

# **Under the Shadow of a Rising Great Power**

**By Szu-yin Ho**

Paper prepared for Taiwan's Future in the Asian Century: Toward a Strong, Prosperous and Enduring Democracy Conference

American Enterprise Institute, Washington, DC

November 10, 2011

*Szu-yin Ho ([sho@nccu.edu.tw](mailto:sho@nccu.edu.tw)) is a professor of political science at National Chengchi University in Taipei, Taiwan. The author served in the Ma administration from 2008 to 2010. The views expressed in this article are solely those of the author's. The views do not necessarily reflect the views held by the administration.*

## **Introduction**

As studies of international diplomatic history have shown, the rise of a great power has always cast a long shadow over the international scene. China is now a rising great power. All of its Asian neighbors—from South Korea to the Association of Southeast Asian Nations (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam), from India to Australia, and even across the Pacific to the United States—must adjust their foreign policies to accommodate China’s rise. Taiwan is no exception, due to its status as *the* most important territorial and sovereignty issue for China. In this paper, I will briefly describe cross-Strait relations under Taiwan’s Ma administration, and then analyze Taiwan’s military and economic security. To conclude, I will add my own speculations on possible future developments across the Taiwan Strait.

## **Cross-Strait Relations**

Since 1949, after China’s Kuomintang Nationalist Party (KMT) lost the civil war to the Communist Party and retreated to Taiwan, the cross-Strait relationship has endured its share of ups and downs. In the early Cold War years, when China was firmly rooted in the Soviet camp and Taiwan in the American camp, there was one major armed conflict—the 1958 Quemoy Crisis—between China and Taiwan. Other than this conflict, cross-Strait relations in the mid-twentieth century remained tense, but always short of war. With China’s split from the Soviet Union-led communist bloc and the development of US-China diplomatic relations in the 1970s, the possibility of war between China and Taiwan decreased significantly. After China embarked on its Reform and Opening policy in 1978, geopolitical concerns gave way to a focus on economic development. This further enhanced stability across the Taiwan Strait.

When Taiwan started its democratization process in the late 1980s, cross-Strait relations became more complicated. Taiwan’s independence movement gained significant representation in the country’s electoral politics. Not to be outdone by this new political force, the ruling KMT elites (who were no longer dominated by Chinese mainlanders who moved to Taiwan with KMT leader Chiang Kai-shek in 1949) changed their China-based ideology to a “Taiwan identity.” This social ethos emphasized the “Taiwan-ness” rather than the “China-ness” of Taiwanese life, including culture, arts, music, and social and political systems. After President Lee Teng-hui’s

high-profile trip to the United States in 1995, China tested missiles in waters near Taiwan to warn against further “drifting away” by Taiwan and international (namely, American) support for the drift. When cross-Strait tensions peaked in the spring of 1996, the Clinton administration sent two aircraft carrier battle groups to the area. Nonetheless, Chinese missile tests lasted until the eve of Taiwan’s 1996 presidential election, the first ever by popular vote. China saw this election as bolstering Taiwan’s separatist tendency, while Taiwan regarded it as a symbol of Taiwanese sovereignty.

In the 2000 Taiwanese presidential election, the KMT, which had ruled Taiwan since 1949, lost to the Democratic Progressive Party (DPP), whose party platform strongly tilted toward Taiwan’s independence. DPP president Chen Shui-bien’s two terms (2000–2008) saw a further deterioration of cross-Strait relations. The Chen administration’s policies, which included changing the contents of high school history books and campaigning to join the United Nations under the name of Taiwan, were deemed by China as a march toward *de jure* independence for the island. In response, China accelerated its deployment of cruise missiles aimed at Taiwan and various antiaccess/area denial capabilities, clearly with future American military operations in mind.

KMT candidate Ma Ying-jeou prevailed in the 2008 presidential election, and has since been reelected in 2012. Since 2008, Ma has pursued a policy of rapprochement with China, which has been reciprocated in kind by China’s leadership in Beijing. Under the Ma administration, Taiwan has signed seventeen agreements with China on a wide range of issues that have greatly influenced Taiwan’s daily livelihood, including pacts on tourism, direct flights, direct shipping, judiciary cooperation (for example, extradition), financial cooperation, and food safety. Most importantly, in 2010, the two sides signed a free trade agreement called the Economic Cooperation Framework Agreement (ECFA).

