.*, 223

²³ Yu-shan Wu, "Taiwanese Nationalism and its Implications: Testing the Worst-Case Scenatrio," *Asian Survey* 44:4 (2004): 619

to abolish the National Unification Council and the National Unification Guidelines. Perhaps the most provocative attempt, however, was the noisy 200y campaign to join the United Nations and other international organizations under the name of Taiwan. Unsurprisingly, this again caused tension with Beijing and Washington. China replied to Chen's provocations with the Anti-Secession Law in which once again reaffirmed its right to use "non-peaceful means" against Taiwan²⁴ and Washington was annoyed and worried that Chen might overplay the American commitment to defend the island.

The politics of Chen in his second term as a President was clearly aimed at changing status quo in the Taiwan Strait. Analyzing the reasons of this revisionism Robert Ross considers few following motivations for Chen to pursue this revisionist policy: (1) the mainland deterrent is ineffective, reflecting Taiwan's doubts about either mainland capabilities or mainland resolve to wage a retaliatory war; (2) U.S. commitment to Taiwan, although aimed at deterring PRC's use of force, encourages Taiwan to challenge the status quo because the Taiwan leadership is confident of U.S. intervention and U.S. ability to defend Taiwan; (3) because of the development of a 'Taiwan identity' and of corresponding domestic political pressures, the Democratic Progressive Party has been compelled to adopt a pro independence policy; (4) Chen Shui-bian has a personal commitment to Taiwan independence and has been willing to challenge the mainland's interest in one-China, despite risk of heightened conflict and regardless of domestic political considerations.²⁵ Ross concludes that that is Chen's risk-acceptance leadership style, his deep pro-independence commitments, and lack of institutional constraints during his second term which are reason for his provocative revisionist mainland policy.²⁶

In economical sphere, Chen's administration faced dilemma. From one point of view, it was pro-independence and shared Lee Teng-huis's concerns that too much cooperation might lead to

²⁴ "Full text of Anti-Secession Law," *People's Daily Online*, http://english.peopledaily.com.cn/200503/14/eng20050314_176746.html

²⁵ Robert S. Ross, "Explaining Taiwan's Revisionist Diplomacy," *Journal of Contemporary China* 15:48 (2006): 443

²⁶ *Ibid.*, 453-456

overdependence on China. From the other point of view, a decade of cross-Strait economic relations made high-tech sector, crucial for Taiwanese economy, extremely dependent on its manufacturing bases in China. In terms of economic relation with China Chen reversed the policy of his predecessor. The “no haste, be patient policy” was replaced with the policy of “pro-active liberalization and effective management” on the Economic Development Advisory Council convened by Chen in August 2001. US\$ 50 million investment ceiling was lifted and the list of industries allowed to invest in China was also expanded. The China’s and Taiwan’s entry into the WTO made economic cooperation and investment between two sides even more attractive (Lee and Chu 2008, 160). Then a number of approved investments and their amount skyrocketed despite growing political distrust between two sides of the Strait. In Lee’s years annual investment never exceeded US\$ 17 billion; during Chen’s first administration the amount of investment had increased from US\$ 26 billion in 2000 to US\$ 46 billion in 2003.²⁷

In terms of security and Taiwan-U.S. relations the early stage of Chen’s Presidency was also marked by good relation with the United States. George Bush was a long-standing friend of Taiwan and his first months in office reinforced his commitments. On April 21, 2001 President Bush made a comment that the U.S. “would do whatever it took to help Taiwan defend herself.” Another indicator of warm ties between Washington and Taipei was the approval in the April 2001 of arms sales to Taiwan. President Bush approved Taiwan’s request for: diesel-electric submarines, P-3 maritime search/anti-submarine aircraft, Mark-48 anti-submarine torpedoes, Harpoon anti-ship missiles, M109A6 Paladin self-propelled howitzers, AAV-7A1 amphibious assault vehicles, AN/ALE-50 self-defense pods (for F-16s), and mine-sweeping helicopters. Also, four decommissioned Kidd-class destroyers (not requested as FMS, but considered as Excess Defense Articles (EDA)) were approved. The Administration also approved a briefing of the PAC-3 lower-tier theater missile defense (TMD) missile.²⁸

²⁷ Lo-sheng Hsia, "Taiwanese Businessmen's Investment in Mainland China and its Impact on Taiwan's Economy," *Prospect & Exploration Monthly* 2:4 (2004): 28

²⁸ Shirley A. Kan, "Taiwan: Major U.S. Arms Sales Since 1990," *Council of Strategic and International Studies*, <http://www.globalsecurity.org/military/library/report/crs/RL30957.pdf>

The Bush administration's initially had strong support of Taiwan in 2001, and this U.S. Taiwan policy initiative was among the most favorable of any U.S. administration since 1979, however, since 9/11 terrorist attack the U.S. had reduced attention, efforts, and resources devoted to the relation with Taiwan. Following the September 11 attacks and growing tension on the Korean peninsula, administration officials believed that benign U.S.–China relations were important in cooperating against terrorism and rogue states.²⁹ China-American relation gained more importance and priority for the Bush administration. However, President Chen continued to percept previous acts of American support as signs of continued U.S. benevolence. As Rigger and Stevinson suggest, Chen was misinterpreting these signals from Washington as endorsement to his provocative policy³⁰ and clearly overestimated the level of support he received from Bush administration.³¹ On December 2003 while meeting the PRC Premier Wen Jiabao in the White House he publicly rebuked Chen Shui-bian's policy and named Taiwan as the main threat to the stability in the Strait. That was the lowest point in the Taiwan-U.S. relations and the most serious crisis of mutual trust between two sides.

