

Beijing's dilemma with Taiwan: war or peace?

Quansheng Zhao

Abstract The issue of Taiwan and relations across the Taiwan Strait is not only of fundamental interest to China, but also crucial to peace and stability in the Asian Pacific, thereby also making it of key concern to major players such as the United States and Japan. Beijing has faced enormous challenges over how to solve its dilemma. I would like to achieve reunification with Taiwan through a peaceful path, but perceive that it must be prepared for a war scenario if Taiwan insists on breaking from the mainland for its independence. The dilemma facing Beijing in terms of war or peace with Taiwan has become more acute since the Democratic Progressive Party (DPP) moved to power in 2000. This article analyses Beijing's dilemma over the above policy choices by examining five stages of Beijing's assessment toward regime change in Taiwan from late 1999 to early 2005. It also illuminates the potential impact on major power relations in East Asia.

Keywords China; Taiwan; war; peace; international relations; United States; Japan.

Beijing's dilemma with Taiwan is twofold. First, Beijing would like to achieve national reunification with Taiwan through a peaceful path, but must be prepared for a war scenario if Taiwan insists on breaking from the mainland for its independence. Second, there has been a consensus among China's

Quansheng Zhao (PhD, Berkeley) is Professor and Division Director of Comparative and Regional Studies at the School of International Service at American University in Washington, DC. He is also Associate-in-Research at the Fairbank Center for East Asian Research at Harvard University. Professor Zhao is author of *Interpreting Chinese Foreign Policy* (Oxford University Press, winner of 'Best Academic Publication', by the Ministry of Culture in the Republic of Korea) and *Japanese Policymaking* (Oxford University Press/Praeger, selected as 'Outstanding Academic Book' by *Choice*), editor of *Future Trends in East Asian International Relations* (Frank Cass), and co-editor of *Politics of Divided Nations: China, Korea, Germany, and Vietnam* (University of Maryland Law School). His books have been translated into Chinese, Japanese and Korean.

Address: Quansheng Zhao, Professor and Division Director, Comparative and Regional Studies, SIS, and Director of Center for Asian Studies, American University, Washington, D.C. 20016-8071, USA. E-mail: qujzhao@american.edu

elite since 1978 when Deng Xiaoping began his reform and openness policy that economic development should be the top priority for China. The modernization drive, however, has in turn promoted greater nationalistic sentiment among Chinese people which makes a compromise with Taiwan's demand for separation virtually impossible for any leader to grant. What makes it difficult for Beijing's leadership to make a choice is fear of the following scenarios: if Beijing only concentrates on economic modernization without preparing to use military force with Taiwan, then Taiwan may move toward a permanent separation; on the other hand, however, if there is a war over Taiwan, there will almost certainly be a great economic setback, if not a disaster, to both sides of the Taiwan Strait. This article analyzes Beijing's dilemmas over the above policy choices as well as the potential impact on major power relations and stability in the region.

World attention and China's options

The world's attention once again focused on the Taiwan Strait during the March 2004 presidential elections in Taiwan. This election held as a key issue the relations between the two rivals across the Strait, namely the People's Republic of China (PRC) and Taiwan (known as ROC, 'the Republic of China'). Further drawing attention to the Strait, in the summer of 2004, there were three military exercises around the Taiwan Strait. China's People's Liberation Army (PLA) conducted military drills on Dongshan Island on the western edge of the Taiwan Strait, involving about 18,000 troops. The purpose of these exercises was to demonstrate China's air and sea superiority over Taiwan.¹ On the other side of the Taiwan Strait, was an annual Hanguang drill. Taiwan's air force tested emergency take-offs and landings of their Mirage 2000 fighter jets on highways. The United States did not sit idly but launched 'Summer Pulse 04', the biggest exercise in naval history. Although the main purpose of the deployment of seven aircraft-carrier strike groups from mid-July to August of 2004² was to enhance global coordination among US Naval Forces, the Taiwan Strait was clearly a focus of the exercise. During the same period, the Washington-based National Defense University, performed a war game titled, 'Dragon's Thunder'. This war game was a simulation of an attack by the PLA on Taiwan and was attended by American civilian and military leaders, as well as fourteen congressmen.³ The unprecedented US Naval exercise is believed to have served as part of the strategy of extended deterrence to forestall a Chinese invasion of Taiwan.⁴

To highlight this world attention, in his December 2003 meeting with Chinese Premier Wen Jiabao, United States President George W. Bush made a clear statement of America's position on the Taiwan issue: 'We oppose any unilateral decision, by either China or Taiwan, to change the status quo of Taiwan's relationship with the mainland'.⁵ This referred to Taiwan President Chen Shui-bian's call for an unprecedented referendum – asking voters to demand that China remove its missiles – on the day of the 2004 presidential

election.⁶ President Bush, for the first time, rebuked Chen's referendum action as a move that would change the status quo. At the same time, he warned Beijing that the US will intervene if the mainland attacks Taiwan. Several days later Chinese President Hu Jintao, in a telephone conversation with Bush, warned that 'China would not tolerate the island's independence'.⁷ In the same period, the Japanese government also sent messages to Taipei expressing strong concern about developments on the island and urging Taiwan not to move toward independence.⁸ In the US, these events have been referred to as 'dangerous games across the Taiwan Strait' and have further demonstrated that the Taiwan Strait is one of the two most dangerous flash-points (the other being the Korean Peninsula) in the Asia-Pacific region.⁹

Regional (as well as global) attention to PRC-Taiwan relations has increased since March 2000 when the pro-independence Democratic Progressive Party (DPP) defeated the long-time ruling Nationalist Party (KMT), and its candidate Chen Shui-bian became the next ROC president. Given the controversial nature of cross-Strait relations and the high stakes of major powers in the region, it is necessary for all players to understand the development of the PRC's Taiwan policy and the dilemma Beijing faces with new development of the island.

Let us begin with the PRC's basic options with its Taiwan policy over the years. In order to achieve its goal of national unification, Beijing has always maintained two different approaches – peaceful means and military force – to prevent Taiwan from gaining independence (*Taidu*). Beijing has made it clear that it will never give up military means as a deterrent to any step toward *Taidu*. Concerned observers on both sides of the Taiwan Strait, as well as in the United States, have often asked under what circumstances, if any, the PRC would resort to the use of military force. The simple answer from Beijing is that force would be used if Taiwan openly claimed its independence. This point is well understood in Taipei and it seems that few rational politicians would conduct this kind of suicidal action by moving ahead toward a permanent separation with China.

When dealing with the most recent DPP regime, the PRC has faced two very different scenarios: 'economic integration-based unification' (EIU) versus 'Taiwan independence-led war' (TIW). In the first scenario of EIU, the increasing economic interdependence between Taiwan and the mainland will create a favorable environment for cross-Strait integration, not only in the economic dimension but also in socio-cultural dimensions, and may well lead to political accommodation in the long run. The hope for an EIU direction will increase Beijing's confidence in its long-term goal of national unification with Taiwan, thereby providing a basis for Beijing to primarily use economic means (a naturally peaceful means) as a foundation for its Taiwan policy.

The second scenario of TIW refers to a development when an independence-oriented party such as the DPP moves into power, the likelihood for Taiwan to move towards independence increases significantly; to

prevent Taiwan from doing so, Beijing believes it may have to heavily depend on military force and prepare for war. On the other hand, the PRC's bottom line is not all that clear in terms of what other actions may constitute 'Taiwan independence', leading to military action. Beijing has, however, never provided a clear definition as to what constitutes a true declaration of 'Taiwan independence' – a legal status change from *de facto* to *de jure* or other related activities, such as a change of constitution or change of state name (from ROC to, for example, 'The Republic of Taiwan'). The understanding is that the exact definition of 'Taiwan independence' is evolving over time.

