Tracking China's Security Relations: Causes for Optimism and Pessimism

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This essay offers an analytical framework and a set of assumptions for assessing China's security policies and reviews important trends in China's security relations. The analytical approach should help us know what to look for when observing key events ahead. These include: Taiwan's 2001 Legislative Yuan elections; economic developments in cross-Straits relations; arms acquisitions and military exercises on the mainland and in Taiwan; Chinese and American diplomatic overtures in Northeast Asia, Southeast Asia, and South Asia; and the 2002 Chinese Communist Party congress.

Creating an Analytical Framework: Five Assumptions Regarding Chinese Security Policy

The analytical framework proceeds from five general working assumptions. If they are wrong, then the analysis that flows from them will be flawed. But it is better to recognize those assumptions explicitly than to bury them deeply under a pile of facts.

First Assumption: *Beijing's security strategy has as much to do with maintaining regime stability as it does with an effort to increase national power*. This is not merely the critical view of an outsider. Interlocutors in Beijing often discuss the need for the Chinese Communist Party as a whole and for individual party leaders to protect their reputation as defenders of China's national honor so as to maintain domestic stability in China. Moreover, the PLA has always been first and foremost a party army, not a national army.

Second Assumption: F*ew influential members of the CCP elite are likely to see simple remedies to the complex domestic and international security problems the Party faces. Policy differences at the center therefore likely form around sincere intellectual differences of opinion on how best to proceed to attain commonly held goals, and not always along clearly delineated factional lines. Even in the absence of clearly differentiated factions, consensus among top leaders will be difficult to reach on controversial or risky policy decisions.* In an era when traditional communist ideology has little or no currency, the party can ill afford to damage its nationalist reputation. At the same time, political stability is largely founded on economic performance, an asset increasingly dependent on good relations with trade partners and investors in Taiwan, Japan, and the United States. Because there are often no easy solutions to the tradeoffs between these two goals, we might, at times, witness alleged doves advocating hawkish policies and vice versa. Unfortunately, there are few pacifists in Beijing on questions such as Taiwan, and there are apparently none in the elite circles of the PRC. On the other hand, one rarely hears expressions of eagerness for armed conflict either, as there is widespread recognition that any operation against Taiwan would carry military, economic, and political risks.

Third Assumption: *If there is going to be a large-scale war involving the United States in East Asia in the next ten years, it most likely will be a war with China and it will most likely begin with a Chinese military campaign against Taiwan.*

Fourth Assumption: *Beijing likely will have initiated that war for reasons that CCP elites believe are ultimately defensive in character, not expansionist, given domestic and international political trends at the time.* Outside observers need not agree with Beijing's moral and political justifications, but it is critical to recognize and understand Beijing's own motivations in order to understand the forces for war and peace. It is essential, then, not only to track objective balances of power and the actual likelihood of precipitous diplomatic events like a Taiwan declaration of independence, but also the subjective perceptions of CCP elites about current and future military and political trends in the region and the relative importance of defending the CCP's domestic reputation as defender of China's national pride and power. By understanding the CCP's domestic political challenges and how foreign security relations affect them, and by tracking Chinese elite perceptions of those long-term trends, we will be in a better position to judge whether Beijing will exhibit patience or impatience in its security policy at any give time.

Fifth Assumption: *The PRC need not have the upper hand militarily in order to use force, nor does it necessarily have to be prodded by some crystal-clear diplomatic provocation, such as a Taiwanese declaration of legal independence, in order to open fire.* If PRC history is any guide, force will be used to coerce enemies rather than to dominate them and to alter long-term trends that Beijing elites believe are working against China's interests. In PRC history, force has most frequently been used by Beijing to slow, halt, or reverse trends in China's security environment that Beijing elites have viewed as detrimental to longer-term security. Such considerations motivated China's use of force in 1954-55 (Taiwan Strait), 1962 (India), 1969 (Soviet Union), 1979 (Vietnam), and 1995-96 (Taiwan Strait).

Taiwan, Chinese Nationalism, and Regime Stability

Chinese nationalists of all stripes seem to believe that Taiwan is part of the Chinese motherland. But the Chinese Communists' nationalist sensibilities are particularly acute because of the basic legitimacy crisis that naturally faces a single-party communist regime that rules over an increasingly complex capitalist society of its own making.[1] It is probably an exaggeration to say that nationalism is on the rise in China. But it is not an exaggeration to say that PRC nationalism has been stripped of much of its ideological clothing regarding Third World solidarity and proletarian internationalism and is left in a more raw ethnic and territorial form than ever before. Moreover, protecting its nationalist reputation is more important to the CCP as its traditional Marxist-Leninist ideological appeals fall on deaf ears, even among most party cadres.

