

Taiwan and East Asian Security

by Richard C. Bush

Richard C. Bush is the Director for the Northeast Asian Policy Studies and Senior Fellow of Foreign Policy, and The Michael H. Amacost Chair at the Brookings Institution, Washington, D.C. His two-decade public service career spans Congress, the intelligence community and the U.S. State Department. He is the author of, among other works, *The Perils of Proximity: China-Japan Security Relations*, *A War Like No Other: The Truth About China's Challenge to America* written with Michael O'Hanlon, *Untying the Knot: Making Peace in the Taiwan Strait*, and *At Cross Purposes: U.S.-Taiwan Relations Since 1942*. This article is a revised version of a paper delivered at FPRI's annual Asia Program conference, held in cooperation with the Reserve Officers Association on November 1, 2010, in Washington, D.C.

Abstract: This article offers an assessment of cross-Strait relations almost 30 months into the Ma Ying-jeou administration, and two years before Hu Jintao likely will begin to give up the titles that make him China's paramount leader. The article briefly describes the essential character of cross-Strait relations before President Ma came to office; reviews what has happened during his administration; clarifies what this process represents; examines what might happen in the future, and concludes with implications for other countries—particularly the United States.

Before 2008

The current improvement of cross-Strait ties followed 15 years of deterioration in relations, which occurred in spite of growing economic interdependence. In the early 1990s, there were some hopes for a political reconciliation, but the two sides could not overcome a series of misunderstandings and differences over expectations and objectives. Politics in China and Taiwan only aggravated those problems.

Increasingly, each side feared that the other was going to challenge its fundamental interests. Beijing worried that Taipei would close the door on its goal of unification. Taipei feared that Beijing would constrain it to the point that negotiations on China's terms would become inevitable. Each side took measures to protect its interests: Taiwan asserted its claim of sovereignty

This article is a revised version of a paper delivered at FPRI's annual Asia Program conference, held in cooperation with the Reserve Officers Association on November 1, 2010 in Washington, D.C.

and sought to expand its international space; Beijing built up its military capabilities and imposed a diplomatic quarantine on Taipei. This deepening spiral of mutual fear was played out in a series of episodes: Lee Teng-hui's 1995 visit to the United States; his "two-state theory" of 1999; China's response to the election of Chen Shui-bian; Chen's proposals in the 2004 and 2008 presidential election campaign, among other events.

These episodes led Washington to worry that the two sides would ignore its appeals for restraint and miscalculate themselves into a conflict, which then might entrap the United States in a war with China. It, therefore, employed an approach of "dual deterrence," conveying both warnings and reassurance to Beijing and Taipei.

So, for more than a decade before May 2008, the story was one of a corrosive political dynamic dominated by deepening mutual suspicion and aggravated by misperceptions and politics.¹ Despite the promise of cross-Strait cooperation, and despite the U.S. desire to have good relations with both, Beijing and Taipei acted on the basis of their fears rather than their hopes.

Since 2008

This dangerous situation came to an end, at least temporarily, in 2008 with the election of Ma Ying-jeou, the leader of the Kuomintang (KMT) of China as Taiwan's president. Responding to a more nuanced Chinese approach by People's Republic of China's (PRC) president Hu Jintao, Ma campaigned on the idea that Taiwan could better assure its prosperity, dignity, and security by engaging and reassuring China rather than provoking it. Since Ma took office in May 2008, the two sides have undertaken a systematic effort to stabilize their relations, reduce the level of mutual fear, and reverse the previous negative spiral. They have made significant progress on the economic side, removing obstacles and facilitating broader cooperation. The two sides have signed fourteen agreements in about two years, the most notable one being the Economic Cooperation Framework Agreement, signed on June 29, 2010, that is the foundation for a free-trade area between Taiwan and the Mainland.

There has been less progress on the political and security side, but this is partly by design. Beijing and Taipei understand that the necessary mutual trust and consensus on key conceptual issues are lacking, so the two sides have chosen to work from easy issues to hard ones, thereby deferring discussion of sensitive issues. In addition, it has become clear that broad support does not yet exist among Taiwan voters for agreements on political and security matters. Beijing understands that it has an interest in keeping President Ma and the KMT in power, so it is not pushing the agenda.

¹ For a more extensive discussion, see Richard C. Bush, *Untying the Knot: Making Peace in the Taiwan Strait* (Washington, D.C.: Brookings Institution Press, 2005).

