

The Changing Dynamics of the Relations among China, Taiwan, and the United States

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Edited by

Cal Clark

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P U B L I S H I N G

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CHAPTER ONE

THE CHANGING DYNAMICS OF RELATIONS AMONG CHINA, TAIWAN, AND THE UNITED STATES

CAL CLARK

Ever since Chiang Kai-shek and his Kuomintang evacuated to Taiwan at the end of the Chinese Civil War in 1949, China and Taiwan have been divided by a fundamental and irreconcilable sovereignty dispute. For most of the postwar era, this concerned the rival claims of Beijing and Taipei to be the sole legitimate government of a united China that included Taiwan. In the early 1990s, though, the central issue was transformed to the question of whether Taiwan was an inalienable part of China or whether it was a separate country whose international status should be determined by its own citizens. Throughout the past sixty years, in addition, the United States has played a central role in the rivalry between Taiwan and China, making it almost impossible to understand cross-Strait relations without reference to American policy.

Despite the immutable nature of the sovereignty dispute between China and Taiwan, the triangular relations among Beijing, Taipei, and Washington have changed quite considerably over time. As summarized in Figure 1.1, three distinct periods can be charted in the relations between Taiwan and China, with a fourth one emerging in 2008. From the 1950s through the beginning of the 1980s, there was almost unmitigated hostility between the two rival regimes, although the threat of war had faded by the mid-1960s. In sharp contrast, the early 1980s through the mid-1990s saw fairly tranquil (non)relations between Beijing and Taipei as they seemingly reached a tacit agreement that Taiwan would not challenge China's *de jure* claims of sovereignty over Taiwan, while China would not challenge Taipei's *de facto* exercise of sovereignty. These good relations broke down in 1995 ushering in a period of conflict and periodic crises that were provoked first by one side and then the other over Taiwan's

ambiguous international status. Finally, the election of a new Taiwanese government in 2008 led to a more conciliatory policy toward China and a return to amity in cross-Strait relations. The dynamics in the economic realm were quite different, though. There were almost no interactions until the late 1980s. However, explosive growth in trade and investment between China and Taiwan commenced in the early 1990s and has continued unabated since then, seemingly impervious to the ups and downs of political relations.

Figure 1.1: Eras in China-Taiwan Relations

PERIOD	ERA	INITIATING EVENT
1949-1981	Cold War hostility	KMT evacuates to Taiwan after losing Chinese Civil War
1981-1995	Tacit agreement for “peaceful coexistence”	Ye Jianying’s Nine-Point proposal
1995-2008	Sovereignty dispute much more conflictual	Taiwan Strait Crisis
2008-	<i>Rapprochement</i>	Ma Ying-jeou’s election as Taiwan’s President

America’s relations with China and Taiwan followed a somewhat similar pattern, although the exact years of the periods do not fully coincide. As sketched in Figure 1.2, the United States and the People’s Republic of China were bitter Cold War enemies until President Nixon’s dramatic visit to China in 1972 ushered in a *détente* fueled by common rivalry with the Soviet Union. Subsequently, Washington sought to have good relations with both Beijing and Taipei and came to play the role of a balancer between them, seeking to contain their hostilities toward each other and to maintain peace and stability in the Taiwan Strait area. However, America’s relations with China over the last four decades can be divided into two distinct periods. In particular, at the turn of the 1990s the end of the Cold War and Tiananmen Square ushered in a more complex and volatile era of Sino-American relations in which common diplomatic and economic interests vied with tensions over the U.S.’s response to the “rising China,” differences in values about human rights and democracy, Chinese resentments over American “lectures,” trade frictions, and the Taiwan question.

Figure 1.2: Eras in China-U.S. Relations

PERIOD	ERA	INITIATING EVENT/s
1949-1972	Cold War hostility	CCP wins Chinese Civil War
1972-1989	Anti-Soviet <i>detente</i>	Nixon visit to China
1989-	More volatile with both common and conflictual interest	End of Cold War and Tiananmen Square

Throughout the postwar era, the United States remained Taiwan's central ally and security guarantor. Still, as summarized in Figure 1.3, several distinct eras can clearly be discerned: 1) a formal alliance from 1950 through 1979; 2) an informal alliance after Washington switched diplomatic recognition to Beijing from 1979 to 1999; 3) more strained relations between 1999 and 2008 when the U.S. felt that Presidents Lee Teng-hui and Chen Shui-bian were unduly provocative toward the PRC; and 4) the return to an informal alliance in 2008 that accompanied the China-Taiwan *rapprochement*. In the economic realm, the U.S. and Taiwan became strongly interconnected in the 1970s, although Taiwan's large trade surpluses in the 1980s brought some tensions to the relationship. Similarly, China's export-led development strategy of the 1990s made the PRC much more economically important to America and introduced some strains into Sino-American Relations.

Figure 1.3: Eras in Taiwan-U.S. Relations

PERIOD	ERA	INITIATING EVENT
1950-1979	Formal alliance	Invasion of South Korea brings strong U.S. commitment to Taiwan
1979-1999	Informal alliance	U.S. switches recognition from Taipei to Beijing
1999-2008	Strains when U.S. views Taiwan as too provocative	Lee Teng-hui's "special state-to-state relations" theory
2008-	Return to informal alliance	Ma Ying-jeou's election as Taiwan's President

This edited volume seeks to understand and analyze the relations among China, Taiwan, and the United States in the early twenty-first century. While the changes are not totally synchronous, Figures 1.1 to 1.3 indicate an evolution in the relations among these three nations. The Cold War alliance between the U.S. and Taiwan against China from the 1950s through the 1970s was transformed to fairly amicable relations among all three during the 1980s. Over the last two decades, in contrast, all these relations became less stable and more strained, although Ma Ying-jeou's election as Taiwan's President in 2008 has brought considerably greater tranquility to the Taiwan Strait. This sequence raises the questions of what causes change in the relations among Beijing, Taipei, and Washington and of how stable the new era is likely to be. Consequently, especial emphasis in this book is placed on the factors promoting change or stability in the interactions among these three countries and upon the policy choices facing the three governments.