China has also somewhat loosened its tight grip on Taiwan’s international space. For example, Taiwan can now participate in the World Health Assembly and can have higher-level representation in the Asia-Pacific Economic Cooperation (APEC) organization. Taiwan and China have enacted a tacit diplomatic truce that keeps either country from buying off the other

country's diplomatic allies to gain diplomatic recognition for itself. As a result, the percentage of Taiwanese citizens who feel that the Chinese government is unfriendly to Taiwan's government has dropped from 62 percent before President Ma's inauguration to 45.5 percent in November 2011.<sup>1</sup>

Furthermore, an annual survey of people in Beijing—who amongst the Chinese people are presumably the most sensitive to international relations—shows that in 2009, Taiwan was no longer China's top national security concern.<sup>2</sup> Before 2008, this annual survey consistently listed Taiwan as the highest national security concern for China. A search on China National Knowledge Infrastructure Database likewise shows that the frequency of criticism of Taiwan's independence in Chinese military and foreign policy publications also dropped significantly after 2008.

The Ma administration's security policy is based on three understandings of current international politics, highlighted in Ma's speech via teleconference to the Center for Strategic and International Studies on May 12, 2011. He alleged that compromise, not confrontation, should be the main mode of conflict resolution. Cross-Strait rapprochement should benefit both sides of the Taiwan Strait and the international community at large, he said.<sup>3</sup> The efforts made by the Ma administration to institutionalize this rapprochement align with Stephan Krasner's conception of international regimes, because they allow both sides to establish "implicit or explicit principles, norms, rules and decision-making procedures around which both sides' expectations can converge."<sup>4</sup>

Second, the norms embedded in today's international system allow for the survival of small states. This differs from the norms of Peloponnesian or early Westphalian international systems when "the strong [did] as they [could] and the weak [suffered] what they must."<sup>5</sup> To make good use of this international norm, Taiwan must be perceived by the international community as a "responsible stakeholder," and not a "troublemaker." Taiwan therefore needs to increase and revamp its foreign aid and to participate meaningfully in international activities when circumstances permit. These actions will increase Taiwan's moral weight (or soft power) in international politics.

Third, the United States is clearly the pivotal power in the US-China-Taiwan trilateral relationship.<sup>6</sup> Given that the United States has a national interest in maintaining good relations with China, Taiwan must dissolve any fear of “entrapment” in Washington (that is, America’s fear that it might be dragged into conflict with China because of Taiwan). Thus, Taiwan must show its resolve and capacity to defend itself, to conduct “no-surprise” diplomacy, and to preconsult with the United States on its major international moves.

Given Taiwanese and Chinese efforts as well as US encouragement of these efforts, the cross-Strait relationship has seen enormous improvements since 2008. Yet, the fundamental difference between Taiwan and China remains unsolved. For China, Taiwan’s separation from the motherland symbolizes the humiliation China suffered in its modern history, as Taiwan was ceded to Japan after the first Sino-Japanese War (1894–1895). Taiwan is the last missing piece in China’s unfinished pursuit of territorial integrity. A nominally independent Taiwan is a threat to the Chinese regime, as elites have staked their legitimacy, in part, on eventual unification. Should those elites somehow permit Taiwan to achieve *de jure* independence, the opposition to Taiwan’s independence that those leaders have fostered may prove their undoing.

Taiwan therefore remains a vital national security concern for China.<sup>7</sup> On the other hand, Taiwan has continued to develop its own, independent identity since it was ceded to Japan. Its ideology (first anticommunistic, then prodemocratic), political system, social ethos, and lifestyle are vastly different from those of China. The Taiwan identity, though comprised of strong elements of Chinese culture (for example, shared religion, language, and festivals), is a mix of democratic ideology, capitalism, a victim-oriented interpretation of its modern history, and a strong besieged mentality.