Washington was also increasingly concerned that Taiwan was not adequately investing in its own defense. Though Taiwan had purchased \$2.73 billion of equipment and systems from the U.S. through seventeen foreign military sales programs between 2002 and 2005, many other critical programs had been caught in political gridlock. Both the executive branch and Congress in the U.S. were frustrated by the continued failure of Taiwan to act in response to the PRC's continued military build-up and the politically partisan posturing in Taiwan that leads Taiwan not to purchase U.S. weaponry approved for sale in 2001.³²

²⁹ Sutter, Robert G. *China's Rise: Implications for the U.S. Leadership in Asia* (Washington: East-West Center, 2006), 35

³⁰ Shelley Rigger and Bryan Stevinson, "A Perfect Storm: U.S.-Taiwan-China Relations in the Era of Chen Shui-bian and George W. Bush," in *Rethinking New International Order in East Asia: U.S., China, and Taiwan*, ed. Yuan I (Taipei: Institute of International Relations National Chengchi University, 2004), 109

³¹ Michael D. Swaine, "Managing Relation with the United States," in *Presidential Politics in Taiwan. The Administration of Chen Shui-bian*, ed. Goldstein, Steven M. and Julian Chang, (Norwalk: EastBridge, 2008), 193

³² Øystein Tunsjø, *US Taiwan Policy. Constructing the Triangle* (London: Routledge, 2008), 95

Assessing Chen mainland policy quite surprisingly reveals that it was less marked with balancing behavior than Lee's policy. Understanding the necessity to engage China and reflecting the changing balance of power in the Strait Chen tried to appease Beijing by recognizing the possibility of "political integration" and by promoting some goodwill gestures. However, Beijing rejection of those goodwill gestures, Chen's pro-independence mindset, and the imperatives of the domestic politics predetermined the deterioration of the relations and return to balancing. The only exception was probably economics where Chen's administration was much more liberal. At the same time politically and diplomatically Chen balanced China. The provocative policies and domestic gridlock led to the worst crisis in Taiwan-U.S. relations; nevertheless Chen tried continuously to balance China militarily.³³

Ma Ying-jeou's Period

The review of the Ma Ying-jeou's policy will be very brief since it will be discussed in details in the next chapter. Here, main elements of it are demonstrated and tentatively defined.

Vice-President of the ROC Vincent Siew described the dilemma Taiwan faced: "we can continue to adopt confrontational policies toward Mainland China, generating political instability in East Asia and isolating Taiwan from the rest of the world; or we can choose for Taiwan to become a responsible stakeholder in the global community, building the foundation for peace with the Mainland China, which will lead to a win-win-win scenario for Taiwan, the Mainland and the rest of the world."³⁴

After his election as a President, Ma Ying-jeou has clearly chosen the second way. He initiated numerous initiatives that significantly decreased tension in the cross-Strait relations. Ma

³³ Taiwan's strategy under Chen has become "offensive defense" and didn't exclude pre-emptive or retaliatory actions against China.

³⁴ Vincent C. Siew, "Cross-Strait at the Turning Point: Rooted in Taiwan but Connected to the World," in *Cross-Strait at the Turning Point: Institutions, Identity and Democracy*, ed. I Yuan (Taipei: Institute of International Relations National Chengchi University, 2008), 19

abandoned provocative policies of his predecessor, Chen Shui-bian, and promoted pragmatic conciliatory approach toward China.

Ideologically, Ma agreed not to pursue independence. He also emphasized the importance of the “1992 consensus” as a platform for negotiation. President Ma on many occasion stressed his commitment to the principle of “one China” as it is laid down in the ROC constitution.

Regarding diplomacy and international participation, Taiwan’s mainland policy under Ma has also changed a lot. President Ma refused to continue “pragmatic” diplomacy and introduced “diplomatic truce” which allowed Taiwan to secure its diplomatic allies. Ma as Chen before him also emphasizes the necessity to expand the international space for Taiwan but unlike Chen Ma tries to avoid name controversy and accents the “meaningful participation” in the international organizations; the approach which allowed Taiwan to get invitation to participate in the WHA activities as an observer.

Regarding economics, the process of cross-Strait economic liberalization was continued. Direct links between two sides were finally established and other important economic agreements signed. China and Taiwan are planning to sign FTA-like Economic Cooperation Framework Agreement (ECFA) sometime in the end of 2009.³⁵ President Ma considers economic cooperation a priority for his government.

The abovementioned developments represent drastic, in many ways even fundamental changes, in the mainland policy of Taiwan. We clearly see that under Ma Taiwan has shifted its attitude from hostile balancing to a pragmatic bandwagoning. Taiwan not only engages China; to do it Taiwan tries to appease China by avoiding action which viewed in Beijing as provocative and by reassuring its commitment to “one China principle.”

However, at the same time Ma Ying-jeou tries to restore mutual trust with China and to increase military capabilities of ROC’s military. Within this direction of his policy President Ma promised

³⁵ "Cross-strait trade pact to be signed late this year or in 2010," *The China Post*. July 5, 2009

to increase military budget to 3% of GDP, to continue arms acquisition, to move to all-volunteer military force, and to stop free-riding American security commitments.³⁶ Taiwan has also expressed its support of close American-Japanese military alliance. This direction clearly reflects the continuation of the balancing against China.

Testing Balancing Hypothesis

According both to Waltz and Walt, balancing behavior is a norm in the international politics. However, we need to ask ourselves does Taiwan really need to balance China? Is China a preponderant power? Does China represent an imminent threat to Taiwan?

As Walt mentions, regional small states are mostly indifferent to global power distribution.³⁷ Despite its tremendous growth, China by no means is a global superpower, however, as Robert Ross suggests, though globally there is only one superpower, namely the United States, they do not possess hegemony in East Asia, but share great power status with China in the regional balance of power.³⁸ Since both regional superpowers are strategic competitors it is logical to expect that Taiwan would stick to one side to balance another one since for a strategy of balancing against a big power to be effective, there are must be antagonisms between two great powers thus making alliance with one of them sustainable.³⁹

³⁶Ying-jeou Ma, "The Taiwan Relations Act: Turning a New Chapter." *Center for Strategic and International Studies*, http://csis.org/files/media/csis/events/090422_ma_speech.pdf

³⁷ Stephen M. Walt, *The Origins of Alliances* (Ithaca: Cornell University Press, 1987), 158

³⁸ Robert S. Ross, "Bipolarity and Balancing in East Asia," in *Balance of Power: theory and practice in the 21st century*, ed. T.V. Paul, James J. Wirtz and Michel Fortmann (Stanford: Stanford University Press, 2004), 269