One reason for this progress is that the Ma and Hu Administrations have avoided imposing hard preconditions before they engage in dialogue and negotiate agreements. They have relied on the 1992 consensus as the basis for negotiating economic and functional issues, which has a loose enough approach to the matter of Taiwan's sovereignty that allows each to maintain its principles without challenging the principles of the other, even though those principles may be in conflict. Thus President Ma speaks of "mutual non-denial," a norm that is followed in the various agreements reached. The two sides have also tacitly agreed not to raid each other's diplomatic partners, a competition that depleted political support on Taiwan for cooperation.

Compared to what came before, the last thirty months have seen a virtuous circle replace what had become a vicious one. China has welcomed the change represented by the Ma Administration, differing as it does from the administrations of Lee Teng-hui and Chen Shui-bian, and the reassurance that comes with it. It hopes that increasing economic cooperation will give a greater share of the Taiwan public a stake in peace and stability. The Ma Administration can point to evidence that Ma's China policy has helped preserve Taiwan's prosperity and given it some measure of international dignity—most notably its participation as an observer in the annual meeting of the World Health Assembly (WHA) and the recent apparent green light for a free trade agreement with Singapore. Both sets of leaders understand that they have embarked on a long-term process. Hu Jintao has stressed that "peaceful development," his term for what is going on, is a long-term process. China needs to take "the long view from an elevated vantage point." Ma promises that he will maintain the status quo of "no independence, no unification, and no use of force." There are, of course, forces in China who think that progress is not occurring fast enough and the Democratic Progressive Party on Taiwan charges that it is going too fast, with damage to Taiwan's claim of sovereignty. Yet both Hu Jintao and Ma Ying-jeou seem to have gotten the better of the argument with their critics.

These developments have been a great boon to the United States, given its interests in peace and stability in the East Asian region. Having worried from 1995 on about the possibility of China and Taiwan sliding off the political brink into some kind of conflict; having engaged in dual deterrence to prevent such a tragedy; and having supported cross-Strait dialogue as a means to reduce tensions and exploit opportunities for cooperation, Washington has endorsed the progress that has occurred. That progress removes one headache for an America that has too many headaches as it is. In East Asia, having to cope with the problem of a nuclear North Korea is enough for one region. As a result, Washington has been able to retreat from dual deterrence and return to its prior approach of fostering a positive environment. Relations with Taiwan have improved since the Chen Shui-bian period, and the United States has endorsed Taiwan's desire to participate more fully in international society

and to conclude, as a member of the World Trade Organization (WTO), free trade agreements with other countries.

Despite this progress, there are several reasons for concern. Although the two sides have reduced the barriers to economic interaction, Beijing shows less willingness to accede to Taiwan's desire for greater international space. It has accommodated Taipei's desire for participation at the World Health Assembly meetings as an observer but has been reluctant to accommodate a similar desire regarding the International Civil Aviation Organization or the United Nations Framework on Climate Change, organizations where Taiwan could make an obvious contribution. While China has signaled that Taiwan may create a free trade arrangement with Singapore, although not with the name Free Trade Agreement (FTA), there are signs that it is treating this as a special case. But if Beijing's concessions in both these areas are "one-off," it will likely alienate the Taiwan public as much as if had not taken the steps in the first place.

One reason for this reluctance, certainly, is that Beijing is worried that Ma may not be re-elected and that a new DPP government will pocket these concessions and then proceed with its allegedly separatist project. Moreover, some in China likely worry that Ma's goal in seeking more international space is to consolidate a *de facto* separation that creates two Chinas.

Even more worrisome is the situation on the security front. The most recent U.S. Department of Defense report on China's military power, released on August 16, 2010, painted a dark picture concerning Taiwan.² The report concludes that the acquisition by the People's Liberation Army (PLA) of capabilities relevant to Taiwan continues without any reduction; deployments of advanced assets opposite the island have not eased, and that the military balance continues to shift in China's favor. It judges that China is acquiring capabilities for three objectives: to deter Taiwan independence; to influence Taiwan to settle on Beijing's terms, and to "deter, delay, or deny any possible U.S. support for the island in case of conflict." China thus seeks to enhance its options while restricting those of Taiwan and the United States.

Given China's fundamental interests, these objectives make some superficial sense. If Taiwan were to become a totally separate country, it would be a huge blow to China's sense of itself and its great-power ambitions. The purpose of PLA build-up over the last decade has been to deter such an outcome and, if deterrence failed, to compel Taiwan to reverse a decision for full independence and frustrate any U.S. effort to come to the island's defense.