The two sides of the Taiwan Strait differ greatly in their approach to solving the sovereignty issue. Taiwan has maintained the status quo for quite some time, and it opposes reunification in the short term. This is well in accordance with public opinion in Taiwan—the majority of people prefer keeping the status quo.<sup>8</sup> The current Taiwanese government’s policy toward China is therefore oriented toward managing and maintaining the status quo. As President Ma has often

said, the two sides of the strait should not spend time arguing over sovereignty; rather, both sides should learn how to manage their differences.

Ma's operational formula is "mutual non-denial of the other side's governing authority," even though neither side can recognize the government on the other side of the Taiwan Strait.<sup>9</sup> For China, reunifying Taiwan with the mainland remains its ultimate goal, though China is otherwise conciliatory on a wide spectrum of issues. Therefore, China will not budge on its deployment of over one thousand cruise missiles aimed at Taiwan.<sup>10</sup> On the diplomatic front, China's opening of Taiwan's international space is designed such that it can be easily reversed should Taiwan resume its quest for independence.

The current rapport between Taiwan and China might be disrupted in the future. Taiwan has a presidential election every four years, and there is no guarantee that the Ma administration's policy will be followed by future administrations. China may get impatient with limited progress toward the "great unification enterprise." For example, Luo Yuan, a retired People's Liberation Army (PLA) major-general who is widely regarded as the spokesperson for the PLA's stance on political issues, has commented on China's progress since the beginning of the Ma administration:

Though we have released a lot of goodwill, the proportion of people in Taiwan who support reunification doesn't seem to rise, the proportion for Taiwan Independence doesn't seem to drop . . . maintaining permanent status quo is tantamount to peaceful secession . . . Ma's "No Unification, No Independence, No Use of Force" is the embodiment of peaceful secession. We haven't solved the fundamental conflict. We want peace, yet we will never forget war. The PLA has to take initiative.<sup>11</sup>

As China grows stronger—as it did after the 2008 global financial crisis—it may become overconfident. Therefore, a coercive threat to Taiwan is not totally unfathomable.

## **Military Security**

The Ma administration has repeatedly said that Taiwan must deter China from using force to change the status quo across the Taiwan Strait. The first component of Taiwan's deterrence strategy is to send loud and clear signals to China and the rest of the international community that the Ma administration will pursue neither Taiwan's independence nor its reunification. Taiwan wants to maintain its status quo—hence the administration's slogan, “No reunification, no independence, no use of force.” The “no independence” pillar is intended to avoid giving China any excuse to attack Taiwan.

The second component of Taiwan's deterrence strategy is to deny China any political gains that might come from attacking Taiwan. This component results from changing circumstances in the Taiwan Strait. First of all, America's relative decline vis-à-vis China has granted China greater weight in the US-China-Taiwan triangular relationship. Moreover, the military balance across the Taiwan Strait has tilted in favor of China for the past decade or so. Taiwan is essentially defenseless against Chinese cruise missiles, and it is losing air superiority.

For political and military reasons, Taiwan simply does not have the first-strike advantage; this advantage is important for a small power such as Taiwan to counteract a larger power such as China, even if Taiwan knows China is about to launch a military attack. Deterrence by denial functions by preventing China from physically occupying Taiwan, thus keeping China from achieving political goals associated with a rapid offensive attack. That is, China can wreak havoc on Taiwan's economy with cruise missiles, bombing, and other tactics, but Taiwan must demonstrate that such strikes will not bend its will, and that it will not let the PLA land on its soil.<sup>12</sup> The third component of Taiwan's deterrence strategy is diplomacy, meaning Taiwan must project itself as a “responsible stakeholder” in the international community in the hopes that international public opinion can constrain China's potential military action.