In Chapter 2 on "Washington between Beijing and Taipei: A Triangular Analysis," Lowell Dittmer applies the theory of strategic triangles to conceptualize the relations among the United States, China, and Taiwan and to provide an analytic overview of their evolution over the postwar era. He argues that American policy toward China and Taiwan during this time has been influenced by two very different types of factors: strategic and economic interests on the one hand and values, such as anti-communism, human rights, democracy, and free-market economics, on the other. Through the end of the Cold War, American policy was primarily determined by strategic interests that were created by the changing nature of the Great Power Strategic Triangle among the United States, Soviet Union, and People's Republic of China. For example, the Nixon-Kissinger *rapprochement with China* clearly sacrificed anti-communism to the logic of *real politick*. After the Cold War, the U.S. first tilted toward Taiwan during a period of relaxed cross-Strait relations (1991-95) based on values (human rights and democracy) and then had to play a more active balancing role during the tense era of 1995-2008 with the tilt toward Beijing or Taipei primarily being the result of strategic interests.

Yu-Shan Wu analyzes the "Strategic Triangle, Change of Guard, and Ma's New Course" in Chapter 3. He argues that cross-Strait relations have been radically restructured by the more conciliatory policies of Ma Ying-jeou since his election as Taiwan's President in 2008 and that what is now happening between Taipei and Beijing is simply unprecedented. He then develops an innovative "sequential model" to explain what occurred. According to this model, the Kuomintang or KMT faces very different environments depending upon the stage of the electoral cycle. During

presidential election campaigns, the KMT has strong incentives to appeal to the median voter. Between elections, in contrast, governments are more apt to develop policies toward the U.S. and PRC that are consistent with Taiwan's place in the strategic triangle among them. At least at the end of this decade, both the attitudes of the median voter whom the KMT courts and Taiwan's strategic interests point toward more amicable relations with China, creating a more stable environment than faced Ma's predecessor, Chen Shui-bian, who was pushed toward provocative policies by the DPP base.

In Chapter 4, Vincent Wei-cheng Wang evaluates "The Strengths and Weaknesses of the Taiwan Relations Act: Enduring Framework or Accidental Success?" The TRA was passed by the U.S. Congress in 1979 to ensure that the Carter administration's switch in diplomatic recognition from Taipei to Beijing did not unduly harm Taiwan. It created the mechanisms for conducting "informal relations" between the two countries and indicated what types of support America would continue to extend. He concludes that the TRA was clearly valuable to Taiwan. In several (but not all) important respects it treated Taiwan as a sovereign nation; and, in terms of security relations, it indicated that threats to Taiwan were of grave concern to the United States and supported a long series of arms sales that continue today. In addition, commercial relations between the two countries were protected and then rapidly expanded; and the TRA promoted human rights and democracy in Taiwan. In contrast, the Act hurt Taiwan in several important ways as well. In particular, it did not increase or support Taiwan's dignity because there was no commitment to protecting Taiwan's "international space" (i.e., official participation in international affairs), consequently making Taipei more vulnerable to harassment by Beijing.

Shelley Rigger discusses a fundamental conundrum that Taiwan's domestic politics creates for cross-Straits relations in Chapter 5 on "Strawberry Jam: National Identity, Cross-Straits Relations, and Taiwan's Youth." Taiwan's major parties, the DPP and KMT, are polarized over the "national identity issue" that "seem to require citizens to choose between 'Taiwan' and 'China.'" Such polarization obviously makes it much more difficult to manage the challenge that China presents to Taiwan's sovereignty because almost any policy initiative is championed by one side and decried by the other as saving or destroying the country. She argues that Taiwan's youth who are often denigrated as "the Strawberry tribe" for their lack of commitment to political ideals and parties or to their jobs may actually hold the key to a more productive Taiwan politics. The Strawberry Tribe rejects the stark alternatives of the

current polarization. For example, individuals may want Taiwan to be an independent nation but may also want to pursue job opportunities in China. Consequently, while Taiwan's youth are deeply alienated from the current debate over national identity and cross-Straits relations, their views and values are most relevant for resolving it.

The election of Ma Ying-jeou as Taiwan's President in 2008 is widely viewed as the event that precipitated the recent *rapprochement* between China and Taiwan. Yet, Jing Huang persuasively argues that this major change in cross-Straits relations is built upon an earlier fundamental change in China's Taiwan policy in Chapter 6 on "Hu Jintao's Pro-Status Quo Approach in Cross-Straits Relations: Building up an One-China Framework for Eventual Reunification." In 2003-04, Hu Jintao and the new Chinese leadership reformulated their policy toward Taiwan to bring it into line with the PRC's overall grand strategy of "peaceful development," despite the increasingly aggressive policy of the Chen Shui-bian administration in Taiwan. China's central policy goal shifted from "early reunification" to preventing a formal declaration of Taiwan Independence, in essence accepting and promoting the status quo in cross-Straits relations. In the short term, this policy has been quite efficacious in defusing tensions with both Washington and Taipei; and it appears to be a long-term strategy rather than a temporary expedient. Yet, the PRC's assumption that Taiwan will inevitably be pulled into China's orbit and unyielding adherence to the "one China" principle raise questions about its ultimate viability.

Elizabeth Hague examines "China Debates the Way Forward for Cross-Straits Relations" in Chapter 7. Her analysis is based on the discussions of Chinese scholars after the advent of Ma's more conciliatory policy, which presumably reflect higher level debate to some extent. While there was no change in such basic principles as a commitment to ultimate Reunification or little willingness to consider Taiwan's demands for more international space, several of the PRC's more provocative positions (the "One Country, Two Systems" model and military threats) were clearly de-emphasized. Instead, the "peaceful development" of cross-Straits relations appeared to be the primary goal; and there appeared to be considerably more flexibility as well in an acceptance that the growing Taiwanese identity on the island did not necessarily mean support for Taiwan Independence. Over time during 2008-09, the Chinese scholars moved from advocating a stress on economic issues to limit conflict to believing that broader political agreements might be possible as well. This creates something of an ambiguous situation, though. On the one hand, China has become considerably more conciliatory toward Taiwan; on the other, it has shown little sign of altering its position on

Taiwan's sovereignty which is clearly unacceptable to the vast majority of Taiwan's citizens.

Timothy S. Rich discusses "Renting Allies and Selling Sovereignty: Taiwan's Struggle for Diplomatic Recognition" in Chapter 8. After World War II, Taipei and Beijing both claimed to be the sole legitimate government of China. Accordingly, a country could not successfully maintain diplomatic recognition with both governments. Initially, Taiwan had the advantage in diplomatic recognitions based on its Cold War alliance with the United States. However, its position unraveled after the Sino-American *rapprochement* and the seating of the PRC in the United Nations; and by the end of the 1970s China had established a huge preponderance in official diplomatic recognition and participation in international organizations. Over the last thirty years, therefore, Taiwan's competition with China for diplomatic recognitions has been a centerpiece of its attempts to maintain its "international space." This quest of Taiwan's for international legitimacy differs in two fundamental ways from normal controversies over diplomatic recognition. First, instead of major world powers granting or withholding formal recognition, the competition between Beijing and Taipei focuses on small and poor states. Second, economic, not ideological, factors now drive the recognition decisions.