³⁹ Julian J. Kuo, "Cross-Strait Relations: Buying Time Without Strategy." in *Assessing Lee Teng-hui's Legacy in Taiwan's Politics. Democratic Consolidation and External Relations*, ed. Bruce J. Dickson and Chien-min Chao (New York: An East Gate Book, 2002), 212. That was the outbreak of Korean war which made the U.S.-ROC military alliance possible

Looking at the Asian region we can observe the situation when contrary to neo-realist prediction there is no tendency to balance China.⁴⁰ Even Japan, which is the most cautious about China's rise, hasn't been using pure form of balancing. If East Asia is indeed becoming more Sinocentric, Taiwan is in critical ways the exception that proves the rule, for reasons that are unique to Taiwan itself. Why the case of Taiwan is different? As Richard Bush writes:

Relying on the United States, it [Taiwan] seeks to balance Beijing rather than bandwagon with it. It is a special case for special reasons. First of all, the two sides are caught in a security dilemma. Second, they are deadlocked over the legal identity of the government in Taipei. Third, because of Taiwan's history, the Taiwanese are continually suspect of Beijing's intentions. And fourth, even if Beijing were to make Taiwan an acceptable political offer that accommodates its other concerns, the island's rather dysfunctional political system will make it hard to "take yes for an answer."⁴¹

Richard Bush identified main reasons for Taiwan to balance. Since the reason of conflict lies in the field of political identity and legitimacy, it is vital necessity for Taiwan needs to apply it. As Schweller correctly mentions, balancing is extremely costly activity which states tend to avoid except very specific situations.⁴² Because the essence of the conflict was not only power but legitimacy and because victory of one side would mean elimination of another, Taiwan had no choice but to stick to balancing.

⁴⁰ See for example Evelyn Goh, "Great Powers and Hierarchical Order in Southeast Asia. Analyzing Regional Security Strategies," *International Security* 32:3 (2008): 113-157; David C. Kang, "Getting Asia Wrong: The Need for New Analytical Frameworks," *International Security* 27:4 (Spring 2003): 57-85; David C. Kang, *China Rising: Peace, Power, and Order in East Asia* (New York: Columbia University Press, 2007)

⁴¹ Richard Bush, "Taiwan Faces China. Attraction and Repulsion," in *Power Shift. China and Asia's New Dynamics*, ed. David Shambaugh (Berkeley: University of California Press, 2005), 174

⁴² Randall L. Schweller. "Bandwagoning for Profit: Bringing the Revisionist State Back In," *International Security* 19:1 (1994): 93

According to Walt's hypothesis states make their alliance choices basing on threats. How can we measure the level of threat? Walt claims that although the overall distribution of power is an extremely important factor, the level of threat is also affected by such factors as geographic proximity, offensive capabilities, and perceived intentions.⁴³ In the following analysis I will try to estimate the role these factors play in shaping Taiwan's mainland policy.

Analyzing the factor defining the threat I have found to the following conclusion:

Aggregate power. First of all, in terms of aggregate power, the balance has irreversibly tipped in favor of China. Measuring overall power of a state is a difficult task. I realize that using such criteria as GDP and military expenses might not be reliable, however I assume these indicators can give us rough understanding of changes in Taiwan-China power balance.

Below, there are two charts which show the huge and growing disparity of capabilities between Taiwan and China. For the demonstrations, data on GDP and military expenditure were chosen. Of course these data cannot fully describe the capabilities of any state but they are very indicative. The selected years are (1988, 2000, and 2008)⁴⁴ to demonstrate the situation at moments when Presidents Lee, Chen, and Ma respectively started their tenures.

⁴³ Stephen M. Walt, *The Origins of Alliances* (Ithaca: Cornell University Press, 1987), 5

⁴⁴ Figures for military expenditures of China available only from 1989

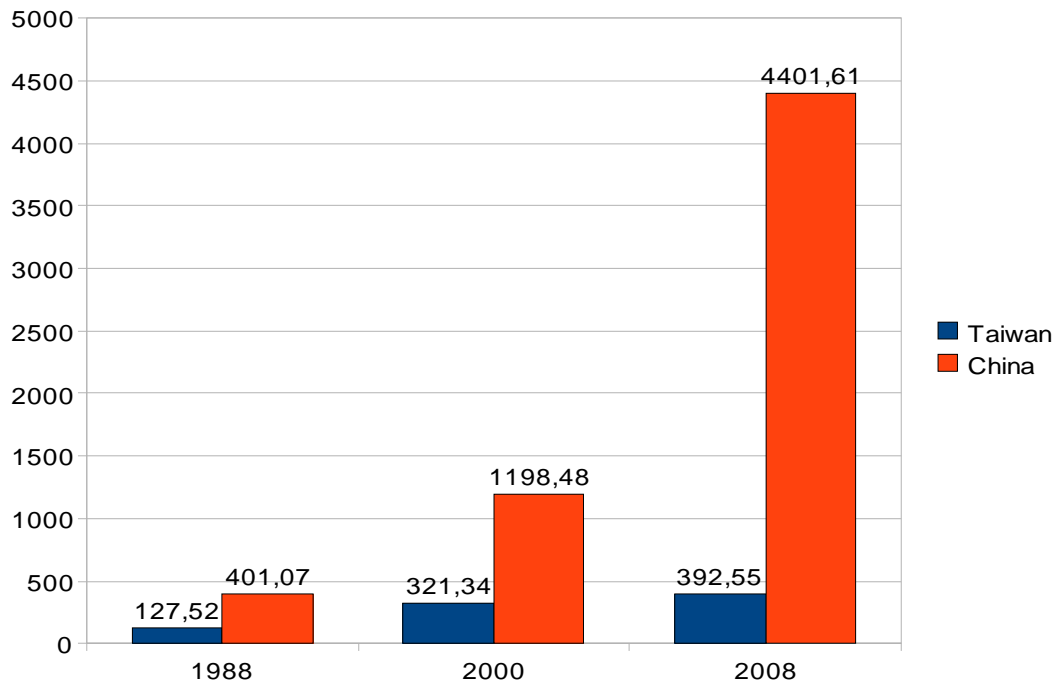


Figure1. Comparison of China's and Taiwan's GDP in selected years (in current prices, billions of \$US)