Beijing's assessment of developments on Taiwan is one of the most important factors for its policy choices. In a previously published article I emphasized the impact of the ruling party change in 2000 from the KMT (and its ultimate aim of reunification with the mainland) to the DPP (and its emphasis on Taiwan's eventual independence) on Beijing's perception toward Taiwan. The focus of that article is on the new DPP regime's 'public policy profile' to see whether the new DPP regime constitutes a true 'regime change' in so far as it has relinquished the long-established 'one-China' policy position, thereby moving toward independence. I argued that toward the end of 2002, Chinese leaders concluded that instead of an 'ad hoc adjustment' there was a 'far-reaching change' brought by the new DPP regime, leading to Beijing's own policy shift in its Taiwan policy. While still maintaining that both peaceful and military means are two options for the 'Taiwan problem', Beijing may have lost its hope with the Chen Shui-bian regime and may increase its military preparation for future development.¹⁰ One can see therefore, with the DPP regime in power, Beijing's Taiwan policy has largely depended on its perception of which of the two scenarios may be played out. In other words, this dilemma of different options in Beijing's Taiwan policy may cause the pendulum to swing between soft- and hard-line policies.

Beijing's concerns

This article discusses Beijing's policy options, based particularly on the most recent development after the DPP regime entered its first term in 2000 and second in 2004. To be sure, Beijing has been well aware of the growing influence of Taiwan's independence tendency and was severely concerned about this direction even before the DPP came into power. Beijing has little room to make concessions on the issue of Taiwan independence, having consistently insisted on the 'one-China principle' meaning that it will prevent the creation of a 'two-Chinas' or a 'one-China, one-Taiwan' situation. Beijing also has demanded repeatedly that Taipei not be allowed to become a member of any international political organizations, such as the United Nations.

China's fundamental concern is that Taiwan's prolonged separation may in fact promote its eventual independence. Thus, the PRC State Council issued a Taiwan White Paper in February of 2000, which indicates that one more

situation would prompt the PRC to use military force against Taiwan – that is, if Taiwan indefinitely delays negotiations with the mainland.¹¹ Beijing's fears of 'indefinite delays' were further fanned by the victory of pro-independence DPP candidate Chen Shui-bian¹² and Chinese leaders subsequently became increasingly concerned about developments leading to TIW.

One of the most-cited pieces of evidence of the DPP's *Taidu* tendency is the 'independence clause' contained within the DPP's Political Platform. This document was adopted in October 1991 when the DPP's fifth Party Congress was held. Section A of the DPP's Political Platform is entitled 'The Establishment of a Sovereign and Independent Republic of Taiwan', and Article 1 of this section makes the following explicit proposal: 'In accordance with the reality of Taiwan's sovereignty, an independent country should be established and a new constitution drawn up in order to make the legal system conform to the social reality in Taiwan and in order to return to the international community according to the principles of international law'.¹³ One may notice, however, that there are ongoing discussions within the leading circles of the DPP that it should modify this 'independence clause', either by softening the language or placing it in a 'historical context'.¹⁴

On March 23, 1996, 76 per cent of Taiwan's eligible voters participated in a direct presidential election, with 54 per cent voting for President Lee Teng-hui.¹⁵ Given the threats from Beijing against his candidacy (the 1996 Taiwan Strait missile crisis) due to the PRC leaders' dislike for what they viewed as his promotion of eventual Taiwan independence, this positive vote for the incumbent was all the more significant. Beijing soon found plenty of evidence to reinforce this concern about Lee Teng-hui's *Taidu* tendency. In July 1999, Lee went so far as to state that Taiwan should have 'state-to-state' relations with Beijing, promoting the position of a 'two-state theory' (*liang guo lun*),¹⁶ and prompting vocal criticism from Beijing as this challenged the official 'one-China' principle that had underpinned cross-strait talks for years. Prior to the DPP government's election in 2000, Beijing insisted that Taipei had to revert back to the 'one-China' principle before any negotiations could resume.

As Taiwan gradually democratized and its society became more pluralistic, opinions became more diverse in Taiwan's political arena. Therefore, Taiwan's decision-making process has become ever more complicated, making it difficult to achieve consensus. Beijing should understand that the island's frequent elections also require Taiwan's politicians to follow public opinion closely.

Cross-strait relations have been even more uncertain since Taiwan's presidential elections in March 2000. The parliamentary election of December 2001 confirmed that the DPP's presidential victory was no accident, as the DPP became the biggest party for the first time, defeating the old ruling party, the KMT.¹⁷ The significance of the 2000 presidential elections not only lies in its achievement of a peaceful transfer of power as part of the

island's democratization process,¹⁸ but also can be considered as the start of another round of intensified debate within the island over the 'one-China' principle that Beijing has insisted upon.

In the DPP era, Chen Shui-bian experienced a difficult start to his term, beset by the economic recession, political maneuvering over the fourth nuclear reactor issue, key cabinet resignations and political rumors. Furthermore, the pro-independence elements of the DPP did not want too much compromise with Beijing. In terms of general attitude, however, the coalition of DPP and Chen and Lee Teng-hui's Taiwan Solidarity Union (TSU), known as the 'Green camp', appears to be much more suspicious of cross-Strait economic integration than the 'Blue camp' (the KMT and the PFP – People First Party), which holds a more positive attitude. The 'Blue camp' has long argued that Taiwan's recession necessitates reliance on the mainland as a market for Taiwanese goods and services. Therefore, one may regard Chen's revised policy of relaxing economic restrictions as a compromise between the two camps, and a pragmatic gesture from the DPP government.

Instead of political and military pressure, the means Beijing has increasingly relied upon in recent years to promote its integration with Taiwan have been economic. Whatever the outcome, Beijing's overall strategy remains clear. A particularly important factor in Taiwan's politics is the business sector, as profit-driven businesspeople generally have viewed the mainland as a desirable market and location for investment. Indeed, Taiwan's extensive trade and economic relations with the mainland have been responsible for generating Taiwan's huge trade surplus. Thus, Taiwan's business community has pressured its politicians to allow for enhanced ties across the Taiwan Strait. One well-known example is the chairman of Formosa Plastic Group (Taiwan's biggest conglomerate), Wang Yung-ching, who has repeatedly attempted to make multi-billion-dollar investments on the mainland.

Over the years, the mainland has attracted significant levels of Taiwanese investment and, in terms of general trends, the total value of bilateral trade has increased dramatically. As early as 1993, the mainland became Taiwan's third largest export market after the United States and Hong Kong.¹⁹ In 2000, Taiwan's trade with the mainland rose 25 per cent, leaving Taiwan with a surplus of US \$27 billion.²⁰ Indeed, bilateral trade reached a new high in 2002, totaling about US \$37 billion, with Taiwan's surplus reaching US \$22.7 billion. Trade with the mainland in 2002 accounted for 15.2 per cent of Taiwan's total trade, only after the United States (18.5 per cent) and Japan (16.1 per cent).²¹ The momentum continues, as cross-Strait trade reached US \$58.4 billion and Taiwan's surplus hit a bit over US \$40 billion in 2003.²² In 2004, bilateral trade rose to US \$70 billion, a 34 per cent increase.²³ The prolonged, huge trade surplus in Taiwan's favor not only facilitated Taiwan's survival during the 1997–98 Asia financial crises, but has also provided enormous incentives for Taiwan to engage with mainland China. These trends fit well into Beijing's EIU strategy in its relations with Taiwan.

In terms of investment figures, there have been huge discrepancies between sources' official estimation and real investment values. For example, take estimates of Taiwan's total investment on the mainland from 1992–2000; the official statistics from Taiwan's ministry of economic affairs is US \$20.1 billion and mainland China's estimation is US \$59.9 billion. *Business Week's* estimation for the decade of 1990–2000 is around US \$48–70 billion.²⁴ According to the chairman of the Central Bank of Taiwan, however, the accumulated Taiwanese investment in China for the past decade reached US \$104.5 billion.²⁵ This account is closer to the estimation of roughly US \$80–100 billion made in April 2001 by the *Far Eastern Economic Review*.²⁶ Given the fact that there have been constant policy changes and irregularities with regard to Taiwan's investment policy with China, these discrepancies are understandable. In fact, according to some 2004 reports, mainland-based projects total about 40 per cent of Taiwan's total direct overseas investment,²⁷ involving approximately 50,000 Taiwanese companies, employing more than 10 million Chinese workers.²⁸ It is Beijing's hope that it can use economic means to promote bilateral exchange and integration to demonstrate its conciliatory position.