In Chapter 9 on "The Political Views of Chinese Businesses in China: Blue, Green, or Red?", Chun-Yi Lee examines the political consequences of growing economic integration across the Taiwan Strait. Political issues have always been quite sensitive for Taiwanese business people (*Taishangs*) in China. Their most popular saying is, "A businessman only talks about business." However, many *Taishangs* are inevitably drawn into politics in both China and Taiwan, making the question of whether they identify with the KMT (the Blues), the DPP (the Greens), or the CCP (the Reds) very significant politically. Interview data from field trips to China in 2005 and 2009 indicate that most *Taishangs* do not have a strong political identity. However, they are far from politically indifferent and only interested in talking about business. Rather, they are keen to support any political party whose policies are beneficial to their investments in China. Recent changes in cross-Strait relations have had ambiguous results for these Taiwanese business people. The political hostility across the Taiwan Strait during the Chen Shui-bian presidency increased the importance of the *Taishangs* to both Beijing and Taipei as they assumed the role of a "bridge" between the two regimes. However, the marked improvement of cross-Strait relations in 2008 (which they strongly

supported) actually marginalized them and led to significantly worse treatment at the hands of the Chinese authorities.

Kun-Meng Chen, Ji Chou, and Chia-Ching Lin evaluate “The Impact of Trade Liberalization across the Taiwan Strait: Empirical Evidence and Policy Implications” in Chapter 10. Taiwan has recently removed its ban on direct economic linkages with China; and several trade liberalization measures are also under consideration. Most importantly, a cross-Strait Economic Cooperation Framework Agreement (ECFA) was signed in June 2010. These efforts are especially important because Taiwan’s economic position could well deteriorate if it is excluded from the rapidly growing number of Free Trade Agreements (FTAs) in East Asia. The authors apply a computable general equilibrium model and find that cross-Strait trade liberalization will have significant positive impacts on exports and GDP growth for both Taiwan and China and that Taiwan would face significant economic losses if it is excluded from East Asians FTAs in which China participates. Furthermore, the impact of a free trade agreement between the two countries on Hong Kong and other economies seems to be fairly small. These results suggest that trade liberalization is very likely to bring about a win-win situation for Taiwan and China, as well as an improvement in world welfare. They also have important policy implications for their major trade partners in general and the United States in particular.

The Economic Cooperation Framework Agreement (ECFA) is highly controversial in Taiwan. In Chapter 11 on “ECFA: The Emerging Crisis Facing Taiwan,” Chung-Hsin Hsu develops several arguments about why ECFA presents a major threat. He begins with a synopsis of Taiwan’s trade history which shows that the country has benefitted much more from North-South trade than from East-West trade dominated by China. Key industries in Taiwan are threatened by ECFA which puts the nation’s long-term development and prosperity into question; and the ECFA mechanisms are inadequate to protect Taiwan from a variety of economic dangers. More broadly and ominously, ECFA will give China considerable economic leverage over Taiwan, which may well be used to erode the nation’s sovereignty and even absorb it into China. While ECFA represents serious threats to Taiwan, there are other viable economic strategies and models that should allow the country to survive and thrive. For example, Germany’s industrialization was successful precisely because it minimized trade with and dependence on rival England; and WTO rules have created a adequate framework for Taiwan’s future economic interactions and development. Indeed, Switzerland provides an attractive model of how Taiwan could play a central role in East Asia.

In Chapter 12, Peter C.Y. Chow analyzes “The Emerging Trade Bloc Across the Taiwan Strait: The Implications of ECFA and its Aftermath for U.S. Economic and Strategic Interests in East Asia.” Since the mid-1980s there has been a phenomenal growth of economic interactions across the Taiwan Strait, creating a nexus of trade and investment based on an integrated supply chain in several key industries, such as information-computer products. These trends will be accelerated by the ECFA which is creating a “Greater China Economic Zone” that ultimately threatens Taiwan’s sovereignty and long-term economic prospects. Such links are especially important given the growing economic integration in East Asia which seemingly presents Taiwan with making a choice between joining either a China-centric or Japan-centric hub. The wrong choice could be quite harmful to Taiwan and undermine America’s economic and strategic interests in the region. Consequently, he contends that the United States should take a much more proactive role in East Asian integration and seek to become an active participant and “super-hub.” Whether or not American can assume such a role will very probably determine the continued autonomy and wellbeing of Taiwan, as well as the U.S.’s long-term leadership in East Asia.

CHAPTER TWO

WASHINGTON BETWEEN BEIJING AND TAIPEI: A TRIANGULAR ANALYSIS¹

LOWELL DITTMER

The concept of the “strategic triangle,” though conventionally applied to the relationship between the United States, the Soviet Union, and the People's Republic of China (PRC) during the latter phases of the Cold War, is not geographically restricted to a particular culture or area but is rather an exercise in political geometry.² The logic of triangularity should hence apply to any international situation meeting certain defining criteria: viz., (a) it circumscribes the relationship among three rational, autonomous actors, (b) in which the bilateral relationship among any two of them is contingent on their relationship with the third, and (c) each actor seeks to cooperate with one or both of the others to optimize its own interests (and prevent their hostile collusion). The relationship among the United States, China, and Taiwan appears to meet these criteria, criterion two in particular: Taipei needs US support to avoid falling into Beijing's orbit, Beijing needs at least passive US acquiescence in order to prevent Taiwan from declaring independence; and Washington (for somewhat different reasons, to be explored below) has consistently wanted good relations with both “Chinas,” despite the occasional insistence by one or both to exclude that (i.e., good relations with *us* presupposes bad relations with *them*).

At the same time, there are of course several important qualifications. For one thing, although the balance of capabilities among them has shifted

¹ I wish to thank the Center for Chinese Studies for the financial support permitting me to undertake this research.