Successful execution of this deterrence strategy depends on a host of other variables ranging from how the United States would exert its role as a pivotal deterrent force in a cross-Strait crisis, to the resolve Taiwan may demonstrate when facing an attack from China, to force-to-space ratio, to the quality and quantity of armaments and personnel. It is difficult to evaluate these intangible

variables given that China has yet to show any aggressive intentions toward Taiwan. But one long-term, concrete factor that is of crucial importance to Taiwan's military security is its graying population. According to a research report conducted by the Council of Economic Planning and Development, Taiwan's current population is 23.2 million; but, in 2060, it will dwindle to 18.8 million. This means Taiwan's population growth rate would drop from positive 2 percent in 2010 to negative 11.6 percent in 2060.<sup>13</sup>

The working-age population in Taiwan (between fifteen and sixty-four years old) in 2010 accounted for 73.6 percent of the total population, but will account for only 49.2 percent in 2060. In terms of sheer numbers, the working-age population was 17 million in 2010 and will be only 9.8 million in 2060. This worsening demographic trend poses two problems for Taiwan's national security. For one thing, there will be a smaller and smaller pool of individuals upon which an all-volunteer military system can be based (the Ma administration is currently moving toward this system). Moreover, as the population grays, an increasing share of resources will by necessity be siphoned off to support welfare programs, while a shrinking population will have a dampening effect on economic growth. In effect, relatively fewer resources will be allocated to the military. Sooner or later, Taiwan will have to face a stark choice between butter and guns.<sup>14</sup>

### **Economic Security**

China is now Taiwan's largest trading partner, its largest destination of Taiwanese foreign investment, and its largest source of foreign reserves. With the signing of the ECFA in 2010, these trends are likely to continue. The immediate question regarding Taiwan's national security is whether China will leverage Taiwan's dependence on the mainland market to exact political concessions from Taiwan. Any analysis of this question must start with Albert O. Hirschman's political-economic bargaining model. In a classic study of economic and political bargaining power, Hirschman discovered that a strong state with a large market can bargain for political gains with a small state that relies on the strong state's domestic market (the trade-disruption hypothesis).<sup>15</sup> For example, he found that Eastern European states were subservient to Germany's political demands during the interwar years. Hirschman's model and examples are instinctively convincing. And, indeed, in the debates prior to the signing of the ECFA, the DPP's official line in opposing the ECFA followed Hirschman's style of reasoning.

A deeper probe into Hirschman's argument shows that his bargaining model is indeterminate. Theoretically, benefits of trade accrue to both sides of the trading relationship. If the strong side (for example, China) intends to threaten the trading relationship in order to exact further demands from the weaker side (for example, Taiwan), for the weaker side, this is tantamount to blackmail. The weaker side's response to this situation may be indeterminate. If the weaker side has something desirable to the stronger side, the stronger side may receive greater benefit from buying off the weaker side than from blackmailing it.<sup>16</sup> In Hirschman's examples, empirically, the Eastern European small states' concessions to Germany might not be the result of Germany's market-induced bargaining power, but the result of Germany's imposing military strength.

Furthermore, if Germany had been able to exact political concessions from its small neighbors, it might have successfully done so because of the trading blocs of the interwar international economy. Eastern European small states were forced to concentrate their trade within the Mark Bloc dominated by the German currency of that name, thus making them susceptible to German pressure. The trade pattern between Germany and small states in Eastern Europe was also made possible by the special banking account arrangements between Germany and its small trading partners that controlled the financing of trade flows.<sup>17</sup> Neither trading blocs nor special banking accounts exist in the current international economy, hence, China's economic interdependence-induced bargaining power over Taiwan may not be as strong as some observers suggest.

While the necessary conditions of Hirschman-style influence do not pertain today, this does not mean that China has no influence on Taiwan as a result of their trading relationship. The extent of China's influence is, in fact, indirect. Any trading relationship creates losers and winners in the economy of each trading partner, as the Stolper-Samuelson Theorem predicts. Those who benefit from trade presumably prefer a smoother (political) relationship with the trading partner, while those who suffer because of foreign trade may have different preferences. In the past, weaker states in asymmetrical trade relationships frequently had public debates about the worth of pursuing trade with stronger states, demonstrated in the dyads of the seventeenth-century: the Netherlands and England, Czechoslovakia and Germany during the interwar years, and Finland and Russia since the 1930s.