Chen Shui-bian initially was in agreement with the 'go slow, be patient' (*jieji yongren*) approach advocated by former President Lee Teng-hui. Both leaders have had concerns about the risk of Taiwan becoming too economically dependent on the mainland, and have viewed Beijing's 'charm offensive' with some skepticism. However, this policy stance has not been popular with the Taiwanese business sector and limited Lee's ability to influence businesspeople on cross-strait relations during his presidency.²⁹ Since Chen's election, the business sector has continued to pressure for change, its calls becoming more urgent in light of Taiwan's economic recession³⁰ which saw Taiwan's gross domestic product (GDP) shrink by 2.35 per cent over April–June of 2001 – acknowledged to be the worst rate in twenty-six years. In July of 2001, Taiwan's unemployment rate also hit a record level of 4.92 per cent.³¹

The pressure to lift the 'go slow, be patient' policy also came from a renewed sense of 'mainland fever'. Reports hold that as China's economy continues to develop rapidly, many Taiwanese have begun to see that the mainland offers the prospect of a better life and a brighter future. One symptom of this 'mainland fever' is the large amount of Taiwanese investment in Shanghai. A growing number of people from Taiwan even choose to settle in the Shanghai area. For the first time, Shanghai, as a mainland city, was ranked as the number four favorite destination in 2001 for emigrating Taiwanese. Another favorite destination was Dongguan, located in the mainland's Guangdong province.³²

In light of these developments, the DPP government has acted in accordance with the recommendations of a 120-member advisory panel to lift the caps on levels of Taiwanese investment on the mainland, as well as technology transfer restrictions.³³ In August 2002, the Taiwanese government issued

new rules to officially allow local enterprises to invest directly in mainland China. The new 'active opening, effective management' (*jiji kaifang, youxiao guanli*) policy has replaced the old 'go slow, be patient' policy under Lee Teng-hui.³⁴ The PRC is likely to use these new opportunities to deepen Taiwan's economic dependence on the mainland. Although there still are observers who believe that the lack of progress toward 'one China' means that Beijing will drop its economic 'charm offensive' toward Taiwan in favor of military options,³⁵ most reports indicate that Beijing is still diligently working on economic interdependence as a way toward unification. For example, President Hu Jintao in December 2003 attended a high-profile reception for more than ninety top Taiwanese businessmen who had investments in the mainland where he gave a friendly speech calling for strengthened economic cooperation.³⁶ This event was held despite the increased tension in cross-strait relations caused by Chen Shui-bian's referendum attempt prior to the March 2004 Taiwan presidential election.

Beijing's Taiwan policy since 2000

A key element in analyzing Beijing's Taiwan policy is to look at the PRC's domestic considerations. There are three critical factors. First, since modernization has become the PRC's top international and domestic priority, Beijing would like to promote economic integration within the so-called 'Greater China' – namely, the mainland, Taiwan and Hong Kong. Taiwan has made a significant contribution to the PRC's modernization in terms of providing investment, trade and managerial know-how to speed up China's economic modernization. Beijing is well aware of Taiwan's example as one of several developmental models from which it may learn (others include Japan, South Korea and Singapore). Beijing would like to make every effort to achieve peaceful unification with Taiwan, as a military confrontation across the Taiwan Strait would certainly damage its progress toward modernization. EIU therefore has become the most desirable scenario for mainstream leadership in Beijing.

Second, with nationalism on the rise within the mainland, Beijing's leadership has been acutely sensitive to the issues of sovereignty and regime legitimacy.³⁷ Therefore, no Chinese leader, conservative or reformer alike, can afford to be cast as a *lishi zuiren* (a person condemned by history) for not acting to prevent the split of the nation; such an appellation would be a lethal blow to any leader. It would also have a negative impact upon the legitimacy of the Beijing government. Under this consideration, the Beijing leadership has consistently refused to renounce the use of military means to prevent Taiwan independence, and has refused to allow Taiwan to have more space within the international community.

Third, China's rapid economic growth and rise in status within the international community has allowed Beijing to become more assertive in its foreign policy, as well as in its policy toward Taiwan. Therefore, one

can see conflicting considerations behind Beijing's Taiwan policy, making it sometimes appear flexible and at other times rigid. In general, however, Beijing would like to promote bilateral negotiations at an early stage, and to achieve a result that is favorable to its desire for unification. Time and again, however, Beijing may need a period to digest any significant developments on the island – such as the perceived shift away from the 'one-China' principle – to formulate its own policy toward such change. The changing international environment has kept Beijing very aware of the issue of *Taidu*. As long as Taiwan maintains *de facto* separation from the mainland, political forces both within and outside the island will continue to promote *Taidu*. Moreover, as a result of post-Cold War developments, international public opinion might be increasingly sympathetic towards Taiwan.

The combination of the above elements has played a significant role in the PRC's dilemma with Taiwan. Beijing has paid close attention to whether the new DPP regime's mainland policy represents a TIW trend, specifically whether the new leaders are actually departing from the 'one-China' principle and moving towards Taiwan independence. Based on this assessment, Beijing will then determine its Taiwan policy. The process of Beijing's assessment towards the regime change in Taiwan from late 1999 to early 2005 can be divided into five stages.

The first stage (late 1999–March 2000) – alarm over possible TIW development

This stage took place during the period of the presidential campaign – roughly from late 1999 when the campaign started, until the elections on March 18, 2000. Beijing's mood closely followed the ups and downs of the political dynamics on the island. At the onset, Beijing was relatively calm when the DPP appeared unlikely to win, but later became confrontational when the DPP gained momentum. This confrontational approach was marked by then Premier Zhu Rongji's tough lecture, which was designed to boost the chances of either the KMT's Lien Chan or the PFP's James Soong. Clearly, Beijing did not want to see a regime change in the island, opposing any political forces (in this case, the DPP) which might move towards Taiwan independence. With this target in mind, Beijing issued a Taiwan White Paper in February of 2000, warning that *Taidu* will definitely bring the mainland to war with the island.

The second stage (March 2000–January 2002) – 'wait and see'

This stage commenced immediately upon Chen Shui-bian's defeat of Lien Chan and James Soong in the 2000 presidential elections. Upon this development, the PRC State Council's Taiwan Affairs Office issued a stern, six-word policy, *ting qi yan, guan qi xing*, meaning 'listen to what the new

regime says, and watch what the new regime does'. In effect, Beijing posted a 'wait and see' policy. Beijing's central concern was Chen Shui-bian and his DPP regime's actual policy change – whether it would move in a TIW direction. Since that time, it is certain that Beijing has been monitoring the Chen administration's statements and actions for any confirmation of its suspicion that it is departing from the 'one-China' principle and moving toward Taiwan independence.

Despite threats and military exercises across the Taiwan Strait prior to the 2000 presidential election, China's leaders remained silent once the results were announced. Beijing's inaction after the election was partially due to the fact that Chen Shui-bian made a great effort to avoid a confrontational tone. In his inaugural speech in May 2000, for example, he explicitly pledged that he will not seek Taiwan independence.³⁸ After the election, the PRC made moves to isolate Chen, such as by receiving representatives from opposition parties (e.g. as the KMT and PFP) in Beijing rather than from Chen's DPP government.³⁹ This tactic served to make Chen look weaker and less effective both within and outside Taiwan, but such plans were dashed by the December 2001 parliamentary election.