² Michel Tatu, *The Great Power Triangle: Washington-Moscow-Paris* (Paris: Atlantic Institute, 1970); Thomas M. Gottlieb, *Chinese Foreign Policy Factionalism and the Origins of the Strategic Triangle* (Santa Monica: RAND Corp, 1977); Lowell Dittmer, “The Strategic Triangle: An Elementary Game-Theoretical Analysis,” *World Politics* Vol. 33 (1981) pp. 485-516.

quite dramatically since the advent of the triangle in 1949, the three actors are not now and have never been equal. Despite the recent dramatic rise of China, the United States is clearly at this time the heavyweight of this triangle, on the one hand due to its disproportionate military capabilities and on the other because of its economic preeminence and specifically its role as the world's largest and most lucrative consumer market. Throughout the post-WW II period, Washington has been the principal if not the sole guarantor of Taiwan's security; and during much of that time it has also been the main threat to PRC security (and even more consistently, the chief impediment to Beijing's attempt to achieve cross-Straits "reunification"). It is also increasingly obvious that the PRC is a far more important global strategic actor than Taiwan. Second, although both the US and the PRC are now world powers, the China-US-Taiwan triangle is somewhat more limited in its strategic ramifications than the great strategic triangle. Beijing has sought to isolate the issue from world politics by diplomatically defining the issue as a purely "domestic" dispute between Beijing and Taipei in which no other state may interfere, although they have altered their stance in the past decade by attempting to take advantage of their own growing (and Taipei's diminished) diplomatic leverage.

Third, in contrast to the "great" (PRC-USSR-USA) strategic triangle, in which each actor's motives could reasonably be reduced to the enhancement of national interest at the expense of one or both of the other two participants, the three actors in the Taiwan triangle are driven by qualitatively different strategic motives: Beijing seeks to incorporate Taiwan into the PRC, and in order to do so without prohibitive costs it needs Washington's benign neutrality; Taipei seeks Washington's support not to "recover the mainland" (a goal it forswore in 1991) but to preserve and, if possible, enhance its autonomy; and Washington wishes only to improve its commercial and security relations with each player without upsetting the other.³ Of course, there are also domestic splits within each over differing views of what the national interest really is.

While these qualifications undoubtedly complicate the relationship, it would be premature to discard the triangular framework before investigating its possible analytical utility. After all, the relationships within the Great Strategic Triangle were also quite unequal, and yet the weakest player (China) was able to turn the triangle — power is not necessarily trump. And the relationship still involves three of the most important actors in the Asian region. Although Taiwan does not have full sovereignty (in the

³ On Washington's motives, see Andrew J. Nathan, "What's Wrong with American Taiwan Policy?" *Washington Quarterly*, Vol. 22,2 (2000) pp. 93 ff.

sense of complete freedom of action), China's claim of sovereign jurisdiction over Taiwan is also largely rhetorical. Any attempt to change that forcibly would have wide-ranging strategic ramifications even if no country beyond the three now engaged in the issue were to become involved (Japan might well be drawn in).

This chapter consists of three parts. In the first, we analyze the bilateral relationships of the US, at "pivot," with China and Taiwan, the two "wing" players, since the early 1970s, when the US abandoned its unequivocal defense of Taiwan and stepped into the pivot position. In the second section, the dynamic relationship among the three is analyzed as the configuration has shifted over time. In the conclusion, we discuss the relationship of the "small triangle" to the great strategic triangle and speculate about the prospects of the former in the light of the current cross-Strait "thaw."

Beijing and Taipei in the Balance

Washington has since China's 1949 "Liberation" and the establishment of the ROC Government in Taiwan attempted to balance its commitments in the cross-Strait embroilment based on two different criteria: interests and values. This entails a hybrid analysis, for while interests are most commonly measured in terms of strategic and political-economic threat potential (based on a "realist" approach), values can only be assessed in relation to the national identity defining those values (calling for a "constructivist" analysis). And empirically, the conceptual distinction is by no means airtight — interests may reach a threshold level at which point they affect valuations, and interests can undergo quite paradoxical transmutations (e.g., Taiwan's economy now has a very considerable interest in the continued prosperity of its main security threat). Interests may be further subdivided into "strategic" and "economic" ones as well.

Interests

American strategic interest in China may be said to have been crested during the heyday of the great strategic triangle in the 1970s and 1980s, when the PRC was deemed an essential counterweight to the overweening Soviet threat. Washington's strategic interest in Taiwan waned as its interest in the Chinese mainland waxed, simply because the PRC's size and military heft more effectively checked that of the USSR (and its client Vietnam) than Taiwan. For somewhat different reasons having to do with China's ardent diplomatic courtship of the Third World, Beijing's bid for

world-wide diplomatic recognition beginning in the early 1970s steadily degraded Taiwan's international leverage (to which it must be said that Washington's *rapprochement* with Beijing - and the Taiwan clause of the Three Communiqués - also contributed). By January 1979, the terms of Sino-American normalization (viz., termination of the bilateral defense alliance, withdrawal of all US forces) had essentially eliminated Taiwan's strategic utility as a counterweight to potential US adversaries in the Pacific. This decline is reflected in the syntax of the first two communiqués: whereas the Shanghai communiqué (February 27, 1972) states: "The United States acknowledges that all Chinese on either side of the Taiwan Strait maintain there is one China and that Taiwan is part of China," the normalization communiqué (December 15, 1978) goes beyond that to say: "The Government of the United States acknowledges the Chinese position that there is but one China and that Taiwan is part of China."

If the terms of normalization enhanced the strategic value of the PRC at the expense of Taiwan, the end of the Cold War about a decade later reduced the strategic utility of the PRC - without however greatly enhancing that of Taiwan.⁴ The decline in the PRC's strategic use-value was of course precipitated by the disintegration of the Soviet Union at the end of the Cold War. Yet, the strategic importance of the China "card" was eclipsed more in public opinion than among foreign policy elites, as testified by the visits of Henry Kissinger and NSC Advisor Brent Scowcroft in the face of strong popular disapproval in the wake of Tiananmen. China's strategic utility probably reached its nadir during the early Clinton years, when Beijing was seen to be a contributor to WMD proliferation, but China's plunge into the international market and ensuing GDP growth surge then fortuitously enabled Beijing to shift its core appeal from strategic to economic interests as an attractive source of cheap imports and a lucrative FDI host.

Furthermore, China's continuing strategic relevance resurged when the threat of North Korean nuclear proliferation appeared in 1993-1994: Beijing, as Pyongyang's sole remaining ally and (at that time) supporter, played a pivotal role in a puzzle to which Washington could find few other clues. China was also instrumental in persuading the Khmer Rouge to cooperate in the new Cambodian tripartite coalition following the withdrawal of Vietnamese forces in the early 1990s. While Taiwan's strategic relevance to the US declined sharply with the abrogation of the mutual defense agreement in accord with the terms of normalization in

⁴ Except of course in the sense that the US could now more frankly plan for the defense of Taiwan without so much concern about upsetting the PRC, whose strategic leverage against the USSR no longer came into play.