But these trends are still puzzling in light of Ma Ying-jeou's effort to reassure China and expand cooperation with it. The long-term chances that

² Office of the Secretary of Defense, "Annual Report to Congress, Military and Security Developments Involving the People's Republic of China 2010," released August 2010 (http://www.defense.gov/pubs/pdfs/2010_CMPR_Final.pdf).

any Taiwan leader would push for full independence or that the public would support such a leader is probably slim. At least one part of the PRC regime appears to still be acting on the basis of its fears rather than its hopes. Why this is the case remains a mystery. The PLA likely believe it does not yet have the capacity to deal with the worst-case scenario, which it has made the basis of its planning.

There is one area in which China *may* be showing restraint—the deployment of short-range ballistic missiles. The U.S. Department of Defense (DOD) report estimate for this year is the same as the one for last year: between 1,050 and 1,150 missiles. Yet this pause—if that is what it is—is less significant than it seems.

First of all, the number of the PLA's cruise missiles is growing: perhaps by 100 in the last year (DOD's estimate of the current total is 200 to 500). Second, China's ability to frustrate U.S. intervention to defend Taiwan increases apace. Third, the ballistic missiles themselves are becoming more accurate and have more effective munitions. Even if the number of ballistic missiles has remained constant, the damage that they can do to Taiwan's command and control, airfields, ports and so on is increasing. And the scale of the potential damage is what is important to Taiwan's security, not the precise number of missiles.

So Beijing's mixed policy runs the risk of creating sub-optimal outcomes. Its continuing military build-up intensifies the Ma Administration's desire for advanced U.S. weapons system and closer security cooperation with the United States—something that the PRC vigorously opposes. Its reluctance to be flexible on international space undercuts its basic goal of winning the hearts and minds of the Taiwan public.

To be sure, China's approach on Taiwan is an exception to its stunning record over the last year or so of alienating most of the actors on its periphery (South Korea, Japan, Southeast Asian countries, and India). That the Hu leadership has been able to maintain course concerning Taiwan while frittering away diplomatic gains elsewhere is a tribute to its control of the issue and its understanding of its strategic interests in keeping Ma Ying-jeou and the KMT in power. But it does not foster hope for flexibility on some of the issues that are salient for Taiwan.

The Character of the Current Process

The big question for many in China, Taiwan, the United States, Japan, and other places is where the current process is leading. Many in China (64.2 percent of Mainland respondents to a May 2009 poll) believe that the ultimate outcome will be unification of the island with China. Some in Taiwan, Japan, and the United States worry that it will result in Taiwan's submission to the PRC (on Taiwan at least, 60 percent of those surveyed believed that the status quo

would continue indefinitely). To get a handle on this issue, it is useful to distinguish conceptually between resolution of the fundamental dispute between the two sides (the most discussed option here is unification) and a prior stage, which I call “stabilization.”

The Fundamental Dispute and its Solution. This fundamental dispute³ has existed since the Chinese Communists victory on the Mainland in 1949, but has taken different forms. For at least three decades after 1949, the core of that disagreement was which government—the Republic of China on Taiwan or the People’s Republic of China—represented the state called China in the international community. In addition, Beijing occasionally probed the state of Taiwan military defenses and the political and security commitment of Taiwan’s then-treaty ally, the United States. Beijing won that round, gaining entry into most international organizations and establishing diplomatic relations with most other countries, including the United States.

Since the early 1980s, the argument has been over whether the geographic territory of Taiwan will be part of the Chinese state, and, if so, how. China believes that Taiwan is a part of China, while the DPP has said it should be a separate state. The Kuomintang has generally said that Taiwan is a part of China but has worried more about its legal identity should unification ever occur. That is, the KMT has held that it is a sovereign entity, a claim that China has rejected.

There are significant substantive and political obstacles to resolving the fundamental cross-Strait dispute in near term. Substantively, the gap between the two sides is wide. Taiwan rejects the PRC’s one-county, two-systems formula for resolution because it would deny its claim of sovereignty. Beijing would strongly oppose a DPP government that actively sought the goal of independence, while both the DPP and KMT have opposed Beijing’s unification formula of one country, two systems. Theoretically, there are approaches which would reconcile China’s desire for unification and Taiwan’s claim of sovereignty—for example, a confederation, which is a union of sovereign states.

But those have been a non-starter with Beijing. Moreover, in any process of resolution, the two sides would have to address issues like how the island’s democratic system would fit with the authoritarian one on the Mainland. Politically, support on Taiwan for unification as measured in polls is usually less than 10 percent, while a minority of 25 to 30 percent favors independence. The rest support some version of the status quo without defining what “status quo” means. Hence, Ma Ying-jeou has declared that during his term of office there of will be no discussion of either independence or unification, and the Beijing government appears to understand that resolution is a long-term proposition.

³ Note that, in order to avoid prejudging the issue, I use the term “resolution of the dispute” rather than refer to any specific form of resolution (e.g. unification).