The third stage (January–August 2002) – attempt at conciliation hoping for EIU

This stage began with the then Vice-Premier Qian Qichen's speech of January 24, 2002, which indicated that Beijing's leaders came into what might be called the 'recognition of reality' stage. While adhering to the 'one-China' principle, Qian welcomed most DPP members to visit the mainland. Qian also made an important distinction between Taiwan's independence and 'Taiwanization', as well as Taiwanese culture, and encouraged increasing economic integration across the Taiwan Strait.⁴⁰ This statement was widely perceived to reflect the PRC's basic assessment of political realities in Taiwan. As the DPP's December 2001 electoral success made clear, Beijing had to recognize that a prolonged DPP regime was not inconceivable and adapt to these circumstances accordingly. Beijing increasingly placed its hope in EIU.

During this period, Chen Shui-bian sent mixed messages. Although he never openly accepted the 'one-China' principle, he nevertheless repeatedly asked for peace and cooperation across the Taiwan Strait. He even announced that he would like to make a 'peace trip' to the mainland, visiting his ancestors' hometown in Fujian province. It appeared that the PRC might be ready to adopt a more conciliatory policy toward the new regime.

The fourth stage (August 2002–March 2004) – swinging but still hoping for EIU

The conciliatory stage came to an end in early August 2002 when Chen Shui-bian made a public speech claiming that 'China and Taiwan are two separate

countries on opposite sides of the Taiwan Strait'. Chen's comments via video link to a meeting of pro-independence activists in Tokyo were also asking for a referendum in Taiwan to decide the island's future, despite his promise in 2000 not to do so. The Beijing government immediately responded angrily, saying that 'We will never accept the separation of China's sovereignty and territorial integrity'. For the first time, Beijing criticized Chen by name.⁴¹ An unidentified government official in Beijing warned that China will be 'forced to use military force to solve the Taiwan issue if the Taiwan authority continues to pursue the independence course'.⁴² Although this clear signal was alarming, the mainstream thinking in Beijing still hoped for EIU during this period. Even during the tensions across the Taiwan Strait, created by Taiwan's presidential election in the spring of 2004, it was suspected that beneath the noise of battle, the two sides were 'quietly conducting business as usual'. Both China and Taiwan joined the World Trade Organization (WTO) in 2002. It is believed that 'joint WTO membership has provided a bridge for dialogue across the Strait and given Taiwan a much-needed, louder world voice'.⁴³

The fifth stage (March 2004–Spring 2005) – swinging but preparing for TIW

Chen Shui-bian's victory in the March 2004 election, no matter how controversial, has dealt a heavy blow to Beijing's hope for EIU. It is believed in the foreseeable future, although it may still be swinging between hard and soft lines that Beijing has been forced to prepare for TIW. On May 17, just before Chen's inauguration, Beijing issued a strong warning to the DPP regime that if Taipei pursued independence, it would be 'crushed'.⁴⁴ Although there may be some 'carrots' simultaneously being offered in the statement, the tough tone toward Taipei indicates that Beijing will more often than not use a 'stick' and this may become a basic position in the future. In July 2004, Chinese President Hu Jintao met with US National Security Advisor, Condoleezza Rice, in Beijing. It was strongly argued that Washington should not send the wrong signals to Taipei.⁴⁵ At the same time, China's former president and then military-commander in chief, Jiang Zemin, severely criticized US arms sales to Taiwan in his meeting with Rice.⁴⁶ On a different occasion, Jiang also called for a timetable on solving the issue of Taiwan emphasizing military options to prevent Taiwan's independence.⁴⁷ The tension across the Taiwan Strait was so high that the visit to Taiwan in mid-July by Lee Hsien Loong (Singapore's prime minister-designate), was severely criticized by Beijing as hurting 'the core interest of China'.⁴⁸

One can see that the characteristics of this stage were a pendulum in Beijing's Taiwan policy, swinging between alarm and conciliation, but tilting toward a preparation for the TIW scenario. The best example of a conciliatory gesture during this stage was China's promotion and agreement with Taipei on the issue of direct two-way flights that link China and Taiwan

during the Chinese Lunar New Year period between January 29 and February 20, 2005.⁴⁹ Conversely, to show its determination against Taiwan's independence, Beijing began to prepare an anti-secession law. The 163 members attending the meeting of the thirteenth session of the Standing Committee of the Tenth National People's Conference (NPC) unanimously passed the draft anti-secession law in December 2004, which was officially approved by the full session of the NPC in March 2005. According to a Chinese scholar, this anti-secession law will 'offer legal grounds for resorting to the use of force from the mainland in case the leaders of the Taiwan authority dare to create the incident of Taiwan Independence'.⁵⁰

The highly publicised visit by Taiwan's opposition parties' leaders Lien Chan and James Soong in April–May 2005 indicated a new stage in cross-strait relations. It clearly demonstrated Beijing's renewed conciliatory efforts with Taiwan to work towards an EIU direction. But given the complicated nature of the cross-strait relations, one can not be over-optimistic and must anticipate continued to and fro maneuvering in Beijing's Taiwan policy. Yan Xutong, Director of the Institute of International Relations at Qinghua university, for example, made a tough warning in late May that China should continue to enhance its military deterrence in its Taiwan policy.

In order to better understand this pendulum, one needs to analyze different views – from hard to softlines – within the Beijing leadership on how to deal with the DPP regime.⁵¹ It is not this author's intention to place Beijing's individual leaders or its Taiwan policy apparatus into different groups. Rather, summaries of various opinions based on personal observation will be made. The central concern in Beijing is how to assess the nature of the new DPP regime in Taiwan.

A hard-liner tends to believe that the DPP government represents a clear trend toward TIW (Taiwan independence-led war). There are general and genuine worries in Beijing that Taiwan's tendency toward independence may further grow with the new DPP regime. This deep suspicion was further strengthened by Taipei's series of official actions emphasizing the new identity for Taiwan, such as the proposal to rename Taiwan's offices abroad 'Taiwan Representative Offices' from the name 'Taipei Economic and Cultural Representative Offices',⁵² printing 'issued in Taiwan' on its citizens' passports and putting a new design for the emblem of the government spokesman's office, replacing the old emblem which included the map mainland China and Taiwan. Some Beijing observers view these actions as incremental steps along the line of TIW, and can only be stopped, according to hard-liners, by non-peaceful means. The recommendation therefore is *xiepo* – meaning, to rely on military strength to force a change – in order to force Taiwan to stop its drift toward *Taidu*. From this perspective, military takeover of Taiwan is seen as a more likely approach and outcome, even with the risk of US intervention in a military confrontation.

Along this line of consideration, PLA military regions such as Nanjing and Guangzhou have always been prepared for military action against Taiwan.

Since the early 1990s, the PRC has deployed hundreds of missiles and advanced aircrafts, aiming at Taiwan. From time to time, the PLA has conducted military exercises, many of which have become more sophisticated, preparing for cross-Strait fighting and enhancing its ability in both land and sea battles. Needless to say, the largest missile exercise, as mentioned earlier, took place in the spring of 1996, creating a new round of military crises in the Taiwan Strait. Taipei has been warned repeatedly that Beijing is losing patience with Taiwan, and the People's Liberation Army has been preparing for military actions.⁵³ There can be no doubt that Chen Shui-bian's 'one country, each side' talk in 2002 has further enhanced hard-liners' position and increased military risk in cross-Strait relations. Chen's actions during the 2004 presidential campaign, such as calling for a referendum demanding China withdraw its missiles, proposing the creation of a new constitutional document by 2006 and enacting the new document by 2008,⁵⁴ have all sent alarming signals to the hard-liners in Beijing.