Put simply, the stronger state's influence on its smaller trading partner is not exerted through direct bargaining pressure, but indirectly through the political preferences of those benefitting from the trading relationship in the smaller country.<sup>18</sup> And as the experiences of former Soviet bloc countries in their trade relations with Russia suggest, the national interests of small states can be redefined accordingly.<sup>19</sup> Given the trade-to-gross-domestic-product ratio of Taiwan (about 142 percent), there is no dearth of people in Taiwan's electorate who aspire to a smooth relationship with China (but obviously not to the degree of reunification, according to all the polls). Moreover, increased trade interdependence (for the smaller state in a trading dyad, this means increased asymmetrical interdependence) gives the stronger side a mechanism through which it can signal its discontent on a bilateral issue at stake without fearing escalation of tensions and risking war.<sup>20</sup>

The Hirschman-type threat of disrupting trade for political purposes, if carried out, would be heavy handed. A more nuanced way to conduct economic statecraft is through economic sanctions on a selective basis. But the effectiveness of economic sanctions is a perennial subject of academic debates. A standard-bearer research project finds that economic sanctions fail more often than not in achieving the sanctioning country's stated political goals with regard to the country being sanctioned.<sup>21</sup> However, this conclusion has much to do with how "effectiveness" is conceptualized and measured. Sometimes, economic sanctions that might appear to have failed were actually quite successful in achieving some "unintended consequences" that would benefit the sanctioning country.<sup>22</sup>

A thorough study of possible Chinese economic sanctions against Taiwan demonstrates that the effectiveness of Chinese sanctions against Taiwan would depend on Taiwan's reaction to those sanctions.<sup>23</sup> Furthermore, the production networks between China and Taiwan would protect against economic sanctions on Taiwan because of the cost China may incur for its own economy. For example, in 2010, electric and electronic products (Chapter HS85 products) constituted almost 40 percent of Taiwan's total exports and nearly one fourth of China's exports. The production network of electric and electronic products between the two sides of the Taiwan Strait has been well-documented. Thus, a Chinese sanction against Taiwan's most competitive industry

in the global market will certainly hurt Taiwan most, but it is also likely to have deleterious boomerang effects on China's own economy.

Trade liberalization is important for Taiwan's security. Increased trade with other countries would make Taiwan's economy more important for these countries, thus helping make Taiwan less susceptible to Chinese economic coercion. Also, with Taiwan's trade competitors (South Korea in particular) signing free trade agreements (FTAs) in lieu of the stalled Doha-round talks, Taiwan is losing its competitive edge in some of its key export industries. Furthermore, since finishing negotiations for accession to the World Trade Organization in 2001, Taiwan has achieved very little in further liberalizing its international trade. In the past, this has partly been because of China's implicit pressure on third-party countries. But since Taiwan signed the ECFA with China in 2010, China has reduced its pressure on third-party countries in its attempt to conduct FTA negotiations with Taiwan. As a result, Singapore and New Zealand have announced their intentions to explore the possibility of negotiating FTAs with Taiwan.

The main obstacle to Taiwan having more FTA talks with other countries remains Taiwan's trade-related political infrastructure. More specifically, Taiwan's trade negotiators simply do not have the political backing needed to conclude trade talks. Whatever they promised at the trade negotiation table would be overturned by legislators who, like their counterparts in many other democracies, are more subservient to special interest groups than to national interests. Partisan politics in Taiwan's Legislative Yuan (LY) are particularly bitter—the opposition party's job is to oppose, or dispose of, whatever the executive branch has to propose.

On top of this is the tendency of individual legislators to micromanage administrative affairs. Not to be outdone by their counterparts in the LY, members of Taiwan's Control Yuan (Censurate) are sure to hold interpellation sessions to probe any possible administrative malfeasance by the trade negotiators should the negotiators make trade concessions. Foreseeing all these troubles, political appointees have not been willing to provide political support to their subordinates who now have to face pressure not only from foreign negotiators but from domestic flanks. Thus, in the past decade, Taiwan's trade negotiators' behavioral pattern has been to recite

official lines to foreign negotiators in any particular issue area that is under negotiation. They simply do not have any room to conduct give-and-take negotiations.