Source: International Monetary Fund, World Economic Outlook Database 2009⁴⁵

We can observe from the chart that Taiwan's economy is lagging more and more behind the rapidly growing Chinese economy. In the year 1988 when cross-Strait economic ties had just been started, the Chinese economy was approximately 3.5 bigger than Taiwan's; in the year 2000 the difference still remained roughly the same. However, in years 2000-2008 China's economy made a tremendous leap, while Taiwan's economy performance was sluggish. As a result, in the year 2008 the economy of PRC was eleven times bigger than Taiwan's. Moreover, except just rising in absolute terms, Chinese economy has also created an impressive qualitative improvement which makes the difference between two economies even more substantial. Though

⁴⁵ "International Monetary Fund, World Economic Outlook Database 2009." *International Monetary Fund*, <http://www.imf.org/external/pubs/ft/weo/2009/01/weodata/weorept.aspx?sy=2008&ey=2008&scsm=1&ssd=1&sort=country&ds=.&br=1&c=512%2C941%2C914%2C446%2C612%2C666%2C614%2C668%2C311%2C672%2C213%2C946%2C911%2C137%2C193%2C962%2C122%2C674%2C912%2C676%2C313%2C548%2C>

two economies grew increasingly interdependent in the last twenty years this interdependence is not symmetrical.

Cross-Strait economic dynamics might be a good reason for differences in mainland policies of Presidents Lee, Chen, and Ma.

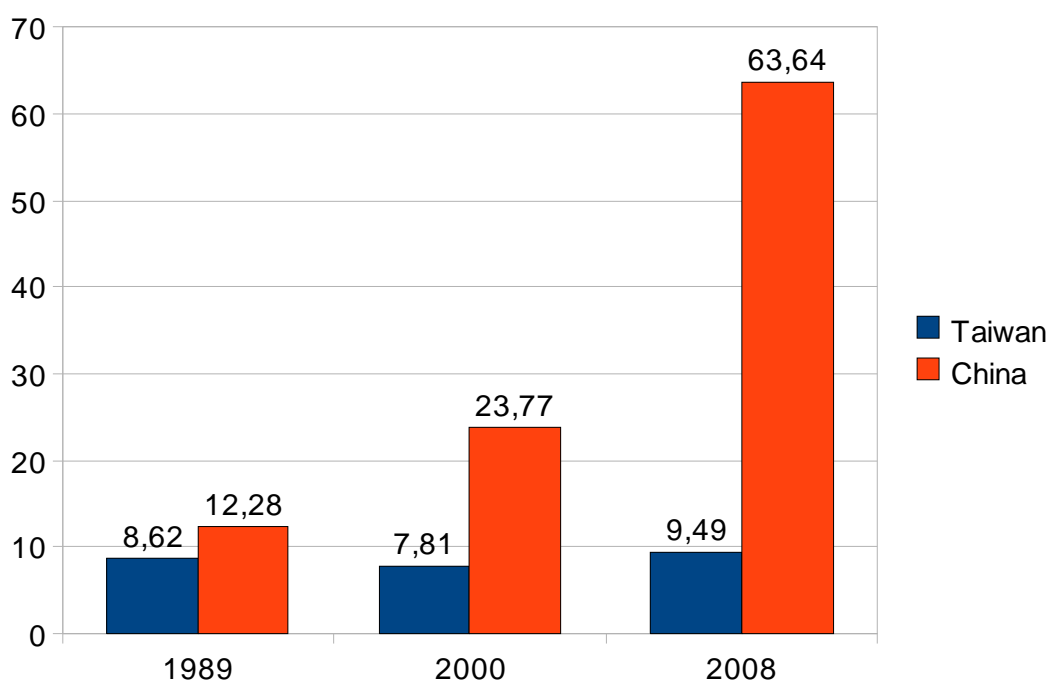


Figure 2. Comparison of Taiwan's and China's military expenditures in selected years (in constant prices, billions of 2005 \$US)

Source: The SIPRI Military Expenditure Database 2009 ⁴⁶

⁴⁶ "The SIPRI Military Expenditure Database," *Stockholm International Peace Research Institute*, <http://milexdata.sipri.org/result.php4>

Apart from SIPRI's estimation there are numerous others; however, for the aim of comparison I don't need to show exact figures, I rather shall demonstrate the huge difference between Taiwan and China.

We can see, that since the beginning of the cross-Strait relations the military balance in the Taiwan Strait has definitely and irreversibly tipped to a favor of China. Economic disparity has been turned into military. If in year 1989 China's military budget exceeded Taiwan's only by near fifty percent, then in year 2000 the difference was threefold, and in the year the Chinese military budget was already almost seven times bigger than military expenditures of Taiwan. Total military expenditure might not mean a lot but since China is directing its military spending on technological upgrade and on the acquisition of state-of-the-art Russian weapon systems the asymmetry between PLA and Taiwan's military forces is highly likely to be significant and growing.

Geographic Proximity. Though geographic proximity is an unchangeable factor in cross-Strait relations and China is still separated from Taiwan by 120 miles of water, its strategic importance has changed. Until recently the water obstacle presented by the Taiwan Strait provided strong protection to Taiwan from the invasion of Chinese troops. However, changes in military technology have diminished the role of distance as strategic factor. "Before 1995-96 China's lack of amphibious capabilities has produce complacency in Taiwan. After 1996 ballistic missile attacks, electronic warfare, and submarine blockades all became real threats."⁴⁷ And though China might still lack capabilities for a full-scale amphibious attack, nowadays the whole island falls within range of Chinese missiles installed in Fujian province which would be able to destroy Taiwanese navy and air forces and damage critical infrastructure objects.⁴⁸

Offensive capabilities. Walt suggests that level of threat is predetermined partially by offensive capabilities. We've seen that China indeed has significant offensive capabilities. The rise of Chinese military is a widely discussed theme in the field of security studies and we don't need to repeat main arguments here. What is more threatening in the development of Chinese military that in the absence of visible mainland enemies the modernization of the PLA and PLAN is