In contrast, soft-liners have generally believe that sufficient pressure has been placed on Taiwan, including the military means indicated in the White Paper of February 2000, to ensure that Taipei is unlikely to make an official declaration of *Taidu*. Therefore, the PRC should emphasize an EIU (economic integration-based unification) direction and avoid making military threats toward Taiwan. In this way, China's modernizational drive will continue and economic developments, particularly along the east coast, will not be damaged. Soft-liners tend to believe that the mainstream DPP leadership, even Chen Shui-bian himself, may have to modify their radical positions and move towards the center. They also assume that the United States will be unwilling to be involved in an actual war with the PRC over Taiwan, making it difficult for Taiwan's leaders to actually claim independence. Soft-liners occasionally pose such questions as, 'Are Americans willing to sacrifice their sons and daughters for Taiwan?' This group also tends to overestimate China's military power, particularly based on its nuclear and missile weapons. To be sure, soft-liners also tend to believe that China's national sovereignty is the major principle at stake and, consequently, China would use military force if that sovereignty were violated. However, they also sound a note of caution and emphasize the importance of first engaging Taiwan peacefully.

While maintaining military pressure, Beijing's leadership still maintains high hopes on finding a peaceful resolution to the Taiwan issue. Along this line of thinking, a number of difficult issues were solved in the cross-Strait negotiations prior to the 2004 presidential election. Take the issue of the 'three direct links' (the term used to refer to direct transportation, trade and postal services between the mainland and Taiwan) for example. With regard to sea and air transportation across the Taiwan Strait, Beijing preferred to use the term 'domestic lines', while Taipei preferred 'international lines'. Former Chinese deputy premier, Qian Qichen, proposed a new name, 'cross-Strait lines', to break the stalemate. This flexibility prompted the Taiwan authority to allow direct charter flights across the

Taiwan Strait in January 2003. In total, eleven direct flights carrying Taiwanese businessmen residing on the mainland traveled back to Taiwan to celebrate the Chinese Lunar New Year.⁵⁵ As mentioned earlier, the one-time direct flights over the Chinese Lunar New Year period in 2005 was successfully arranged. If the trend continues, one can expect more arrangements of this kind to the extent that flights across the Taiwan Strait might be institutionalized.

During much of the reform era in the 1980s and 1990s, the EIU scenario seemed more attractive to the Beijing leadership and proved to be an effective way to deal with the issue of Taiwan. A more moderate and pragmatic approach prevailed and became the mainstream opinion among the Beijing leadership during the Jiang Zemin era. At the same time, as indicated earlier, even soft-line leaders cannot afford a Taiwan independence scenario. If there are clear signs that Taiwan would move toward independence as signaled by the 2004 presidential campaign in Taiwan, then hard-liners' influence may proliferate in Beijing.⁵⁶ This dilemma has naturally produced a pendulum swing between soft- and hard-line policies, depending on how Beijing perceives future directions of Taiwan: TIW or EIU?

Policy analysis and international implications

The issue of Taiwan itself is the product of a combination of factors, including domestic rivalry (the civil war of 1946–49 between the CCP and KMT), the intervention of external powers and changing international relations in the Asia-Pacific region. The dynamics of the international environment frequently and significantly affects Beijing's policy considerations toward Taiwan.

In regard to its relationships with Washington and Tokyo, a central locus of concern for Beijing is the issue of Taiwan. Indeed, Beijing regards the United States as a major obstacle to its goal of reunification with Taiwan. This issue can be traced back historically to the Chinese civil war period when the US supported the Chiang Kai-shek regime and, at the cessation of the Korean War in the early 1950s, signed a Mutual Defense Treaty with Taiwan which effectively prevented the PRC from taking over the island. In the late 1960s and early 1970s, both Beijing and Washington were willing to normalize their relations due primarily to their mutual concern about the threat from the Soviet Union. Richard Nixon's historic visit to China in 1972 spotlighted the two countries' *rapprochement*, although seven years would pass before the PRC and the United States completed their normalization process in 1979.⁵⁷

While Washington has recognized Beijing officially and ceased its official relations with Taipei, there are two issues which Beijing still views as unwarranted 'intervention in internal affairs'. First, the United States continues to sell arms to Taiwan despite the August 17, 1982, Shanghai Communiqué, which stipulates that the United States should reduce its arms sales to Taiwan

both quantitatively and qualitatively. An example in point of this trend is the Bush administration's decision in spring 2004 to sell Taiwan a large amount of advanced arms. The other issue relates to the Taiwan Relations Act – passed by the US Congress in 1979 – which, in addition to restricting the United States to non-official economic and cultural relations with Taiwan, requires American commitment to peaceful settlement of the Taiwan Strait conflict. Both actions, from Beijing's perspective, represent continued intervention in China's internal affairs.⁵⁸

Beijing's perception of America's continued interference may have been enhanced by the February 2000 vote in the US House of Representatives that passed the Taiwan Security Enhancement Act by the vote of 341 to 70,⁵⁹ and comments by President George W. Bush in 2001 that the US would do whatever it takes to help defend Taiwan. China was further alarmed by the announcement of the United States' multi-billion-dollar sale of Kidd-class destroyers to Taiwan scheduled for 2003. The US would also give Taiwan options to receive up to eight diesel-powered submarines.⁶⁰ Furthermore, Beijing was upset by US permission for Taiwan's defense minister, Tang Yiau-ming [Tang Yao-ming], to visit the United States and conduct an 'informal' meeting with US Deputy Defense Secretary Paul Wolfowitz in March 2002.⁶¹ This was the highest level of defense dialogue between the US and Taiwan since their official diplomatic ties were broken in 1979.

Furthermore, President Bush has never withdrawn his earlier comments that the US will intervene in any future military crisis around the Taiwan Strait. Beijing's decision-makers and PLA leaders, therefore, now have no illusion about the America's intention and have already figured in the US factor in their calculations of future military action if it is deemed necessary.⁶² China's deep concern is that America's arming of Taiwan may in fact prolong Taiwan's separate status, thereby promoting its eventual independence. Beijing is even more worried that given the leading status of the United States in world politics, other nations may follow suit. Therefore, the Taiwan issue will continue to be a major controversy between China and the United States for the time to being.

The international environment has changed in the wake of the events of September 11, 2001. Notably, President Bush has modified his confrontational approach to China by including it in his counter-terrorist coalition. Also, Bush needs China's cooperation, particularly in regard to regional security issues, such as stemming proliferation of missile weaponries and promoting stability on the Korean Peninsula. China's active contribution in solving the North Korean nuclear crisis, hosting three-party talks in April 2003 and six-party negotiations in August 2003 in particular, has caused it to increasingly become viewed as a key and constructive player in Northeast Asian security issues.⁶³ China hopes that this kind of cooperative effort with the United States will lead to reciprocal good faith efforts – in particular, that Washington will reward Beijing by complying more with the PRC's effort to solve the Taiwan issue based on the 'one-China' principle.

At the same time, the necessity for an anti-terrorist coalition will also provide a fresh framework to inspect the overall dynamics of major power relationships. The spirit of this new framework may be reflected in the joint anti-terrorism statement signed by Asian-Pacific leaders at the Shanghai APEC meeting in October 2001. Along this line, the issues of crisis management over the Taiwan conflict, nuclear proliferation and missile defense systems appear even more crucial to regional security and stability. Therefore, major powers, the US and Japan in particular, may have to place the issue of Taiwan into a regional, as well as global, context.

When it comes to policy analysis, the bottom line is the calculation of cost and the issue of the price that each party is willing to pay. Beijing is well aware of the potential damage to the mainland, including its top priority, economic development, if there is cross-Strait warfare. But the careful calculation is that the loss will be even greater if Taiwan achieves its permanent separation with the mainland. China learned its lesson from the former Soviet Union. In their understanding, the collapse of the former Soviet Union, in addition to other causes, began with the independence status achieved by three small Baltic states. Beijing has been concerned that Taiwan's independence would not only remove the regime's legitimacy among the Chinese people, but may also serve as a catalyst for the independence for its other troubled regions, particularly China's minority regions, such as Tibet, Xinjiang and inner Mongolia. Therefore, many people in Beijing believe that Taiwan's independence will be a greater loss than the potential war damage. There are clear calls from hard-liners, particularly military groups, that China will fight against Taiwanese independence until the end, and they make it clear that they are willing to pay the price and undertake sacrifices, including sabotage of the Beijing Olympic Games in 2008, Shanghai World Explosion Fair in 2010, twenty years' loss of economic development, huge damage to major coastal cities, including Beijing, Shanghai and Guangzhou, as well as US-led military intervention and Western economic sanctions.⁶⁴ Despite soft-liners' argument for continuation of the EIU strategy, it seems like the hard-liners began to have the upper hand, as China gradually makes ready for a military showdown in the preparation for TIW.