1979, its economic importance also declined more gradually as China's growth rate, which had trailed that of Taiwan throughout the 1960s and 1970s, surpassed it in the 1980s and beyond. Mutual strategic discussions and arms sales to Taiwan have continued, but these have been exclusively oriented to the island's security and not addressed to any prospective utility the island might play in broader regional defense arrangements.

The institutional mainstay of the high US assessment of China's continuing strategic utility has been the executive branch and the State Department, with Congress and the Department of Defense more apt to play more skeptical roles. Throughout the Bush, Clinton, and GW Bush administrations, with the exception of the Tiananmen period and the unsuccessful 1993-1994 effort to impose Western human rights norms on Beijing, the executive branch pursued a policy of "constructive engagement" that assumed China's vital strategic impact on global and regional issues.

Since Tiananmen and the end of the Cold War, the foundation of American interests in China has undergone a major shift from the strategic to the economic realm. Particularly after Deng Xiaoping's 1992 "voyage to the south," which greatly accelerated both foreign direct investment (FDI) and overall GDP growth, China's market size and growth potential made an enormous impression on Western business elites. According to the purchasing power parity measurement technique widely adopted in the early 1990s, China's economy became the third largest in the world, ranking behind only the US and Japan, and by mid-2010 was projected to become the world's largest (in aggregate but not per capita terms) within the next several decades. Yet sheer volume of trade and investment do not translate simply into improved relations: the US trade deficit (and its related capital surplus) with China have grown rapidly since 2000, displacing Japan to become the largest single source of the American current account imbalance.⁵ China's lax IPR enforcement efforts as well as the issue of a "level playing field" for imports and foreign-invested enterprises also remain issues.

Taiwan, though no longer a significant part of the regional security equation for the US, is increasingly deemed by Beijing an indispensable asset to its future security. The modernization of China's defense forces

⁵ Thus while the growth of trade with China has been second most rapid among US trade partners, China was only the US's 5th largest export market as of 2005, while US imports from China continued their explosive rise, importing more only from Canada, so that the PRC became by far the biggest contributor to the trade deficit (around US\$256 billion as of 2007). Exports to China have grown, however — China was only 13th largest export market in 1993, 5th in 2005, 3rd by 2007, while Taiwan has remained 10th largest export market.

has since the 1980s focused on maritime force projection, under the patronage of Admiral Liu Huaqing, entailing the transformation of the existing strategy of “offshore active defense.” Originally referring only to the defense of coastal waters, this now envisages an extended defense-in-depth encompassing the entire ocean space within the “first island chain” - running from the Kuriles through Japan, the Ryukyus, Taiwan, and the Philippines to the Indonesian archipelago (thus including the entire expanse of the South and East China Seas). Liu has also used “offshore” to include waters within the “second island chain” (stretching from the Bonins through the Marianas and Guam to the Palau island group).⁶ This is in turn linked to the evolution of the defense doctrine of “people's war under modern conditions” during the Deng era - a doctrine that even in the late 1970s envisaged a major expansion of China's maritime capabilities, producing by the late 1980s substantial (if not by the standards of oceangoing navies) improvements in China's naval force structure. The further evolution of post-Deng military doctrine to “modern war under high-tech conditions” places even greater emphasis upon defensive depth. Contemporary doctrine requires the projection of power for offensive operations at ever greater distances from the mainland in order to defend not only the Chinese coast but also its maritime territorial claims and interests. Whereas Taiwan's western coastline is quite shallow, the eastern coast plunges to great depth, making it ideal as a prospective submarine base. Whether it would be so utilized in the event of reunification is unclear: the Chinese terms for the “Taiwan Special Administrative Region” in the “one country, two systems” formula promised Taiwan even greater autonomy than Hong Kong in that no PLA forces would be stationed on the island, but these assurances have not been spelled out in any detail; and the subsequent military publications envisaging Taiwan's vital strategic role in Chinese defense throw them into question.

Taiwan's economy, still the fourth largest in East Asia, has also become asymmetrically valued. Certainly Taiwan has established a strong and well-cultivated economic relationship with the United States. Efforts to regulate industries and strengthen laws protecting IPR have all borne fruit in recent years. Tariff and non-tariff barriers were phased out to qualify for 2001 WTO accession, and trade frictions are settled smoothly. With 45.6% of the 1993 GDP coming from consumer spending (versus

⁶ Jun Zhan, “China Goes to the Blue Waters: The Navy, Seapower Mentality and the South China Sea,” *Journal of Strategic Studies* Vol. 17 (1994) pp. 189-190; You Ji, *The Armed Forces of China* (New York: I.B. Tauris, 1999) pp. 166-167; Alan Wachman, *Why Taiwan? Geostrategic Rationales for China's Territorial Integrity* (Stanford: Stanford University Press, 2007).

40.4% from industrial production), Taiwan provides a major market for US industry.⁷ In terms of brute GDP measurements Taiwan's economy is however a wasting asset, relatively speaking, shrinking due to differential growth rates from half the size of the mainland's in 1978 to about a sixth in the past decade. As China opened up, both Taiwan and Hong Kong became less essential to foreign trade and investment, which can now go directly to Shanghai and Dalian which boast containerized ports and spacious modern airports.

But although Taiwan has been eclipsed by China from an American perspective, from a Chinese perspective it has retained considerable value. Taiwan is one of China's largest sources of FDI (and embedded technology transfer), a high-tech island that has sought to retain management, research and IPR monopoly control at home while outsourcing relatively low-tech downstream assembly operations on the mainland. But since the turn of the millennium, Taiwanese FDI has climbed the value pyramid, driven by the global high-tech recession. If China were to gain control of these upstream assets through reunification that would enable the mainland to leapfrog to a leading position in the IT industry.

Though notoriously bereft of natural resources, Taiwan would also be an attractive acquisition target in other respects. The mainland has had a chronic large trade deficit with Taiwan which reunification would perhaps quickly erase, as political leverage would shift to the Chinese side. It might also help alleviate China's politically sensitive trade surplus with the US: as Taiwan's per capita income has risen, so have its consumer imports, a large proportion of which consistently come from the US, making Taiwan the 5th largest importer of US agricultural products and consistently among the top ten importers of all US exports.⁸ Of course this would not neutralize the regional trade surplus with the US, which has remained high even as the bilateral trade imbalance with the East Asian "small tigers" has declined (the latter simply downloaded their surpluses to the mainland by shifting their export industries to China):⁹ according to

⁷ *Ibid.*

⁸ Country Commercial Guides (CHINA), published by the US Department of Commerce, International Trade Administration, January 31, 1995.