Stabilization. What has happened since May 2008 seems to be conceptually different: the *stabilization* of cross-Strait relations. It is an improvement in the conflicted coexistence and tense status quo that previously prevailed, but is not a wholesale transformation of that status quo that leads ineluctably to resolution of the fundamental dispute. Stabilization has turned the negative spiral of the years before 2008 into a positive one that suppresses reflexive mistrust in order to gain the benefits of working together. Yet reversing a negative spiral is not the same as resolving the basic cross-Strait dispute. Stabilization may create a better environment for resolution and may ultimately lead to it, but there is no automatic connection between the two.

Stabilization includes several elements. First of all, it requires a firm basis on which the two sides can confidently engage each other. Beijing and Taipei have done this by using the “1992 consensus” on the matter of one China, and they did so in an ambiguous way. Each knew that the other defined the consensus in a way that was contrary to its own view (thus, Ma said that the ROC was the one China), but each side glossed over the differences in order to facilitate a resumption of dialogue.

Second, stabilization expands the areas of cooperation in various fields. And the two sides of the Strait have done that. In the 25 months after Ma Ying-jeou took office in May 2008, the two sides signed 14 agreements. Many of these pacts removed obstacles to normal economic intercourse, but one expanded the interaction of the Chinese and Taiwan law enforcement agencies. Assuming that the potential of cooperation is realized, it builds constituencies and political support on each side of the Strait.

Third, stabilization can take an institutionalized form. Institutionalization implies, in whatever field of activity, mutual acceptance of certain basic principles, norms, and practices; establishment of organizations on each side to manage affairs on a regular basis; mechanisms to address problems; a certain insulation from politics; and, therefore, greater predictability that tomorrow will be more or less like today. Thus, the economic cooperation framework agreement (ECFA), concluded in June 2010, created a cross-Strait economic cooperation committee, composed of the two sides and responsible for supervising and assessing ECFA’s execution, interpreting its regulations, circulating relevant information, and settling disputes concerning interpretation, and implementation. Leaders also have proposed agreements in security and political affairs that might promote institutionalization. Institutionalization can be more informal but still significant, in the form of regular communications between officials of the two governments. Those more informal channels do indeed exist between Chinese and Taiwan officials.

The fourth element concerns the process by which stabilization occurs. It might happen through a “grand bargain,” in which all issues are on the table. But that usually requires a sudden boost in mutual trust and in assessments of the benefits of cooperation. This sort of all-or-nothing solution has two

problems. On the one hand, it may not command broad support in open political systems, and Taiwan is quite divided on China policy. On the other, if the bargain lacks momentum, mistrust quickly returns. The more sustainable approach is to set general goals and then take incremental and reciprocal steps towards those goals. Reciprocity builds trust between the two parties and the domestic constituencies to which they must answer. A step-by-step pace ensures that any deviant actions do not sink the whole enterprise.

What is the relationship between stabilization and “the status quo,” which Taiwan polls say that the island’s people wish to maintain? That question is hard to evaluate because they are not clear on the essence of the status quo they wish to preserve. They probably mean Taiwan’s *de facto* independence and non-subordination to the PRC. If, on the other hand, “status quo” refers to the mode of cross-Strait interaction from the mid-1990s to 2008, then stabilization represents something different. If the former is a dysfunctional status quo or conflicted coexistence, what happened after 2008 is an improving status quo and a more relaxed coexistence.

Scenarios for the Future. Having distinguished between stabilization on the one hand and resolution of the fundamental dispute (and contrasted each with the conflicted coexistence of the 1995-2008 period), we can now identify more precisely the different directions in which the current cross-Strait situation might evolve.

First of all, *the current, positive trend of stabilization continues.* The result is a stable cross-Strait relationship in which the chances of either reverting to past tensions or accelerating towards unification are low. The two sides conclude agreements on both economic and political/security issues, and so institutionalize their relations for the first time. Through a web of dialogues and exchanges, each side gains greater confidence that the other will not challenge its fundamental interests. In particular, under this scenario, the two sides reach a peace accord whereby China limits the growth of those military capabilities that are most threatening to Taiwan, and formal confidence-building measures (CBMs) regulate routine military activities. As time passes, older, more ideological generations of Taiwanese politicians retire from the scene, and attitudes towards the Mainland become highly pragmatic. Beijing does not seek to exert leverage to force decisions that Taiwan is not ready to make. On the other hand, the key obstacles to unification remain in place in the medium term. Taiwan remains unwilling to accept Beijing’s one-country, two systems formula (the one used for Hong Kong) because it negates the island’s claim that it is a sovereign entity, and Beijing is not ready to alter its one-country, two systems formula. Yet the two sides understand that stabilization of relations is important for its own sake, not least because it creates a better environment for addressing these fundamental issues in some acceptable long term.