If Beijing chooses a military option under the TIW circumstances as analyzed above, there are a number of options for its military strategies. If Beijing has such capacity, it may prefer to move swiftly to occupy the island and control the situation in a time short enough to not allow the US military to react. This kind of decisive military victory is very much dependent upon Beijing's overall military capacity, which many observers doubt could reach such a level. In this case, a quick military victory will leave the remaining issues basically political and economic in nature. Beijing's other option is to execute small-scope military operations, on and off for weeks, months or even years – something like the ongoing confrontation between Israel and its Arab neighbors. This kind of military action will have a disastrous impact on the economies of both sides, but the damage will be much more critical

to Taiwan, considering its relatively smaller size and geographic location as an island.

As for Taiwan, there is a tough-minded core leadership group, particularly within the DPP regime. These independence fundamentalists are willing to pay any price to achieve independence, even a war with the mainland. Despite this group, there is, overall, a substantial majority of people who prefer to maintain the status quo and not move toward open independence. By this calculation, this majority realizes that no matter what status they may achieve in the future, they will still have to deal with Beijing. This is not only determined by historical, political, economic and cultural ties across the Taiwan Strait, but also geographic proximity. In other words, they will need to fund an accommodation with China in any event. At present, this group of people holds a majority position.

Militarily, Taipei has also geared up in terms of making the necessary preparation for a possible attack from the mainland. Taiwan has also developed its own advanced military forces, including capable air and naval forces. Nevertheless, Taiwan depends almost entirely upon support from the United States. Over the past half-century, Taiwan's security has been largely provided by the US, and America's Seventh Fleet has come to rescue Taiwan on a number of occasions. Logistically, Taiwan will also need a large amount of supplies from the US; therefore, the United States has become virtually the only external and reliable protector of Taiwan's security. There have also been discussions within the island about adopting an offensive, rather than defensive, policy toward the mainland, namely to launch pre-emptive attacks on major cities along China's eastern coast. This kind of thinking has been largely dismissed and is considered a suicidal action, given China's retaliation capacity including massive missile and nuclear weapons. Although Beijing has pledged that it will not use nuclear weapons against Taiwan, they still serve as a deterrent to keep Taiwan from launching pre-emptive attacks.

Washington has also faced a dilemma. On the one hand, decision-makers have recognized the enormous importance of US relations with China. This relationship is crucial not only in terms of China's rising economic and military powers, but also its increasing influence in international affairs, which is crucial to US interests, such as China's constructive role with six-party talks over the North Korean nuclear issue. China is a permanent member of the UN Security Council and is a key player for stability and prosperity in the Asia-Pacific region. All of this requires Washington to maintain a working, if not cordial, relationship with Beijing. For example, during the campaign leading to the US presidential elections in November 2004, one could hear such calls as 'don't break the engagement [with China]'.⁶⁵ On the other hand, some elites in Washington may see that the Taiwan issue can be used as a way of containing China's further development. Taiwan's democratization adds to its ideological value. Furthermore, the issue of Taiwan may serve as a test of the US's commitment to the region, given consideration of the

Taiwan Relations Act and US–Japan Security Treaty. Therefore, the United States has tried very hard to perform a balancing act across the Taiwan Strait. Washington warned Taipei to refrain from moving toward formal independence, thus unilaterally changing the status quo. At the same time, the United States also demonstrated its willingness to intervene, as shown by large amounts of arms sales to Taiwan and aircraft-carrier maneuvers in 1996 and 2004, as mentioned at the beginning of this article. The primary purpose for such military actions from the American perspective is to deter the use of force by China against Taiwan.⁶⁶

Washington will continue to deliberate on its policies toward the PRC and Taiwan, based on its own national interest. When a crucial juncture is reached, namely the possibility of fighting a war with China due to Taiwan's determination to seek its independence, a fundamental question that Washington will face is whether they are willing to pay the cost of a war with China to defend Taiwan. As James Hoge, the editor of *Foreign Affairs*, in his 2004 article put it, the issue of Taiwan 'could explode into large-scale warfare that would make the current Middle East confrontations seem like police operations'.⁶⁷ On the other hand, with the US's absolute military supremacy and its lone superpower status, it is almost certain that it will defeat China in such a confrontation. But how would the US handle a defeated China under the circumstances if it supports the permanent separation of Taiwan? The consequences will be quite ominous, as Chalmers Johnson has stated in his discussion about the likely result of a US–China military confrontation over Taiwan: 'We will halt China's march away from communism and militarize its leadership, bankrupt ourselves, split Japan over whether to renew aggression against China and lose the war. We also will earn the lasting enmity of the most populous nation on Earth'.⁶⁸

In order to avoid such ominous consequences, Washington may have to adjust its policy for the future. As Michael Swaine argues, the chances of a confrontation between China and the US could be reduced further, 'if China's leaders believed that the option of ultimate reunification remained on the table for the foreseeable future'. Washington, therefore, 'must reassure the Chinese that their fear – independence for Taiwan – will not be realized without their consent'.⁶⁹ In other words, it is necessary for the US to send a clear signal to Taipei, that if its leaders pursue an independence course, they should not expect military involvement from the United States. In his briefing to Capitol Hill in July 2004, Ted Carpenter of the Cato Institute severely criticized that 'the United States is following a dangerous policy of "strategic ambiguity"', and he advocated a decisive turnaround of American policy toward Taiwan. Carpenter stated that the 'highest priority' for Washington is 'to get America out of the line of fire'.⁷⁰ In October 2004, then US Secretary of State Colin Powell did exactly that by stating, 'Those who speak out for independence in Taiwan will find no support from the United States'. Mr. Powell made the US position even more clear by further saying that, 'Taiwan is not independent, it does not enjoy sovereignty as a

nation and the two sides should improve dialogue' and 'move forward to that day when we will see a peaceful unification'.⁷¹ This view reflects a fresh look at the scenarios across the Taiwan Strait by advocating a detached policy towards Taiwan. An interesting example along this line came from an *Atlantic Monthly* article published in December 2004. In this article Trevor Corson argues that if Taiwan insists on moving towards *de jure* independence, provoking a war with China, then 'the U.S. should let Taiwan defend itself'.⁷² One may expect there will be more debates on America's China-Taiwan in Washington for the time to come.

A war scenario will present a similar challenge to other players in the international community, particularly in the Asia-Pacific. Japan is perhaps the most important international player in this 'Taiwan Game', only after the United States. There are at least two key elements worthy of consideration. First, Japan's past history over colonization of Taiwan from 1895 to 1945. This historical legacy, on the one hand, places Japan in a fairly awkward position with China, as China always regards the issue of Taiwan as part of a 100-year humiliation prior to the 1949 establishment of the People's Republic. On the other hand, this historical experience gives a sense of a 'special relationship' between Japan and Taiwan, reflected in the sentiment of many Japanese who prefer a permanent separation between China and Taiwan.