⁹ "Taiwan and the United Nations" (statement by Deputy Assistant Secretary of State Kent Wiedemann), US Department of State Dispatch, vol. 6, no. 34 (August 21, 1995), pp. 653-656. By the early 1990s Taiwan had already "shifted" ca. US\$1.8 billion of exports from its own trade account onto that of the PRC as a result of \$754 million investment in China. If the total of \$3.49 billion of investment contracts signed by the end of 1991 were all realized and the same

reports from the US Commerce Department and the US-China Business Council, the total US trade deficit with Taiwan, Singapore, and South Korea fell from \$34 billion in 1987 to \$7.8 billion in 1995, during which time the trade deficit with the PRC increased from \$2.8 billion to \$33.8 billion.¹⁰ In any case, the general picture is one of Taiwan's relative decline in its appeal to US interests, whether strategic or economic, as the appeal of the PRC has outpaced it. At the same time, Taiwan's appeal to PRC interests - both strategic and economic - has steadily increased.

Of even more relevance than Taiwan's value as an economic asset is the political fungibility of cross-Straits economic integration: China has been quite frank about its strategy of using economic spillover to promote political integration. For many years this strategy seems to have been an utter failure. Beijing has found that its concessions to Taiwanese businesses have succeeded in stimulating increasing economic and social integration via the "three indirect links," but the PRC has also found it more difficult to find an efficient linkage to translate this into political capital. Indeed, to some it seemed that there was an inverse correlation between economic and political integration, as if the former only gave politicians a bigger target for their rhetorical fulminations.¹¹ In 2004 Beijing improved its efficacy by focusing selectively on high-profile cases, such as Xu Wenlong, a businessman with heavy financial commitments to the mainland who was induced to renounce his erstwhile support for Taiwan independence. This probably had deterrent effect on other members of the business community (or at least on their public political stances), but whether it had any positive electoral spinoff has been harder to detect. There is also the possibility that this tactic may have an unintended backlash on the value scale. Although the 2008 KMT electoral landslide is usually attributed to corruption and DPP disarray, to the extent that cross-Straits policy remained an issue it may point to a need to reassess this verdict, however. Although the national identity of the majority remains "Taiwanese," Ma's relatively frank support for the traditional KMT reunification policy, however eventual and conditional, seems not to

industrial distribution persisted, the potential export shift would amount to \$8 billion. Chung Hsin, "Taiwan's Direct Foreign Investment in Mainland China: Impact on the Domestic and Host Economies," pp. 215-242 in Thomas Lyons and Victor Nee, Eds., *The Economic Transformation in South China: Reform and Development in the Post-Mao Era* (Ithaca: Cornell East Asia Program, 1994).

¹⁰ As cited in Chen-yuan Tung, "Trilateral Economic Relations among Taiwan, China, and the United States," *Asian Affairs*, Vol. 25 (1999) pp. 220 ff.

¹¹ Murray Scot Tanner, *Chinese Economic Coercion against Taiwan: A Tricky Weapon to Use* (Santa Monica, CA: RAND Corp, 2007).

have fatally damaged his electoral chances.

This picture of declining US interest and growing PRC strategic and economic interest in Taiwan must be kept in perspective. China must balance any interest in acquiring Taiwan too precipitously against its interest in the US. China has acquired a very large economic stake in the US, which is China's second largest national trading partner and market for Chinese exports (the 27-member EU has surpassed the US as a trading bloc). This relationship would surely be jeopardized should Beijing opt to use force to achieve reunification (leaving aside for the moment whether the use of force would succeed). Disruption of that economic relationship would be painful for both partners, but particularly for the PRC. Strategically considered Beijing also has a major "negative interest" in the US, in the sense that the PLA must plan for the possibility of Sino-US war — a war which, given the current balance of forces, China would probably lose. Thus Beijing must balance its high and growing interest in reunification against its also high economic and negative strategic interest in its relationship with the US.

Values

The flip side of US policy-making regarding China and Taiwan has been the role of values. Until the advent of "constructivism" the value dimension had been neglected in foreign policy analysis, but this is a serious mistake: momentous foreign policy turning points are consistently rationalized in value terms and legitimated (in democracies) by such measurements of popular value preference as public opinion polls and elections - for that matter, even authoritarian systems do not underwrite major new foreign policy commitments without some sort of value rationale to mobilize mass support (e.g., the Mukden and Marco Polo Bridge incidents contrived by the Japanese army to justify its invasion of China, or the Nazi concoction of a Polish *casus belli* to justify their September 1, 1939 "counterattack" against Poland). The value dimension is a necessary (though not necessarily sufficient) component of foreign policy agenda setting.

Foreign policy values beg the question of national identity: a nation projects values based on the identity it chooses to stand for.¹² According to Morgenthau, freedom and equality have always been the core values in

¹² Erik Ringmar, *Ideology, Interest and Action: A Cultural Explanation of Sweden's Intervention in the Thirty Years' War* (New York: Cambridge University Press, 1996).

US foreign policy.¹³ Although this may seem inconsistent with the one-sided American defense of a Taiwan that was neither free nor equal from 1950 to 1971, this can be explained by two qualifications: first, values are only one criterion for foreign policy preferences; and, second, the value choice was not from Washington's perspective between black and white but between two shades of grey. American foreign policy decision-making elites were quite aware of the KMT regime's democratic deficits and the potentially superior strategic utility of China and had indeed planned to abandon Taiwan as "part of China," (i.e., among the spoils of the civil war the CCP had won), calculating that nationalism would eventually lead to a Sino-Soviet rift.

Not until North Korea invaded South Korea, as part of what Washington viewed at the time as a coordinated, Moscow-led international offensive, did the US dispatch the 7th Fleet to the Taiwan Strait.¹⁴ Inasmuch as China's decision to "lean to one side" now had strategic credibility, the choice was no longer between communist and bourgeois dictatorships or between China and Taiwan, but between losing one small Asian ally and losing two (Korea plus Taiwan). And throughout the 1950s and 1960s, US antagonism to China remained even more intense than toward the USSR, partly no doubt as an aftermath of that bloody confrontation, partly as a differential strategic maneuver to split the two allies. From Nixon's inauguration of the process of Sino-American normalization in 1971 until Tiananmen the value climate toward the PRC became increasingly benign, though the main driver of the *rapprochement* remained strategic and the value dimension remained relatively shallow, attached not to Communism (of course) but to "Chinese characteristics" as depicted by the media (thrift, team spirit, pragmatism).