Second, *the current process of stabilization stalls before a fully institutionalized and cooperative order is created.* This is not a return to the level of

tensions that existed prior to 2008 and Ma Ying-jeou's election. Economic interdependence deepens. But the two sides are unable to reach understandings on political and security issues. In particular, negotiations on a peace accord founder because one side or another feels compelled to introduce issues like sovereignty. (Thus, Hu Jintao's authoritative statement of Taiwan policy at the end of 2008 telegraphed that the one-China principle should be the basis of talks on a peace accord, whereas the 1992 consensus, which papers over the sovereignty issue, is the basis for discussions of economic issues.) Although confidence-building measures (CBMs) would be a useful mechanism for regulating the activities of the two militaries (and reducing Taiwan's sense of insecurity), creating them is impossible because each side views the purpose of CBMs differently. China is more willing to exert leverage to exploit Taiwan's weakness. As a result, some degree of mutual mistrust persists. Public support in Taiwan for reconciliation declines, and either a KMT or DPP government would therefore adopt a more "Taiwan-first" stance to stay in power.

Third, *the Democratic Progressive Party (DPP) returns to power and resumes a provocative approach towards China.*⁴ The DPP wins the election because voters, especially independent voters, become increasingly disenchanted with the performance of the KMT. The older generation of DPP politicians understands that this is their last chance to promote their goal of Taiwan independence, so they shut out younger, more pragmatic rising stars. As a result, cross-Strait relations return to the pre-2008 pattern. The DPP government does not necessarily take explicit steps towards independence, but it does engage in symbolic gestures that lead Beijing to see the start of a more insidious, incremental, and gradual effort. It therefore mounts a counter-campaign to block and undermine the DPP that includes threatening military exercises, reducing economic benefits to Taiwan companies, stimulating anti-DPP forces on the island, and pressuring the United States to take a tough line. Either one side or the other abrogates agreements that were reached during the Ma administration.

Fourth, *the stabilization of cross-Strait relations unexpectedly morphs into movement towards resolution of the fundamental dispute*, leading towards some type of unification. Although the current leaderships of both China and Taiwan hold that any resolution of their fundamental differences will be a long-term process, one cannot rule out the possibility that their predictions are wrong. Several possibilities come to mind. First, Beijing might decide to concede to Taiwan on the sovereignty issue and alter its one country, two systems formula in a significant way. Second, the Taiwan public might judge, based on favorable economic interactions and persistent dilemmas in

⁴I do not assume that a new DPP government would necessarily pursue a provocative approach. Whether it could sustain the current momentum "with DPP characteristics" is another matter.

other domestic policy areas, that China's formula for unification is not all that bad, and that China's power advantage will only increase anyway. Third, China might make token revisions to one country, two systems and the Taiwan side naively accepts unification. The last two of these sub-scenarios may come after exertion of PRC leverage that constrains Taiwan's choices. They likely guarantee that the DPP, which would oppose those outcomes, would mount resistance and roil Taiwan politics for some time to come.

Fifth, China loses patience with Taiwan's preference for a divided status quo and uses military power and other pressure to try to compel Taipei to negotiate on Beijing's terms. In this scenario, several factors incline Beijing to take such a course. First, is the belief that China's revival will not be complete until national unity is restored. Second is a long-standing geography-is-destiny perspective: the island is a fortress that both gives the nation strategic depth and facilitates its power projection. Third is an assessment that in the end coercion may be required because Taiwan will never negotiate as long as it has American support. Deng Xiaoping warned of such a contingency at the time of normalization. China's 2005 anti-secession law authorized the use of "non-peaceful means" if the "possibilities for a peaceful reunification should be completely exhausted." Fourth, the PLA is on the road to having the capabilities to both conduct a compellence campaign (if it chose to do so) and to seriously complicate U.S. interventions. If Beijing chooses to exert tough-minded leverage to "encourage" Taipei to abandon its resistance to China's approach to unification, the mere existence of those capabilities can shape its actions. So would Taiwan doubts about the U.S. commitment.

Variables. What are the probabilities associated with these various scenarios? Only a highly speculative guess is possible, but it would be something like this for the medium term: current process, 35 percent; stalemate, 35 percent; DPP victory and resumption of provocations, 20 percent; unification, 5 percent; PRC coercion, 5 percent. The relative shares probably shift as medium term transitions to long term. A number of factors influence these probabilities, but three stand out.