Unless there is some serious revamping of trade-related institutions, there will not be any FTAs for Taiwan (Taiwan's ECFA with China being the exception). Any institutional revamping should follow the model laid out in the US Reciprocal Trade Agreements Act passed by the US Congress in 1934. This act stipulates that before any major trade negotiation, the executive branch needs to seek authorization from Congress to conduct negotiations. Once a trade agreement is reached between the United States and foreign negotiators, it will be subject to an up-or-down vote in Congress.

Congress cannot make any changes to the trade agreement. This process at least assures foreign governments that American trade negotiators are serious in giving and taking. Otherwise, foreign governments would have no incentive to negotiate in the first place. The Reciprocal Tariff Agreement Act (RTAA) changed the power dynamics in trade issues by forcing Congress to pass a collective judgement based on national interest considerations, rather than on individual legislators' propensity for micromanagement. The RTAA has since served as the political foundation for America's future trade liberalization.<sup>24</sup> It is clear that Taiwan will need to have a similar arrangement for its international trade negotiation.

If unable to ratify FTAs, the Taiwanese government should instead finance exporters. Since exports can incur some high risks, government financing to exporters can socialize the risks. For most trading states, export financing is provided through export-import banks. The export-import banks' capital comes from country treasuries. But Taiwan's Export-Import Bank of the ROC is run as a regular bank, as regulated by the country's Ministry of Finance. The Export-Import Bank has to avoid risks itself; that is, it does not have the function of socializing risks for exporters, and hence is not very useful in promoting trade. In comparison, the outstanding loan volume of South Korea's Export-Import Bank is twenty times that of the Export-Import Bank of the ROC, although Korea's merchandise export value is only 1.8 times that of Taiwan.

It should be noted that, realistically, no amount of trade liberalization through FTAs or government exports financing can make a significant dent in Taiwan's reliance on the Chinese mainland market, which together with Hong Kong accounted for about 42 percent of Taiwan's total exports market in 2010. Trade, after all, is a function of geography. It should be emphasized that the value of FTAs and sound government financing for exports is to enhance Taiwan's position in East Asian production networks, making Taiwan more valuable to its trading partners, including China.

### **Conclusion: A Few Speculations**

I want to make two speculations about factors that might have tremendous implications for Taiwan's security, both of which are "institutional" factors that allow for some rough guesswork. First, Taiwan is a democracy that holds periodic presidential and legislative elections. Future administrations might not agree with the grand strategy chosen by the current administration, hence changing the political premises the Ma administration relies upon to shore up Taiwan's security. More specifically, how would China react if a future Taiwanese administration were to deny the 1992 Consensus—the very device the Ma administration and Beijing use to paper over their differences on China's One-China Principle— so that both sides can proceed with rapprochement? My conjecture is that China would develop a tit-for-tat strategy rather than look the other way. That is, if Taiwan makes the first move to deviate from the consensus, China will respond with a retaliatory move.

For example, in its 2012 presidential campaign, the DPP made it clear that once in power, it will not recognize the 1992 Consensus. This prompted Wang Yi, head of the Taiwan Affairs Office of China's State Council, to state that "if the foundation of cross-Strait rapprochement is emptied out, then the fruits enjoyed so far by both sides of the Strait may no longer be there."<sup>25</sup> There are two reasons for this. First of all, the denial of the "1992 Consensus" by a future Taiwanese administration would be regarded by China as a failure of its current rapprochement policy toward Taiwan. Under these circumstances, China would have difficulty letting the Taiwanese administration pursue this policy. Furthermore, a relaxed response to the denial of the 1992 Consensus could lead to Taiwan's distancing itself further from the One China Principle. A tit-for-tat strategy by China could easily elicit a tit-for-tat response from Taiwan. Cross-Strait

relations could therefore revert back to the state of tension we observed from the mid–1990s through 2008. Added to this is the unknown quality of China’s new leadership, set to assume power in 2012–2013. How the attitude of this generation of leaders toward Taiwan will interact with the PLA’s views and with the situation in Taiwan is an open question.