The election of Ronald Reagan momentarily jeopardized the continuity of what had become a bipartisan China policy, but while the China Bloc (Taiwan's supporters) in Congress demonstrated some early traction, (i.e., gaining passage of the Taiwan Relations Act), their influence tended to

¹³ Hans J. Morgenthau, *The Purpose of American Politics* (New York: Alfred A. Knopf, 1965) p. 8.

¹⁴ The CIA assumption at the time was that Taiwan would fall by the end of the year (as Hainan Island had fallen before); and on June 23, just two days before this decision was reversed, Secretary of State Acheson declared that the US had no intention of reversing its non-intervention policy toward Taiwan and the Chinese civil war. See, Thomas J. Christensen, *Useful Adversaries: Grand Strategy, Domestic Mobilization, and Sino-American Conflict, 1947-1958* (Princeton: Princeton University Press, 1996) pp. 131-132; see also Oystein Tunsjo, *US Taiwan Policy: Constructing the Triangle* (New York: Routledge, 2008) pp. 22-37.

diminish over time in the face of perceived strategic imperatives. With the Reagan Administration committed to a crusade against an “evil empire” whose force projection capabilities were at the time considerably exaggerated, GOP anti-Communist impulses in Congress were forced into line with the White House and State Department position, channeling their value commitments against an exclusively Soviet red menace. While Taiwan’s security needs were never ignored, Sino-US relations existed more or less exclusively on the plane of overlapping security interests (hence the odd alignment of staunch Republican conservatives with a foreign policy supporting a radical Maoist regime). Any sense of value incongruence was mitigated by the fact that Taiwan, despite remarkable economic progress, remained a political dictatorship under a martial law regime, equipped with a powerful intelligence agency capable of conducting political assassinations on foreign soil. Opposition parties were still banned, their leaders arrested, and the media censored. Thus, the impetus for an American reevaluation of China policy was limited in scope given the perceived strategic importance of the “China card” in the Cold War era. Though the China Bloc continued to voice disapproval, US policy, as prescribed by the executive branch, continued to lean toward China through the 1980s.¹⁵

Since Tiananmen, there has been a widening cleavage in the American government with regard to US-PRC-Taiwan relations. The executive branch (including the State Department) has sought to maintain special ties with the PRC despite the new strategic realities of the post-Cold War era. Although China's strategic utility diminished with the collapse of the Soviet Union, this was not immediately clear to US security analysts still suspicious of the new Russian Federation. Moreover, no immediate overriding strategic imperative to leap to the defense of Taiwan manifested itself - to the contrary, China paired its diplomatic normalization with the US with a new soft line on Taiwan, promising peaceful reunification with a high level of political and economic autonomy (“one country two systems,” etc). This precipitated a temporary cross-Strait “China fever” only a few years after Tiananmen, as nostalgic veterans and profit-seeking small businesses moved avidly to fill the post-Tiananmen vacuum left by

¹⁵ During this period, the U.S. Congress held multiple hearings on U.S.-China relations. In particular, there was a major dispute between the two branches (Executive and Legislative) over the Third (August 1982) *Communiqué* and the language of the Taiwan Relations Act. Congress maintained that the *Communiqué* violated the Act, while the White House asserted that no breach had been made. At the same time, China protested any significant US-Taiwan interaction as a violation of its internal affairs.

Western capital flight.

Tiananmen, however, cast a more lasting pall on US public opinion, which in due course manifested itself via the electoral mechanism. Congress responded with a reevaluation of US policies, now questioning the strategic interests that so long dominated discussion of China policy. But Congress as a foreign policy actor is constitutionally limited, empowered to hold hearings on specific issues but unable to formulate a consistent policy position because it lacks a foreign affairs bureaucracy. The legislative process is in this sense zero-sum, tending to favor sharply formulated propositions with little room for flexibility over time. This moral rigidity was exacerbated by the rise of “human rights” as a *de facto* ideological replacement of a now irrelevant anti-communism in the American foreign policy value arsenal.

Without launching a detailed chronological review of the Bush-Clinton-Bush years, suffice it to say that a yawning gap has emerged between value and strategic criteria on the Taiwan Strait issue: China became for the time being a value pariah, only partially regaining American respect in the light of its vigorous economic revival in the 1990s, while its pivotal strategic importance was also derogated by the disappearance of the menace of world communism and made a comeback only gradually as other issues pointed to China’s continuing (indeed, growing) pivotal role in the region. After two decades of frozen strategic relevance and growing diplomatic isolation, Taiwan made a strong comeback by simultaneously introducing multi-party electoral democracy and a more flexible and pragmatic foreign policy in the 1988-1992 period, which substantially boosted its ranking on the value scale without however greatly enhancing its perceived strategic relevance (as compared with China, which simultaneously launched its new foreign policy of all-azimuth friendly relations). By enhancing its value to the US, democratization however sharply reduced Taiwan’s value to the PRC (also reducing, I would argue, the value of democracy per se), largely due to the political awakening of the Taiwanese subethnic majority which became the mainstay of the DPP.

At the end of the Cold War the two “Chinas,” thus, seemed suddenly more equal in this balancing of interests and values — yet this equilibrium was not to last. China’s sleeping asset was its booming economy, the overwhelming promise of which tipped the scales against both growing but ambiguous strategic interest and consistently negative value measurements. Although that relationship has become more lopsided with the rise of the current account and trade deficits and China’s emergence as the largest holder of US treasury securities, growing mutual economic

dependency has enhanced the bilateral relationship's importance for both sides.

Evolution of the Taiwan Triangle

Since World War II, Washington's relationship to Beijing and Taipei went through three stages: first, a "lean-to-one-side" policy (i.e., pro-Taipei), lasting from the KMT's post-war flight to the island to the Nixon visit (1949-1972); second, a "lean-to-the-other-side" policy (i.e., pro-Beijing), from the Nixon *detente* until Tiananmen (1972-1989); and third, from the collapse of the Cold War to the present, a more complex, "balancing" role in a "romantic triangle." Throughout the Cold War (that is, during the first two phases), the triangle was a function of the great strategic triangle, in the sense that Washington's relationship to Taiwan was consistently the obverse of Washington's relationship to Beijing: when Sino-US relations were bad, as they generally were from 1949 to 1971, US-Taiwan relations were good; when Sino-US relations were good, on the other hand, as they were (more or less) from 1971 to 1989, US relations with Taiwan deteriorated concomitantly.