The first of these is Taiwanese domestic politics. Who holds power and the policies they pursue is crucial for determining whether the two sides of the Strait can continue and expand cooperation or return to situation of mutual fear. But it is not just China policy that is critical. Also important are trends in the Taiwan people's sense of identity. The 1990s and early 2000s saw an increase in a sense of exclusive Taiwanese identity, one that some politicians exploited and that increased tensions with the Mainland. Polls suggest that the public's love of Taiwan remains strong, but that younger political generations have a more pragmatic view of China and less desire for *de jure* independence. Some type of dual identity (Chinese in some respects, Taiwanese in others) is most conducive for stability. Looking at the electorate from a different perspective, Taiwan has a large share of swing voters—as much as 35 percent (pan-Blue adherents constitute about the same amount and solid pan-Green

supporters make up about 25 percent). A large bloc of swing voters introduces a measure of instability into Taiwan politics and create a vulnerability for whatever party is in power, since it will be held accountable for its mistakes as well as its successes.

A second variable is the way the two sides address the key divisive issues of sovereignty and security. These have been the obstacles to considering how to resolve their fundamental dispute. But they also impinge on efforts to stabilize cross-Strait relations and create a more predictable and institutionalized order.

On sovereignty, China's one country, two systems formula for unification is the same one that it has applied to Hong Kong and Macau. That formula implies that a "second system" is not a sovereign entity (as the two colonies were not). Indeed, Beijing has long taken the stance that the Republic of China (ROC) government that moved to Taiwan in 1949 ceased to exist at that time. It is a sub-national government that will have to be content, after unification, with a "high degree of autonomy." Taiwan, on the other hand, holds that its government is "an independent, sovereign state" that was founded in 1912 and has never been under the jurisdiction of the PRC government.

Each side asserted its respective positions during the 1990s, with the result that there was no progress on resolving their basic political disagreement. In addition, cooperation was difficult on more functional and security issues, because each side worried that the other sought concessions in the present that would give it an advantage in future discussions of unification. The only way that progress has occurred since Ma Ying-jeou took power was that Beijing and Taipei revived a formula from 1992 that constituted an agreement to disagree over the legal status of the ROC government.

The danger, of course, is that when the two sides move into political issues as part of their stabilization effort, the question of the ROC government's legal status will again emerge as an obstacle, with each side insisting on its principled position. If it does, the disagreement will likely become an issue in Taiwan politics. Even now, the DPP charges that the Ma Ying-jeou government has diminished Taiwan's sovereignty, a charge the government vigorously denies. Yet there has been little examination of what is meant by the term, so there is confusion regarding what elements of sovereignty must be defended at all costs and which are peripheral.

Regarding security, as discussed above, through the 1990s and into the 2000s, each side observed the other's actions and feared a hostile intent, even though the two sides have reasons to cooperate, certainly economically. Each then took what it considered defensive countermeasures, which the other regarded as hostile. The result was a general spiral of mutual fear. It is worth noting, however, that the principal source of Taiwan's fear was the PLA's build-up of capabilities and periodic exercises that were relevant to Taiwan. But China's main fear was political: that Taiwan would carry out *de*

jure independence. China's countermeasures were primarily to accelerate the PLA build-up; Taiwan's were to make stronger claims about its sovereign status.

These issues are likely to come to a head, should Beijing and Taipei seek to negotiate a peace accord. Taiwan will want to use the agree-to-disagree formula on its government's status as the basis of the talks, as has been the case on economic issues. Beijing is likely to hold that a document that brings to a formal end the late 1940s civil war cannot avoid addressing the status of the two parties. That is also true of any provisions in the agreement that regulate the interactions of the two militaries, since armed forces are the fundamental element of a sovereign state. Legal issues aside, Taiwan would negotiate such a peace accord under the shadow of the PLA's growing power. Ma Ying-jeou has sought to cope with this problem by insisting that Beijing somehow modify the threat posed by its short- and medium-range ballistic missiles. Yet even Ma understands that such a move would be symbolic and psychological, since the missiles are mobile. Moreover, they are not the only PLA systems that threaten Taiwan. Beijing for its part would likely insist on a reduction in Taiwan's security relationship with the United States, both in arms sales and institutional ties with the Pentagon. The danger is that the two sides would enter into negotiations on a peace accord ignoring such issues or assuming that they can be managed, only to find that they are deal-breakers. The negotiations would break down and mutual mistrust would be deeper than if the two sides had not tried for an agreement.

Finally, there is the issue of how Beijing seeks to exercise the leverage available because of its growing power. Will it abjure pressure and patiently accept the pace of progress that the Taiwan public is broadly willing to accept? Or will it assume that leverage is to be used aggressively and seek to force the pace?