The second key element concentrates more on the current agenda, which are the US-Japan Security Treaty and its new guidelines of 1996. These new guidelines almost regulate Japan's participation in a military confrontation between China and the US with regard to Taiwan. The nature of Japan's participation is still unclear, as it may be strictly logistic or military combat as well. In either scenario, Japan's participation in such military actions will almost certainly invite retaliation from China, which will put Japan's major cities in great danger of war damages. Therefore, maintaining the status quo, namely the separation between the mainland and Taiwan with a relatively peaceful situation, would be the most preferred scenario for Japan. Nevertheless, as a number of scholars also argue, this presumption may still shift; for example, if Sino-US relations spiral downward to a level of hostility similar to the EP-3 incident or if Sino-Japanese relations continue to deteriorate, then Taiwan's strategic position may move up in the global calculations of the United States and Japan.⁷³

In February 2005, a 'two plus two' meeting occurred in Washington, including Secretary of State Condoleezza Rice and Secretary of Defense Donald Rumsfeld from the US, and Foreign Minister Nobutaka Machimura and Defense Agency Director Yoshinori Ono from Japan. The meeting issued a statement on February 19 indicating that the countries had produced a 'revised U.S.-Japanese strategic understanding', which for the first time included security in the area around Taiwan as a 'common strategic objective'.⁷⁴ Actually, it is reported that an informal alliance of anti-Chinese submarines among the United States, Japan and Taiwan has been formed. This

was revealed after the Chinese submarines intrusion into Japanese waters in late 2004.⁷⁵

Other players may tend to be in a more neutral position. The European Union will almost certainly not participate in such a war scenario over Taiwan. Actually, there have been major differences between the United States and the EU over a ban on arms sales to China. In Bush's trip to Europe in February 2005, he expressed his deep concerns over the EU's determination to lift the ban. He indicated that this lift would change the military balance across the Taiwan Strait and the EU may encounter retaliation from the US over such a move. But Bush's EU counterparts were reportedly not convinced.⁷⁶ Nevertheless, on the scenario of military confrontation in the Taiwan Strait, while maintaining a neutral position, the EU may likely condemn the war and join the Washington-led Western economic sanctions against Beijing.

Russia's neutral position will also be expected, and the country may even continue to sell military equipment to China. The neutrality of South Korea has been increasingly apparent for the past few years with its increasing interdependence with China; South Korea may strictly follow a neutral position, despite its military alliance relationship with the United States.⁷⁷ North Korea will remain as a wild card. Pyongyang will, without doubt, be on China's side when such military confrontation takes place. What is uncertain is how they will take the opportunity to gain from this event. In other words, it is not clear how China may utilize North Korea to deter Japan. The ten ASEAN countries are not likely to help the US attack China; rather, they are more likely to act as mediators between the two powers. By the same token, India, Pakistan and the central Asian countries who are China's western and northern neighbors, will probably try to maintain neutral positions. Overall, it will be extremely hard for Washington to build an international coalition against China over the issue of Taiwan. Washington may have to take this into consideration in its policy deliberation and preparation for the potential war scenario in Taiwan.

Conclusion

The dilemma facing Beijing in terms of war or peace with Taiwan has become more acute since the DPP moved to power in 2000. From late 1999 to early 2005, Beijing has gone through five stages in its policy towards the DPP regime as analyzed above: from alarm over a possible TIW (Taiwan-led independence war) scenario to a 'wait and see' policy, then to a more conciliatory attitude based on the perceived trends toward the EIU (economic integration-based unification) direction. Since the end of 2002, Beijing's Taiwan policy was swinging back and forth between the two modes, but moved toward the preparation for TIW after Taiwan's 2004 presidential election. Beijing's essential concern is that the DPP regime represents a fundamental shift in Taiwan's policy towards the mainland. Beijing's 'wait and see' policy

with the Chen Shui-bian administration is to examine the likelihood of TIW. At the most recent fifth stage, Beijing's dilemma between TIW and EIU became even more obvious – whereas some people still believe China's best course of action is to rely on economic means to work in EIU directions, more leaders in Beijing, however, tend to be preparing more for a seemingly inevitable TIW scenario.

Beijing is also keenly aware of the key role that is played by the world's only superpower, the United States. The PRC is expected to intensify its efforts to gain Washington's forbearance so that the US will not play a one-sided role in the cross-Strait relationship. This effort, along with similar attempts to gain the understanding of other key countries (such as Japan) and international organizations (such as the United Nations), will remain an important focus of Chinese foreign policy in the future.

In dealing with Taiwan, Beijing has attached great importance to historical legacies, in particular the implications created by the independence clause still stated in the DPP Political Platform. Beijing has been resolute in maintaining the 'one-China' principle, making it a precondition for the renewal of cross-Strait negotiations. This tough policy is not only firmly rooted in domestic political considerations, which provide legitimacy for the Beijing government, but also reflects the deep concerns of Taiwan's possible TIW direction. While insisting on not giving up military means as the last resort for the Taiwan issue, Beijing has also increased its economic offensive toward Taiwan to promote bilateral trade, letting Taiwan enjoy a great surplus, while also making substantial investments in the mainland. This EIU scenario has served Beijing's long-term goal of national unification.

The fate of the cross-Strait relationship remains primarily in the hands of Beijing and Taipei. Clearly, a peaceful settlement is in the interest of both sides. Any agreement requires mutual trust, and to develop that trust the two sides must sit down and talk.⁷⁸ In order to restart cross-Strait negotiations, three main obstacles will have to be addressed. First, due to their long-time separation and historic rivalry, there is a considerable lack of mutual trust between the two sides. Second, there are probably not enough incentives for either side to make the significant compromise necessary to make a political breakthrough in the negotiations. Third, internal tensions within each side will continue to slow down the negotiation process, if not stop it all together from time to time.

International dynamics have always played a crucial role in Beijing's Taiwan policy calculations. The United States remains the most important international actor, as it is not only the sole superpower in the world, but also the only major power that would be able to provide substantial political, economic and military assistance to Taiwan should another cross-Strait military crisis arise. Therefore, one cannot totally rule out the possibility of a major military confrontation between the United States and China over the issue of Taiwan in the case of a TIW scenario.

There is no need to wait for another crisis such as Pearl Harbor to wake us up to the dangers of cross-Strait conflict. In order to prevent such a crisis from occurring, one may wish to consider the following options. First, it is imperative for Beijing and Taipei to reopen dialogue. All related external players – Washington, Tokyo, Seoul, Moscow, ASEAN and the EU – should put pressure on the two parties to sit down to such talks. Second, there is a danger that unintentional action or rhetoric may have severe consequences due to miscommunication and misunderstanding. Therefore, confidence-building measures and crisis management mechanisms should be established. This is particularly crucial for the two major powers, China and the US. Third, one of the measures, as some US scholars and officials suggest, is to set up a mid-range arrangement to stabilize the situation. That is, during a certain period, say in 20, 30 or 50 years, the two sides would make a pledge: Taiwan will not seek independence, China will not use military force and the US would act as a moderator. This would provide a period of peace for both parties to engage in economic construction, arms reduction, and increased dialogue and engagement.⁷⁹ Further economic integration may indeed push the cooperation of the two sides to a new level, which may ultimately lead to a political settlement. Finally, it is only natural that all concerned parties will first try their utmost to solve this controversy through peaceful means. Giving this consideration, a multilateral regional security framework may be developed to bring the situation under control. It is with great hope that we look to the wisdom of Beijing and Taipei (as well as Washington) to prevent a Pearl Harbor-style crisis and to bring the issue of Taiwan to a peaceful settlement.

Notes

- 1 'Military exercises in the Taiwan Strait', *Far Eastern Economic Review*, July 29, 2004, p. 26. Also see Yu Bin, 'All still quiet across the Taiwan Strait, but for how long?', *PacNet*, No. 33, July 22, 2004.
- 2 'Seven carrier strike groups underway for exercise "Summer Pulse 04"', Special Release from the Department of Defense, June 3, 2004; available at <http://www.cffc.navy.mil/gw-summerpulse0603.htm>. Also see *Shijie Ribao* [*World Journal*], July 22, 2004, pp. A1 and A3.
- 3 *World Journal*, July 16, 2004, p. A1.
- 4 See Steve Chan (2003), 'Extended deterrence in the Taiwan Strait,' *World Affairs* 166 (2): 109–25.
- 5 Susan Lawrence and Jason Dean, 'A new threat', *Far Eastern Economic Review*, December 18, 2003, pp. 16–18.
- 6 After Bush's criticism, Chen Shui-bian revised the questions for his proposed referendum. The new version asks whether Taiwan should buy more advanced weapons if China refuses to withdraw its missiles, and whether the island should try to open talks with Beijing. Beijing rebuked both proposals as provocative. See Philip P. Pan, 'China rebukes Taiwan's leader on new plans for referendum,' *The Washington Post*, January 20, 2003, p. A13.
- 7 Philip P. Pan, 'China thanks Bush for Taiwan stance,' *The Washington Post*, December 22, 2003, p. A22.
- 8 *Shijie Ribao* [*World Journal*], January 1, 2004, p. A4.