⁴⁷ Nancy Bernkopf Tucker, *Strait Talk. United States-Taiwan Relations and the Crisis with China* (Cambridge, London: Harvard University Press, 2009), 229

⁴⁸ See William S. Murray, "Revisiting Taiwan's Defense Strategy," *Naval War College Review* 61: 3 (2008): 13-40

clearly aimed at Taiwan: both to gain military capabilities for successful reunification and to repel possible meddling of the United States. Despite thaw in the cross-Strait relations China has not only kept missiles aimed at Taiwan, it has also recently increased the number of missiles to 1,500.⁴⁹ In particular, China is expanding its access-denial capabilities and power-projection capabilities.⁵⁰

Perceived intentions. Although military and economic power is clearly one factor in determining whether states are threatening, material capabilities do not necessarily lead straight to intentions. Therefore, another factor determining the level of threat is perceived intentions. This factor also reinforces the necessity of the balancing strategy for Taiwan. Indeed, China has never renounced its right to use force in order to achieve unification. This position of the PRC was reiterated many times in all major documents regarding China's Taiwan policy.⁵¹ Paradoxically, Beijing strategists suggested the threat of using force actually diminished the chances of war by reducing the probability of declaring independence and thus removing the main potential reason for war. In fact, with the flow of time the wording is getting stricter and new conditions for the use of military force are added. The Chinese government many times reiterated its readiness to attack Taiwan under certain conditions.⁵² This move definitely stimulates Taiwan to seek for balancing.

⁴⁹ Ralph Jennings, "China increases missiles pointed at Taiwan to 1,500," *Taipei Times*, February 15, 2009.

⁵⁰ On recent developments of China military see: Andrew S. Erickson and Michael S. Chase, "China's SSBN Forces: Transitioning to the Next Generation," *China Brief*, http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5btt_news%5d=35120&tx_ttnews%5bbackPid%5d=25&cHash=f705c30ce6; Andrew S. Erickson, "Chinese ASBM Development: Knowns and Unknowns," *China Brief*,

[http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews\[tt_news\]=35171&tx_ttnews\[backPid\]=25&cHash=31ceb95794](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews[tt_news]=35171&tx_ttnews[backPid]=25&cHash=31ceb95794); James Holmes, "Asia: Target of PRC's Carrier Plan," *Taipei Times*, February 10, 2009.

⁵¹ "Full text of Anti-Secession Law," *People's Daily Online*, http://english.peopledaily.com.cn/200503/14/eng20050314_176746.html; "The One-China Principle and the Taiwan Issue," *Taiwan Affairs Office of the State Council*, http://www.gwytb.gov.cn:8088/detail.asp?table=WhitePaper&title=White%20Papers%20On%20Taiwan%20Issue&m_id=4 (accessed JUne 15, 2009); "The Taiwan Question and Reunification of China," *Taiwan Affairs Office of the State Council*, http://www.gwytb.gov.cn:8088/detail.asp?table=WhitePaper&title=White%20Papers%20On%20Taiwan%20Issue&m_id=3

⁵² The firm determination of China to use force to prevent independence is obvious since many Chinese officials voiced readiness to sacrifice economic growth and international image for that purpose.

Our test of Walt's balancing hypothesis proves that all factors of threat reaffirm the necessity to balance China. We have also seen that Taiwan has been employing balancing strategy towards rising China ever since opening of the cross-Strait exchanges (and before). So was different Presidents' mainland policy similar? If say "yes" we would than miss the significant differences in the mainland policies of Taiwan's Presidents. Indeed, what is the validity of our analysis if we come to conclusion that Chen's and Ma's mainland policies are the same? That is another flaw of the balancing hypothesis of Walt – it doesn't assume any difference in scope and intensity of balancing. Of course, there is a clear continuity in the applying of balancing strategy against China and some mainland policy tradition formed and dictated by national interest of the Republic of China, and some scholars point out that there is a broad consensus between both 'green' and 'blue'⁵³ leaders on the essential principles of foreign and mainland policy of Taiwan.⁵⁴ In particular, all presidents irrespective of their party affiliation and personal beliefs understood and emphasized the importance of maintaining security in view of China and to continue to maintain close relations with the U.S. However, we have also found significant differences in the balancing strategies of different presidents. The overall trend is to narrow the realm and to downgrade the intensity of application of this strategy. If Lee tried to balance China in every realm – political, diplomatic, security, economic – then Chen refused to balance China economically and to certain extent, militarily.⁵⁵ In terms of ideology and identity, he however launched a revisionist policy which was aimed at breaking symbolic contacts between China and

⁵³ "Blue" parties include those which broadly recognize "one China" principle – KMT, the New Party, the People's First Party. "Green" parties, such as the DPP or the Taiwan Solidarity Union, support the declaration of de jure independence.

⁵⁴ Shelley Rigger, "Party Politics and Taiwan's External Relations," *Orbis* (2005): 414-417; De-yuan Kao, "Changeable and Unchangeable in the Cross-Strait Relations: Ma Yin-Jeou's First Year," (paper presented at the International Symposium on "Peaceful Development and Deepening Integration in the Grater China Region," Taipei, June 11-12, 2009)

⁵⁵ Though the freeze of weapon procurement must be attributed to domestic political factors, Chen nevertheless showed less interest and competence in military affairs.

Taiwan by rectification of names, nativization (or desinization), introducing new history textbooks, and trying to amend the constitution. Ma surely refused to continue provocative revisionist policy of his predecessor and accepted “1992 consensus” again. However, President Ma has continued the trend of further limiting the spheres and intensity of balancing. Ma refused also to balance China diplomatically by introducing so called “diplomatic truce” and stopping infamous “pragmatic diplomacy” (frequently called “checkbook diplomacy” by its opponents). Economically, Ma relies at China as a “life buoy” for Taiwanese economy. Actually, the only realm Taiwan is still pursue balancing against China is security. President Ma has tried hard to restore the trust of the United States. Seemingly, he has to a certain extent succeeded in that. The United States agreed to finalize long-lasting weapon sales⁵⁶; TRA commitments were also reiterated despite some controversy.⁵⁷ Moreover, President Ma promised to increase the military budget to 3% of GDP; the level not known since 1998.⁵⁸ Ma therefore has adopted a kind of “soft” balancing strategy including both external and internal components.