Implications for United States Interests and Policy Responses

Successive administrations have repeated the mantra that the United States has an abiding interest in Beijing and Taipei resolving their differences peacefully. By implication, Washington, D.C. has no stake in the substance of whatever resolution might occur. Process is what is important. More recently, Washington has said that the dispute should be addressed in a manner acceptable to the people of Taiwan and that neither side should unilaterally change the status quo. But those elaborations are more or less consistent with an exclusive focus on process.

For a long time, the United States had the luxury of knowing that neither side was likely to try to change the status quo, by force on China's part, or through Taiwan actions that would provoke a PRC resort to arms. For decades, the Republic of China government favored unification (on its terms,

of course) and China was weak. As discussed, that situation changed during the 1990s, as Beijing came to fear a Taiwan move to independence and gradually acquired capabilities to coerce Taiwan and frustrate American intervention. As a result, Washington saw the need to deter a unilateral change in the status quo by either side. The possibility that Taiwan might choose to accommodate Chinese power—for good or ill, in circumstances that make free and rational choice impossible—adds another layer of complexity. Still, there has been relatively little attention to what Taiwan's various futures might mean for the United States. The only exceptions are a 2002 essay by Nancy Bernkopf Tucker and a recent article by Bruce Gilley.

As noted, the United States has welcomed the change that President Ma's approach has brought to cross-Strait relations. But Washington's experience in coping with the deterioration in cross-Strait relations during the 1990s, which has left scars on U.S. decisionmakers who had to cope with it, should be a reminder that the new and improving status quo may not last. We should at least consider, in a hypothetical sense, the various ways in which Taiwan-China ties might change, the implications for U.S. interests in these several scenarios, and how Washington might respond.

Scenarios and Interests. A continuation of stabilization is positive for U.S. interests. It reduces further the likelihood that cross-Strait relations will be a security problem for the United States. As such, Taiwan will recede as an issue in U.S.-China relations or in American politics. To be sure, U.S. arms sales would likely become a matter in a China-Taiwan peace accord, but on balance this is a trend that does not challenge fundamental interests.

If stabilization were to stall, it is not terrible for the United States. It neither requires a return to the exercise of dual deterrence as in the 1995-2008 period nor necessitate a shift away from the way Washington has interacted with Beijing or Taipei on the issue. It may give the United States more leverage, if the two sides look to it for help on issues that they cannot address themselves. But it does raise the prospect that the PLA build-up will continue, rendering Taiwan more vulnerable and making it easier for Beijing to compel the island to do its bidding and frustrate any U.S. intervention.

A DPP return to power *and* provocative policies is not a good outcome for the United States, which has sought to have good relations with both China and Taiwan. Now it must choose between them, and maintain a delicate balance between its warnings and reassurances towards each. Because China's relative power will grow, it may be less willing to heed U.S. warnings and more willing to consider coercion against Taiwan.

Movement towards unification might well pose serious challenges to American interests. Of course, the terms of unification would be key. If China did indeed concede to Taiwan on the sovereignty issue, that would say something significant and positive about what kind of major power China was becoming and its fundamental approach to the domestic political order.

That is not a bad outcome. If unification did not result in the basing of PLA air and naval forces on Taiwan, as some former PRC leaders have suggested in the past, the security implications for the United States would be modest, since Washington has long since abandoned the idea that Taiwan is a useful pawn against China. If, on the other hand, Taiwan accepted both political unification and a PLA presence, the consequences for the United States are more severe. PLA surface ships and submarines would have easier access to the open waters of the Pacific. The security of Okinawa would be in question. Beijing might challenge the American stance on freedom of navigation. U.S. friends in East Asia, particularly Japan, would no doubt conclude that the postwar structure of power in the region, based on the unfettered forward deployment of U.S. forces, was coming to an end. Washington would be rather hard pressed to devise a strategy to maintain its influence. At the same time, if Taiwan chose unification because its political system did not reflect well the wishes of the broad majority of the people, it would confirm the old fear that their fate would be decided against their will. Such an outcome would likely set off debates in the United States over “who lost Taiwan.”

The possibility that Beijing would lose patience within the context of a shifting military balance would pose a serious challenge to the United States, which has long been the provider of security public goods in East Asia. If Beijing were to win out through an exercise of coercion, with either the use or threat of force, it would represent a failure of the long-term American strategy to shape China into a constructive member of the international community. It would also represent a failure of the domestic political bargain made at the time the United States established diplomatic relations—that a coercive outcome concerning Taiwan was unacceptable.