The second factor that might derail Taiwan’s security is the rise of grass-roots nationalism in China and its impact on Chinese foreign policy. Though China has yet to conduct concrete diversionary behavior in international politics—stoking external conflict to divert attention from domestic problems—the impact on China’s nationalistic foreign policy is not to be ignored.<sup>26</sup> Many observers believe that China’s nationalism was at least partially responsible for its assertive diplomacy in 2009–2010.<sup>27</sup> In the long run, one could expect nationalism to be more active in China.

As research by Mansfield and Snyder shows, when a country begins democratizing its political system, nationalism—and aggressive foreign policy—start to become staple characteristics of that country.<sup>28</sup> This is because in the face of new political forces that compete with the weakened old elite for the power to run government, both the old elite and new political forces embrace nationalism as a rallying cry for political support. As China’s economy and society continue to develop, its one-party authoritarian political system is coming under strain and will have to adjust to new realities. In the long run, increased democratization of China’s political system is not totally unimaginable. Indeed, we have already seen rising nationalism dovetail with economic and social changes in China. Whether and when China’s rising nationalism will direct its ire toward Taiwan is a topic to which we need to pay close attention.

## Notes

---

<sup>1</sup> “Public Views on Current Cross-Strait Relations,” Routine Opinion Polls, Mainland Affairs Council, Republic of China, [www.mac.gov.tw/public/Attachment/112299261153.pdf](http://www.mac.gov.tw/public/Attachment/112299261153.pdf) (accessed August 2012).

<sup>2</sup> Iain Johnston, Personal Correspondence (Department of Government, Harvard University, 2009).

<sup>3</sup> Ying-jeou Ma, “Building National Security for the Republic of China” (speech by video conference, Center for

<sup>3</sup> Ying-jeou Ma, “Building National Security for the Republic of China” (speech by video conference, Center for Strategic and International Studies, Washington, DC, May 12, 2011, <http://english.president.gov.tw/Default.aspx?tabid=491&itemid=24284&rmid=2355>).

<sup>4</sup> Stephen D. Krasner, “Structural Causes and Regime Consequences,” in *International Regime*, ed. Stephen D. Krasner (Ithaca, NY: Cornell University Press, 1983): 1–22.

<sup>5</sup> Robert B. Strassler and Victor Davis Hanson, *The Landmark Thucydides* (Revised Edition, Free Press: 2008).