Testing Bandwagoning Hypothesis

We shall also test bandwagoning hypothesis on the information provided above. Obviously, some elements of Taiwan’s mainland China are not balancing. Are they bandwagoning?

Walt identifies the following conditions favoring bandwagoning:

1. weak states are more likely to bandwagon than strong states;
2. the absence of potential allies makes bandwagoning more likely;
3. incentives for bandwagoning increase if the most threatening state is believed to be appeasable.⁵⁹

⁵⁶ "Sales symbolize improved trust: Ma," *The China Post*, October 12, 2008

⁵⁷ William Lowther, "US resolution on TRA weakened," *Taipei Times*, March 21, 2009

⁵⁸ "The SIPRI Military Expenditure Database," *Stockholm International Peace Research Institute*, <http://milexdata.sipri.org/result.php4>

⁵⁹ Stephen M. Walt, *The Origins of Alliances* (Ithaca: Cornell University Press, 1987), 173

This section follows Walt's bandwagoning hypothesis and estimates the relative importance of these factors in the mainland policy of Taiwan's Presidents. Though Walt's methodology is used, the understanding of bandwagoning is substantively modified: "To bandwagon with a big power does not mean to become a dependent or client state but refers to a strategy which tacitly reduces one's political autonomy and complies with a big power's interests, at least to an extent of not offending the latter."⁶⁰

Weak States Tend to Bandwagon. Walt claims that weak states are prone to bandwagoning. This idea is reiterated by other scholars. Though defining weakness and strengths of any state demands taking into account numerous considerations, Taiwan at the first glance can not be viewed as a weak state. It is the 26th biggest economy in the world. It is highly technologically developed nation enjoying dominant positions in many directions of high technology. Taiwan ranked 18th both in imports and exports in 2008 and its substantial trade surplus allowed it to accumulate huge foreign currency reserves ranking 4th largest in the world.⁶¹ It enjoys autonomy in its domestic and foreign relations; its government and administrative system is stable and smoothly functioning. Defense budget is big enough to put it within 20 most spending countries in the world⁶² and military is well-equipped and trained; its fighting capabilities though not tested suppose to be high. Looking at these indicators Taiwan appears to be strong middle power enjoying security and capable of maintaining substantial autonomy of action.

However, being a neighbor of China, Taiwan automatically is reduced to the status of minor power. Taiwan's population, territory, and natural resources are just minor fractions of China's. Moreover, because of the legitimacy conflict with China, Taiwan's space for maneuver on the international arena is severely limited: Taiwan is excluded from major international organizations

⁶⁰ Julian J. Kuo, "Cross-Strait Relations: Buying Time Without Strategy." in *Assessing Lee Teng-hui's Legacy in Taiwan's Politics. Democratic Consolidation and External Relations*, ed. Bruce J. Dickson and Chien-min Chao (New York: An East Gate Book, 2002), 212

⁶¹ "The World Factbook. Taiwan," *Central Intelligence Agency*, <https://www.cia.gov/library/publications/the-world-factbook/geos/TW.html>

⁶² There is discrepancy between different sources in the estimation of Taiwan's place in the list of countries by military expenditures

and regional multilateral institutions; Taiwan is limited in its military acquisitions options etc. Taiwan's domestic political cohesion has also substantively weakened since the period of authoritarian rule⁶³. The split government which had existed for all eight years of Chen Shui-bian's administrations led to a decreased efficiency of decision-making, to permanent political crisis, and to inconsistency in dealing with China.

Taiwan's economy is highly dependent on China. China is the primary destination for Taiwan's export (total trade reached US\$ 80 billions in 2008) and foreign investment (near US\$ 260 billions according to some estimates).⁶⁴ Most of Taiwanese industries have already relocated their production facilities to China. The expanding cross-Strait relationship raises serious security questions, particularly for Taiwan. China could exploit its economic relationship in ways that could undermine the United States' long-standing opposition to either side unilaterally or coercively altering the status quo across the Taiwan Strait and its insistence that any resolution to cross-Strait conflict be acceptable to the people of Taiwan. Among the chief concerns is the prospect that the PRC could exploit the burgeoning economic relationship to bring economic and political pressure on Taiwan in a variety of ways.⁶⁵

Militarily, according to some scholars' considerations, Taiwan has long time ago given up attempts to maintain the military balance in the Strait.⁶⁶ Taiwan acceptance of PRC military superiority was reflected in its defense program. Taiwan's annual defense budget under Chen Shui-bian administration had declined by over 50% since the mid-1990s. Although this decline

⁶³ This can be contributed to democratization and consequent development of pluralistic society

⁶⁴ Shelley Rigger and Tony Reid, "Taiwanese Investors in Mainland China: Creating the Context of Peace?" in *Cross-Strait at the Turning Point: Institutions, Identity and Democracy*, ed. by I Yuan (Taipei: Institute of International Relations National Chengchi University, 2008), 84

⁶⁵ Scott Tanner Murray, "Chinese Economic Coercion Against Taiwan: A Tricky Weapon to Use?" *RAND Corporation*, http://www.rand.org/pubs/monographs/2007/RAND_MG507.pdf

⁶⁶ Robert S. Ross, "Explaining Taiwan's Revisionist Diplomacy," *Journal of Contemporary China* 15:48 (August 2006): 447; David C. Kang, *China Rising: Peace, Power, and Order in East Asia* (New York: Columbia University Press, 2007), 96-97

reflects budgetary constraints during a period of economic slowdown and recession and growing demands on the budget for social programs, it also reflects Taiwan's assessment that given PRC defense modernization Taiwan can only make a nominal contribution to its own defense, regardless of its effort. Moreover, Taiwan for eight years had not been able to allocate funds for a special budget to purchase from the United States significant weapons systems, including diesel submarines, anti-submarine warfare aircraft, and Patriot-3 missile defense systems, despite persistent U.S. urging. Taiwan authorities simply did not believe that such advanced weapons can contribute to the defense of Taiwan. This has changed since Ma became a President. However, even if Taiwan's military budget would be 3% of the GDP as President Ma promised, it would still be incomparably low.