U.S. Policy Responses. Clearly, different scenarios pose different implications, which, in turn, demand different policy responses.

- If Beijing and Taipei can continue the current, positive process at a pace the Taiwan public can accept, Washington has the comfortable option of confining itself to supporting the process and doing what it can to create a context for it to persist. One issue is what balance to strike between its relations with Beijing and ties with Taipei. If Taiwan continues economic liberalization with the Mainland, should not Washington intensify liberalization with Taiwan?
- If the process stagnates, there may be things the United States can do quietly to foster movement. It might offer “intellectual facilitation” to remove the reasons for the stalemate. One question is whether to adjust its relations with each of the two parties accordingly, depending on which side is deemed more responsible for the stagnation.
- If the DPP returns to power *and* returns to provocations of China, the United States would have to consider reverting to the

dual-deterrence mode of the 1995-2008 period. Washington would offer both warnings and reassurance to each side, with more emphasis on warnings to Taipei. This approach would likely be more challenging in future circumstances than it was between 1995 and 2008 because China's relative military power has grown.

- If the current process begins to accelerate to unification on terms that allowed China to project military power from Taiwan or threaten freedom of navigation, Washington would have to consider quietly shaping the negotiations, for example, by urging Taipei to block any PLA presence on Taiwan. If unification resulted in the PLA's deployment to the island, Washington would face the challenge of fundamentally adjusting U.S. security policy in Asia and the Pacific.
- If China chooses to coerce Taiwan, the United States would face the choice of whether to stand down the PRC challenge or accommodate to Taiwan's demise as a separate entity.

Taiwan's Trajectory

Finally, it is worth considering the impact of Taiwan's own domestic trajectory and the impact that will have on its ability to address the challenge of China. If one looks at demographic, economic, social, and budgetary trends, we see a prosperous, well-educated, middle-class, and demographically mature society with small families. Some parts of the economy have moved pretty far up the economic and technology ladder, but others have not. The government budget, as a whole, and the defense budget, in particular, are fairly stable.

Even if China did not exist, the island would face tough choices as these trends continue. The most serious is the aging of the society. Fewer working people will be supporting a growing number of elderly, with all the costs that entails. The options appear to be increasing immigration (including from the Mainland), increasing taxes on those who are working, or reducing social services. Another choice has to do with preserving economic competitiveness. Will Taiwan's outstanding companies be able to maintain their competitiveness as Mainland companies seek to move up the technology and value chain? Can the economy, thus, ensure general prosperity, high-quality employment and a reasonable level of inequality?

Of course, we cannot leave China out of the picture. Barring a significant policy decision, the build-up of PRC military forces is likely to continue. So how will Taiwan's leaders and people balance the desire for a good standard of living for all citizens and the need to ensure external security? What level of security is appropriate? The constraints on Taiwan's national defense are well known. A new one is the transition to an all-volunteer army,

which will require transferring resources from military investment to personnel or increasing the defense budget.

One option, of course, is that Taiwan will seek to muddle through rather than face the choices that are looming. The priorities of the government are fairly well established and reflect more or less what people in Taiwan want. Many people lead fairly comfortable lives. The consequences of not acting are long-term, whereas public choice takes place in the short term. There is no sense of crisis.

Yet if Taiwan chooses to muddle through, the effort to balance the competing demands for prosperity, social welfare, and security is likely to be suboptimal in its results. Moreover, in terms of public consciousness, muddling through may well deepen doubt and disagreement about what Taiwan is and what it means and so reduce the public's sense of confidence about the future and about the competence of the island's institutions to address the dilemmas at hand.

Muddling through is a choice, but it doesn't appear to be appropriate to the challenges Taiwan faces. This is not to denigrate the island's current strengths and its past resilience. But it seems that more is needed: concerted and proactive measures to strengthen Taiwan's system so that it has both a stronger social foundation to meet the challenge of a rising China and the self-confidence to go with it. Among other things, this self-strengthening appears to include:

- Ensuring economic competitiveness through making Taiwan a center of excellence in human talent and knowledge creation;
- Improving the armed forces' capacity to resist coercion at least for a few weeks;
- Maintaining sound relations with the United States to raise the chances that it would intervene in the event of unprovoked coercion.

To succeed in these and other tasks, there will likely need to be reform of the island's dysfunctional politics to improve governmental performance and better reflect the people's will. If all that happens, the result will be a Taiwan better able and willing to meet the challenges already at hand. It will be a Taiwan that can determine and defend its interests when the time comes to address the question of whether and how to resolve the fundamental dispute between it and China. And it is a Taiwan that will contribute to the stability of the East Asian region.