- 
- <sup>6</sup> Timothy W. Crawford, *Pivotal Deterrence* (Ithaca, NY: Cornell University Press, 2003): 169–201.
- <sup>7</sup> Yong Deng, *China's Struggle for Status* (NY: Cambridge University Press, 2008): 245–69.
- <sup>8</sup> Admittedly, both the United States and China have their different definitions of what constitutes status quo in the Taiwan Strait.
- <sup>9</sup> “President Attends Symposium to Commemorate Professor Qiu Hongda,” (speech, Taipei, Taiwan, May 23, 2012), [www.president.gov.tw/Default.aspx?tabid=131&itemid=27249&rmid=514](http://www.president.gov.tw/Default.aspx?tabid=131&itemid=27249&rmid=514) (accessed September 21, 2012).
- <sup>10</sup> China says its deployment of cruise missiles aimed at Taiwan is for deterrence against the Taiwan independence movement, meaning it is defensive in nature. Yet, Taiwan feels very threatened. Taiwan therefore needs to purchase advanced weapons for self defense. China feels that the weapons would give Taiwan confidence to move toward independence, which is a national security threat to China; hence, defensive weapons in Taiwan’s hands could serve offensive purpose. Objectively speaking, since Taiwan has neither the capability nor the intention to attack China, China should not be caught in this security dilemma. But as Robert Jervis, Richard Lebow, and Janice Stein show, the psychology of deterrence sometimes really can be nonsensical. See, for example, Robert Jervis, , Richard Ned Lebow, and Janice Stein, *Psychology and Deterrence* (Baltimore, MD: Johns Hopkins University Press, 1989), and Robert Jervis, “Cooperation Under the Security Dilemma,” *World Politics* 30, no. 2 (January 1978): 167–214.
- <sup>11</sup> Yuan Luo, “Full Text of Speech by Major General Luo Yuan on the Taiwan Issue” (speech, Beijing, China, November 21, 2009), [http://news.backchina.com/printnews.php?tid=65532&c\\_lang=big5](http://news.backchina.com/printnews.php?tid=65532&c_lang=big5) (accessed June 6, 2012). Many Chinese academics closely associated with the PLA, the Chinese Ministry of Foreign Affairs, and the Chinese Ministry of National Security have also expressed the same impatience.
- <sup>12</sup> The argument here is essentially one about the efficacy of coercive airpower—can bombing alone bring the target country to its knees? While there are many different assessments, the North Atlantic Treaty Organization bombing campaign during the Kosovo War sheds some new light on this question. The other side of the argument is about Taiwan’s military preparedness—can Taiwan prevent an amphibious landing from China? See Daniel R. Lake, “The Limits of Coercive Airpower,” in *International Security* 34, no. 1 (Summer 2009): 83–112.
- <sup>13</sup> “Taiwan Population Forecast, 2010–2060,” Council for Economic Planning and Development, Executive Yuan, Republic of China, 2011.
- <sup>14</sup> It should be noted that many countries face this problem. But Taiwan’s problem is particularly severe, as it has one of the lowest birth rates in the world. And the threat it faces is more acute than those in most other countries. For general information about this problem, see Neil Howe and Richard Jackson, eds., *The Graying of the Great Powers* (Washington, DC: Center for Strategic and International Studies, 2008).
- <sup>15</sup> Albert O. Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley, CA: University of California Press, 1980).
- <sup>16</sup> Harrison R. Wager, “Economic Interdependence, Bargaining Power, and Political Influence,” *International Organization* 42, no. 3 (1988): 461–83.
- <sup>17</sup> Jonathan Kirshner, *Currency and Coercion* (Princeton, NJ: Princeton University Press, 1997).
- <sup>18</sup> A relevant work is Ronald Rogowski, *Commerce and Coalition* (Princeton, NJ: Princeton University Press, 1990).
- <sup>19</sup> Rawi Abdelal, *National Purposes in the World Economy* (Ithaca, NY: Cornell University Press, 2005).
- <sup>20</sup> James D. Morrow, “Assessing the Role of Trade as a Source of Costly Signals,” in Edward D. Mansfield and Brian Pollins, eds., *Economic Interdependence and International Conflict* (Ann Arbor, MI: University of Michigan Press, 2003): 89–95.
- <sup>21</sup> Clyde Hufbauer, Jeffrey J. Schott, and Kimberly Ann Elliott, *Economic Sanctions Reconsidered* (Washington, DC: Peterson Institute for International Economics, 2009).
- <sup>22</sup> David A. Baldwin, *Economic Statecraft* (Princeton, NJ: Princeton University Press, 1985).
- <sup>23</sup> Murray Scot Tanner, *Chinese Economic Coercion against Taiwan: A Tricky Weapon to Use* (Santa Monica, CA: Rand Publishing, 2007).
- <sup>24</sup> Stephan Haggard, “The Institutional Foundations of the Hegemony: Explaining the Reciprocal Trade Agreements Act of 1934,” *International Organization* 42, no. 1 (Winter 1985): 91–119.
- <sup>25</sup> Wang Yi, Opening Remarks (Taiwan Week Festival, Chongqing City, China, November 17, 2011).
- <sup>26</sup> Iain Johnston, *Social States: China in International Institutions, 1980–2000* (Princeton, NJ: Princeton University Press, 2007).
- <sup>27</sup> Michael D. Swaine and Taylor Fravel, “China’s Assertive Behavior—Part Two: The Maritime Periphery,” in *China Leadership Monitor*, no. 35 (2011), [www.hoover.org/publications/china-leadership-monitor](http://www.hoover.org/publications/china-leadership-monitor) (accessed June 6, 2012).
- <sup>28</sup> Edward D. Mansfield and Jack Snyder, *Electing to Fight: Why Emerging Democracies Go To War* (Cambridge, MA: MIT Press, 2005).