Perhaps, what is most impressive in this comparison of Taiwan's and China's aggregate power is an understanding of the dynamics. The differences in aggregate power of two nations are growing steadily and growing not in Taiwan's favor. This trend is highly likely to be continued in the foreseeable future since Chinese economy's growth doesn't show any signs of deceleration even despite world financial crisis. Therefore, we can conclude that despite the objective status of Taiwan as a middle power (economically and in terms of military) the sole fact of its neighborhood with China makes it look relatively small and weak. The sense of weakness is emphasized by limited international participation and by vulnerability of Taiwan which stems from dependence on international trade for survival. Nevertheless, in my opinion Taiwan is strong enough to balance especially since it has allies (see below).

The Absence of Allies. Let's look whether the absence of allies forces Taiwan to bandwagon with China. For its security Taiwan needs to rely on external support. As mentioned above Taiwanese capabilities are probably too weak to guarantee security against China. Ever since early days of the ROC on Taiwan its primary ally and security guarantor has been the United States of America. After the recognition of the PRC by the United States in 1979, the alliance was continued within the framework created by the Taiwan Relation Act.

In early 1990s President Clinton initiated a revision of American policy towards Taiwan and closer security ties were developed. The United States also send two aircraft carriers in the Taiwan Strait during 1995-1996 missile crisis.⁶⁷

However, since then the provocative policies and free-riding of Presidents Lee and Chen had negatively affected the U.S.-Taiwan's defense cooperation. I've already mentioned that both Lee and Chen abused American commitments by risking involvement of the United States into military confrontation with China.

There are few reasons which can explain the reduced congressional and executive backing of Taiwan's government (particularly during the Chen administration):

- The Bush administration was increasingly concerned that Taiwan was not adequately investing in its own defense;
- There is increasing acknowledgement of the importance of the PRC to U.S. interests and Beijing has also been successful in cultivating good relations with the U.S.;
- The fragmentations and changes in the Taiwan lobby in Washington offer another possible explanation;
- Support for Taiwan may have weakened due to Chen's provocative steps towards independence that might provoke China into a coercive response;⁶⁸
- Chinese military build-up makes possible American involvement potentially very risky and uncertain.⁶⁹

⁶⁷ See Robert S. Ross, "The 1995-96 Taiwan Strait Confrontation: Coercion, Credibility, and the Use of Force," *International Security* 25:2 (Autumn 2000): 87-123.

⁶⁸ Øystein Tunsjø, *US Taiwan Policy. Constructing the Triangle* (London: Routledge, 2008), 94-97

⁶⁹ Wendell Minnick, "Rand Study Suggests U.S. Loses War With China," *Defense News*, <http://www.defensenews.com/story.php?i=3774348&c=ASI&s=AIR>

Ma Ying-jeou seems to have reversed these negative for Taiwan trends by reassuring Washington and by investing more in the national defense. However, even during worst days of Taiwan-China relations the American commitment as a fact was not generally questioned. And despite some voices which claim that Taiwan has no geopolitical or strategic value for the United States⁷⁰ Taiwan is definitely important for Washington. Some scholars and decision-makers have argued that America's ability to keep peace in the Taiwan Strait is essential to its credibility. Richard Bush stresses that "the U.S. stake in peace and security in the Taiwan Strait is so great and the need to preserve its credibility among all regional actors so profound that it cannot simply wash its hands of the issue."⁷¹ Consequently, protecting Taiwan becomes essentially preserving the identity of the U.S. There are few strategic incentives for a conflict between the U.S. and China over Taiwan. However, the coerced incorporation of Taiwan into the PRC, which is viewed either as a Communist menace or an authoritarian regime, still represents an intolerable danger to U.S. identity. "Selling out" Taiwan will also probably have grave consequences for the whole system of alliances in Asia and may finally result in the American abandonment of East Asia.

Of course, American commitment is not unconditional and limitless. It may be diminishing. First of all, the United States on many occasion proclaimed that they won't protect Taiwan in case military conflict with China would be directly provoked by Taiwan itself. And probably the threshold of toleration has lowered after Chen's provocative policies. Secondly, China is becoming more and more important for the United States as an important partner in dealing with North Korean nuclear problem, in Pakistan and Afghanistan. Thirdly, China may play a crucial role as an engine of global economic recovery. It has also accumulated huge amounts of foreign exchange reserves (mostly U.S. dollars) as well as U.S. Treasury bonds. These factors make U.S. military support to Taiwan less likely especially if Taiwan would be viewed as a "troublemaker."

⁷⁰ Some scholars argue that the United States no longer needs Taiwan as an 'unsinkable aircraft carrier', if indeed it ever did. As Nathan has pointed out, "Chinese naval technology lags so far behind that of the United States and its allies that the occupation of Taiwan would swing matters in the west Pacific or the South China Sea only if the United States were to pull out of Asia and cede these waters to the Chinese." See Andrew Nathan, "What's Wrong with American Taiwan Policy?" *The Washington Quarterly* 23: 2 (Spring 2000): 99-100

⁷¹ Richard S. Bush, *Untying the Knot. Making Peace in the Taiwan Strait* (Washington: Brookings Institution Press, 2005), 263

Nevertheless, if Taiwan doesn't cross the line, doesn't threaten American national interests, and invests in its own defense⁷² it can expect strong American support.

Apart from the United States, there is no country in the region which can ally itself with Taiwan. There are some expectations inspired by revision of Japan's military doctrine that Japan might upgrade its relations with Taiwan to include security dimension in it. President Chen and his DPP government have tried hard to promote relations with Japan, and have publicly encouraged Japan to play a leading role in regional security issues. In 2001, President Chen Shui-bian called for the joint development of missile defenses between Taiwan, the U.S., and Japan.⁷³ However, there are no signs that Japan is willing to get involved into potential conflict around Taiwan, even despite its fear of vital sea lanes of communication (SLOC's) being controlled by China.