- 9 Andrew Peterson (2004). 'Dangerous games across the Taiwan Strait,' *The Washington Quarterly* 27(2) 23–41.
- 10 See Quansheng Zhao (2003) 'Regime change and the PRC's Taiwan policy in the DPP era,' *East Asia: An International Quarterly* 20(30): 61–85.
- 11 In the Taiwan White Paper, the PRC government states:

[I]f a grave turn of events occurs leading to the separation of Taiwan from China in any name, or if Taiwan is invaded and occupied by foreign countries, or if the Taiwan authorities refuse, *sine die*, the peaceful settlement of cross-Straits reunification through negotiations, then the Chinese government will only be forced to adopt all drastic measures possible, including the use of force, to safeguard China's sovereignty and territorial integrity and fulfill the great cause of reunification.
- See 'The one-China principle and the Taiwan issue', *Renmin Ribao* [*People's Daily*], February 22, 2000, p. 1. The English version was reprinted in *Issues & Studies* 36(1) (January/February 2000): 161–81. Previously, the conditions for China's intervention were the declaration of Taiwan independence or foreign power occupation.
- 12 Julian Baum with Dan Biers, 'When a Giant Falls', *Far Eastern Economic Review*, April 6, 2000, p. 18.
- 13 'Political platform of the Democratic Progressive Party'; available at <http://203.73.100.104/platform/a.htm>.
- 14 See, for example, the 1999 Resolution on the Future of Taiwan passed at the Second Plenary Meeting of the Eighth DPP Congress.
- 15 Shelley Rigger (1999) *Politics in Taiwan: Voting for Democracy*, New York: Routledge, p. 2.
- 16 Linda Chao and Ramon H. Myers (2000) *The Divided China Problem: Conflict Avoidance and Resolution*, Stanford, CA: Hoover Institution Essays in Public Policy No. 101, p. 3.
- 17 'Regional Briefing', *Far Eastern Economic Review*, December 13, 2001, p. 12.
- 18 For example, see Shelley Rigger (2000) 'Taiwan rides the democratic dragon', *The Washington Quarterly* 23(2) 107–18; Gwynne Dyer, 'Chinese Democracy', *Washington Times*, March 21, 2000; 'Taiwan steps forward', *The Washington Post*, March 19, 2000, p. B6.
- 19 *Wen Wei Po* (Hong Kong), December 27, 1994, p. 1.
- 20 John Pomfret, 'Taiwan has an outbreak of Shanghai fever', *The Washington Post*, April 28, 2001, p. A14.
- 21 Information available at <http://www.mof.gov.tw/statistic/trade/2301.htm>.
- 22 ITC International Trade Statistics, 2003, based on COMTRADE data of UNSD; available at <http://www.intracen.org/tradstat/welcome.htm>.
- 23 'Direct China – Taiwan flights start', *BBC News*, January 29, 2005; available at <http://newsvote.bbc.co.uk>.
- 24 Dexter Roberts and Bruce Einhorn with Alysha Webb, 'Taiwan & China: how can Taipei control its destiny as the two economies integrate?', *Business Week*, June 11, 2001, p. 58.
- 25 Quoted from Szu-yin Ho and Tse-Kang Leng, 'Accounting for Taiwan's economic policy toward China', paper presented at the conference, 'The United States, China, and Taiwan in a Changing World', University of Denver, May 2–3, 2003, pp. 7–9.
- 26 Maureen Pao, 'President under siege', *Far Eastern Economic Review*, March 29, 2001, pp. 22–3.
- 27 Clay Chandler, 'Taiwan looks to boost mainland trade', *The Washington Post*, August 28, 2001, p. E01.

- 28 Jason Dean, 'Collateral Damage', *Far Eastern Economic Review*, July 29, 2004, p. 32.
- 29 For a detailed analysis of Lee Teng-hui's 'go slow, be patient' policy, see Tun-jen Cheng, 'Limits of statecraft: Taiwan's political economy under Lee Teng-hui', (Paper presented at the Conference on "Taiwan under Lee Teng-hui (1988-2000): An Era of Democratization in Retrospect and Prospect", September 14–15, 2001, at Wake Forest University, North Carolina, p. 24.
- 30 Maureen Pao, 'The mainland allure', *Far Eastern Economic Review*, October 4, 2001, p. 46.
- 31 Maureen Pao, 'Tied to China dragon', *Far Eastern Economic Review*, September 6, 2001, p. 29.
- 32 David Murphy and Maureen Pao, 'A place to call home', *Far Eastern Economic Review*, July 5, 2001, p. 56.
- 33 This advisory panel included businesspeople, scholars, lawmakers, officials and labor representatives. See Clay Chandler, 'China rejects Taiwan call on trade', *The Washington Post*, August 30, 2001, p. E01, and Chandler, 'Taiwan looks to boost mainland trade', p. E01.
- 34 Reuters, 'Taiwan ends ban on direct investment in China', *International Herald Tribune*, August 1, 2002, p. 13.
- 35 Philip P. Pan, 'Political shift on Taiwan hurts China's unification push', *The Washington Post*, June 19, 2001, p. A.14.
- 36 *Renmin Ribao* [People's Daily], December 26, 2003, p. 1.
- 37 For comprehensive analysis on the rising nationalism in China and its impact on Chinese foreign policy, see Suisheg Zhao, [2004] *A Nation-State by Construction: Dynamics of Modern Chinese Nationalism*, Stanford, CA: Stanford University Press; and Peter Hays Gries (2004) *China's New Nationalism: Pride, Politics, and Diplomacy*, Berkeley, CA: University of California Press.
- 38 In this speech, Chen made a clear statement:
- ... [that] as long as the CCP regime has no intention to use military force against Taiwan, I pledge that during my term in office, I will not declare independence, I will not change the national title, I will not push forth the inclusion of the so-called 'state-to-state' description in the Constitution, and I will not promote a referendum to change the status quo in regard to the question of independence or unification.
- See Chen Shui-bian 'Taiwan stands up: toward the dawn of a rising era' Inaugural speech, May 20, 2000, reprinted in *Taiwan International Review* 6(1), (January–August 2000), p. 19.
- 39 For example, see 'Regional Briefing', *Far Eastern Economic Review*, January 18, 2001, p. 14.
- 40 *Renmin Ribao* [People's Daily], January 25, 2002, p. 1.
- 41 'China assails call for a Taiwan vote', *International Herald Tribune*, August 5, 2002, pp. 1 and 5.
- 42 'Tai dangju tuixing Taidu, zhineng poshi dalu dongwu' [The Taiwan independence pursued by the Taiwan authority will only force the mainland to use military force], *Wen Wei Po*, August 4, 2002, p. 1.
- 43 David Rudnick (2004) 'Business before politics', *The World Today*, 60(2) 22–3.
- 44 'Beijing warns Taiwan prior to inauguration', *Far Eastern Economic Review*, May 27, 2004, p. 26.
- 45 *Renmin Ribao* [People's Daily], July 10, 2004, p. 1.
- 46 Joseph Kahn, 'In US–China talks, a sharp and enduring focus on Taiwan', *The New York Times*, July 9, 2004.

- 47 *Qiaobao* [*The China Press*], July 15, 2004, p. A2.
- 48 Barry Wain, 'A David-and-Goliath tussle', *Far Eastern Economic Review*, August 5, 2004, pp. 20–1.
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