During the third phase, in contrast, the triangle was spun off as an autonomous, self-regulating complex, with the US at "pivot" and both "Chinas" in dependent wing positions. While Washington has consistently held the triangle's most strategically advantageous position, able to communicate with each of the "wings" more effectively than they could with each other, the United States has since the collapse of its customary adversary lacked clear strategic direction, allowing the triangle to drift. About its own ultimate commitments Washington maintained a veil of uncertainty, thereby deepening the mystery. This policy of "strategic ambiguity" was designed partly to avoid offending either "wing," partly to deter certain "moves" without foreclosing its own options. This seems to have aroused feelings of both suspicion and false confidence in the two wings.

Thus, the end of the Cold War represented a new dawn for the old Taiwan issue, as new options thawed out of the bipolar deep freeze. Three possible resolutions of Taiwan's national identity dilemma suddenly seemed realistically feasible: 1) independence, 2) reunification, and 3) the status quo. Yet the three participants disagreed in their preferences. The preference rankings of the three, *caeteris paribus*, could be characterized roughly as follows: Taiwan: 1, 3, 2; China: 2, 3, 1, and the US: 3, 1, 2.¹⁶

¹⁶ The *caeteris paribus* proviso (that other things remain equal) entails

Although all three players had different first preferences and only the US unequivocally preferred the status quo, fairly stable cooperation became possible because the pivot's 1st preference coincided with the 2nd preference of both wings. Yet because neither wing was entirely satisfied with second best, each would opportunistically press to realize its top option. The US, lacking any external adversary and prizing its relationship to each wing (for quite different reasons), has endeavored to maintain a subtle balance, tilting first one way then the other, justifying its position rhetorically by reference to "stability." This has maintained both the "romantic" triangular configuration and a fragile peace.

With the US now entrenched in support of balance and the status quo, the triangular dynamic is now basically defined by the moves of the two wings to realize their top preferences (and by the US response to these moves). Since Tiananmen, this dynamic has evolved through three triangular sub-phases: a) from 1989-1995, cross-Straits "thaw;" b) from 1996-2005, cross-Straits "freeze;" and c) from 2008-present, the second cross-Straits "re-thaw." The US response to counterbalance these shifting inter-wing relations is worth careful analysis to see if any clear pattern emerges with implications for the future of the triangle. We see several paradoxes. During the 1989-1995 thaw, the US "tilted" toward Taipei, although Taiwan was now less threatened than ever before; during the 1996-2005 freeze, after initially strongly backing Taipei, Washington "tilted" to Beijing, although Beijing revived its threats against Taiwan; during the ongoing post-2008 re-thaw, though it is perhaps too early to characterize the new administration's position, the tilt seems to be toward Beijing. Can these paradoxes be explained by extra-parametric variables, or is a new triangular logic in play that will decide Taiwan's future?

The first step in the 1989-1995 thaw was initiated by the Deng Xiaoping reform regime's introduction of the "three direct links" and "one country, two systems" options on the heels of Sino-American normalization. As Beijing's first plausible reunification offer to feature peaceful transition to a Special Administrative Region with "considerable autonomy," it had substantial (if quiet) US support. Taipei's initial response was however the "three nos," which remained officially in effect through the end of the decade. The thaw could not commence until Beijing's opening move was reciprocated by Taipei, which came only upon the death of Chiang Ching-kuo and the inauguration of Taiwanese President Lee Teng-hui. Taipei's response was to issue the Reunification Guidelines and set up a cabinet-

independence only if Taiwan politics can go on without external blockade or invasion and reunification can occur only if Taiwan's democratic capitalism can continue to function without external interference or manipulation.

level Reunification Council, which outlined a schedule for eventual, conditional reunification, and then to establish a Mainland Affairs Council and beneath that an allegedly private Straits Exchange Foundation to undertake negotiations. Beijing reciprocated with its own Association for Relations Across the Straits (ARATS) under the State Council Taiwan Affairs Office, and the two sides began to talk. These talks, held initially in Hong Kong and then in Singapore under the auspices of a (flexibly interpreted) “one China principle,” succeeded in crafting over a dozen technical agreements and arranging a summit meeting between the SEF Chair Koo Cheng-fu and his mainland (ARATS) counterpart, Wang Daohan. Washington’s “tilt” can be explained by a number of mostly extraneous factors: first and foremost, this was after all still in the aftermath of Tiananmen; second, Taiwan’s new KMT regime had embraced democracy; and third, Taipei was finally responding positively to Beijing’s peace initiative.

The 1996-2005 “freeze” began with the famous 1995-1996 missile crisis, when Beijing reacted adversely to Lee Teng-hui’s “alumni diplomacy” at Cornell University with missile “tests” off the shoreline of Kaohsiung and Keelung harbors and amphibious assault exercises along the Fujian coast, apparently designed to vent its ire and to warn Taiwan’s electorate not to vote for Lee Teng-hui (which a majority did anyway). This effectively froze cross-Straits relations for the next ten years, despite the 1998 Koo Cheng-fu visit designed to rethaw them. Washington’s response, after several months of very mild protest, was to send two carrier fleets to the Strait region in March 1996, which finally arrested Beijing’s foray into coercive diplomacy. This pro-Taipei tilt proved surprisingly ephemeral, however. Washington then launched its own thaw with Beijing, inviting Jiang Zemin to Washington in 1997 and reciprocating with Bill Clinton’s first trip to China (where he for the first time publicly embraced his own “three nos”¹⁷) the following year. When Lee Teng-hui, in a 1999 interview with a German radio network, articulated his “two nation theory” (*liang guo lun*), Washington echoed Beijing’s reproach, as it also did in response to Chen Shui-bian’s resort to a “national defense referendum” against China’s missile emplacements in 2003. After a hiatus of Sino-American friction in the spring of 2001 (EP3, etc.), the pro-Beijing tilt survived a partisan turnover in Washington and was only mildly shaken by the 2005 Anti-Secession Law (Condoleezza Rice called it “not helpful”). Yet the PRC’s military budgets have continued to grow more

¹⁷ Viz., No Taiwan independence, no two Chinas or one China one Taiwan, and no admission of Taiwan into any international organizations for which statehood is required.