Similarly, Taiwan cannot expect other nation in the region to be its allies. States of the region generally don't view China's actions toward Taiwan as an indicator of how it would behave toward the rest of the region. This is in contrast to the predominant perspective in the United States, where some see Chinese attitudes toward Taiwan as an evidence that China is a destabilizing and revisionist power. The contrast between these assessments of Chinese preferences highlights the different ways in which the United States and East Asian states interpret China's actions, and helps explain why East Asian states do not fear China as much as many Western theories predict that they should.⁷⁴

Easily Appeasable Bandwagon. In Walt's opinion the incentives for bandwagoning increase if the most threatening state is believed to be appeasable. Is China appeasable? Does Taiwan try to appease China?

China stance on the Taiwan issues is very consistent and firm. Beijing never stopped threatening to "liberate" Taiwan by force. But in a practical way, it turned to a new strategy of peaceful

⁷² That is what President Ma promised on many occasions

⁷³ Minique Chu, "Taiwan and Japan Silent Allies," *Taipei Times*, July 24, 2001

⁷⁴ David C. Kang, *China Rising: Peace, Power, and Order in East Asia* (New York: Columbia University Press, 2007), 94

reunification starting with the message to the Taiwan people from the Standing Committee of the National People's Congress on January 1, 1979. The new policy was fully elaborated in the nine-point proposal for peaceful reunification by Ye Jianying on September 30, 1981. Ye suggested talks between the CCP and the KMT, and specifically proposed three links (commercial, postal, and travel) and four exchanges: (academic, cultural, economic, and sports). Later Deng Xiaoping proposed a formula "one country, two systems" as a viable method of reunification. Beijing peaceful approach reached a new stage when Jiang Zemin made an eight-point proposal on January 30, 1995.⁷⁵

Despite preserving an option for non-peaceful means against Taiwan, every major document in China's Taiwan policy offers more and more opportunities for Taiwan. According even to the earliest version of the "one country, two systems" formula, Taiwan would be granted wide autonomy, including administrative power, legislative power, the power to keep its own military force etc.; e.g. almost all attributes of a sovereign state except a right to be represented on the international arena. Even infamous Anti-Secession Law is in fact concentrating not on the military options but on the opportunities for peaceful development of relations across the Strait. It appears that key elements in the mainland's policies toward the island were modified and softened. Rather than call for the "reunification" of China under the banner of the so-called "one country, two systems" reunification formula, Beijing began to push for "the peaceful development of relations" and "the maintenance of the status quo." Perhaps equally significant, all talk of some sort of a "timetable" for reunification was shelved, the meaning of the "one China principle" was softened, and President Hu Jintao began to call for a "peace agreement" with Taiwan.⁷⁶ Another step in softening Beijing position was made by Hu Jintao when he proclaimed his Six Points. Perhaps, Hu's speech represents the first public attempt by the current

⁷⁵ Suisheng Zhao, "Reunification Strategy: Beijing Versus Lee Teng-hui," in *Assessing Lee Teng-hui's Legacy in Taiwan's Politics. Democratic Consolidation and External Relations*, ed. Bruce J. Dickson and Chien-min Chao (New York: An East Gate Book, 2002), 229

⁷⁶ Dennis V. Hickey, "Beijing's Evolving Policy Towards Taipei: Engagement or Entrapment?" in *Cross-Strait at the Turning Point: Institutions, Identity and Democracy*, ed. Yuan (Taipei: Institute of International Relations National Chengchi University, 2008), 217-218

Chinese administration to directly appeal to the Democratic Progressive Party (DPP). Six Points also create framework for peaceful development of relation in the Strait.

The empirical evidence show that all Taiwanese presidents tried to appease China for different reasons and with different outcomes. Lee tried to play PRC's "one China" principle commitment primarily to promote Taiwan's domestic and international legitimacy of Taiwan. China initially responded positively by conducting negotiations and providing Taiwan some freedom of action on the international stage. However, later Lee's policy shifted from promoting unification to maintaining status quo indefinitely. Chen Shui-bian also tried to appease China in the wake of his election in 2000 in order to assure Beijing, secure economic opportunities for the weak Taiwan's economy, and to support his domestic legitimacy. He failed to reach hearts and minds of Chinese officials who supposed that burden of Chen's pro-independence past is too heavy. In case of Ma Ying-jeou, his attempts to appease China were immediately reciprocated and materialized in many significant gains for Taiwan.

Summary of the Chapter II

The test of Walt's balancing and bandwagoning hypotheses has clarified some positions and has demonstrated some specific features of Taiwan's mainland policy.

As we can despite huge changes which have been taking place in Taiwan's mainland policy, there is obviously some continuity as well. This continuity reflects the existing geopolitical situation in the region and wide consensus among all main political forces in Taiwan on issues of foreign policy and mainland policy.⁷⁷

The test of balancing and bandwagoning hypotheses of Walt has proved that despite severe criticism they are still retaining significant theoretical value. Walt's prediction that external threat would generate balancing response proved to be correct under some circumstances. Taiwan

⁷⁷ Shelley Rigger, "Party Politics and Taiwan's External Relations," *Orbis* (2005): 414-417

obviously balances China. All presidents – Lee, Chen, and Ma applied balancing strategy while dealing with China, though the scope and intensity of the balancing have gradually changed. All factor of threat defined by Walt – overall power, geographic proximity, offensive capabilities, and offensive intention - are relevant for shaping Taiwan's mainland policy. Bandwagoning hypothesis was not that convincing: Of three conditions for bandwagoning only one- that China is an appeasable bandwagon-proved to be relevant.

The analysis has also once again reiterated weaknesses and limitations of Walt's hypotheses. First, of all Walt hypothesis lacks theoretical tools for grading balancing behavior by intensity and scope: the utility of the concept is low with need to apply it to such different phenomena as Chen's and Ma's mainland policies. Second, the analysis has shown that the strict dichotomy of Walt's theory is not relevant: elements of both balancing and bandwagoning coexist in Taiwan's mainland policy. Third, Walt's bandwagoning hypothesis is not convincing. Taiwan doesn't try to appease China because it feels threatened as would Walt suggest; in my opinion, reasons might different – expectation of gains, attempts to strengthen legitimacy etc.

This inadequacy of Walt's theory raises an issue of developing new or applying another theoretical approach towards cross-Strait relations. This issue will be addresses in the next chapter.