Economic performance is the only other critical element to political stability. However, it is hard to consider appeals to it as an ideology in the proper sense of the term, and it is hard for a regime to rely exclusively on economic performance for legitimacy. Economic growth is almost certainly necessary,

but it is not likely sufficient to guarantee political stability in China. As Dr. Wang Yizhou of the prestigious Chinese Academy of Social Sciences puts it, to be successful, "[Chinese] leaders have to balance three main elements of domestic and foreign policy that may sometimes contradict each other---sovereignty, economic development, and accountability."[2]

The problem with nationalism is that it is a double-edged sword. Party leaders may use it instrumentally, as they did in the nationalistic displays following Beijing's July 2001 selection as the site for the 2008 Olympics.[3] But popular nationalism can also turn against the Party if the Party does not live up to its claim to be the defender of China's sovereignty and honor. In interviews, CCP elite figures are often surprisingly frank about how they could not tolerate humiliation by Taiwan "separatists" because of the popular backlash that might follow.[4] In June 2000, one CCP analyst explained how this backlash might take shape. He pointed out that a failure on Taiwan policy could provide the occasion for otherwise disparate opposition groups in China to link up and to join disgruntled nationalists in the Party.[5] Moreover, Chinese elite figures have long worried about the precedent of Taiwanese "splittism" for Xinjiang, Tibet, and other peripheral areas of the PRC.[6]

CCP nationalism on the Taiwan issue therefore is both sincere and tactical, and we should not underestimate Beijing's resolve in avoiding what it perceives to be a political defeat on the issue, even if China's economy and military might suffer great losses in the process of fighting. And this begs the question: under just what circumstances will Beijing leaders consider force to be warranted? Will Taiwan have to declare formal independence for force to be used? Or will the *casus belli* be at a much lower threshold—for example, a continuing refusal by Taipei to accept some version of a "one China" principle (according to which Taiwan is geographically part of a greater Chinese nation, however that nation is defined) and to return to cross-Straits negotiation regarding unification on that basis?

A common argument among the China-watching community is that only a Taiwan declaration of independence could lead to a mainland assault on Taiwan and only a mainland assault on Taiwan could conceivably lead to a Sino-American conflict. Proponents of this view point to several factors. One is China's military weakness and, in particular, its inability to invade Taiwan in a traditional D-Day style amphibious assault. Another is fear of American intervention to assist Taiwan. Finally, there is fear of severe damage to China's external economic relations with its three biggest economic partners--Taiwan, the United States, and Japan (whose markets probably absorb at least 40 percent of Chinese exports).[7] If one embraces this line of analysis, then conflict over Taiwan and conflict across the Pacific seem highly unlikely. Only a small minority of people on Taiwan would support taking the risks involved in a formal declaration of independence, even as the vast majority still reject unification under China's "one country, two systems" approach.[8]

However, Taiwan may not need to declare formal independence for there to be armed conflict. In what might prove to be a major policy document in the history of U.S.-China relations---the February 2000 Taiwan White Paper---Beijing created a new condition under which armed assault on Taiwan would be justified. Beijing had long reserved the option of force against Taiwan under the following conditions: a declaration of Taiwan independence; the development of nuclear weapons; or

the occupation of Taiwan by foreign powers. But the Taiwan White Paper added a new condition that would justify the use of force: if Taipei refused "indefinitely" (*wu xianqi*) to resume cross-Straits unification talks.[9] And Beijing has made it clear that resumption of talks requires an acceptance of some version of a "one China" principle on Taiwan's part. No deadline was placed on China's patience in what is now being called the "third if." Nevertheless, the White Paper creates a backdrop for the use of force under hypothetical conditions in which Taiwan has not declared independence, but in which Beijing elites perceive trends heading in that direction and China's coercive leverage over Taiwan weakening.

The White Paper also has moderating sections. It reiterates the claim since the early 1980s that Taiwan would be offered a "high degree of autonomy" under the concept of "one country, two systems." According to Beijing elites, Taiwan would be allowed to keep its political system, its economic independence, and even its military if it would simply accept that Taiwan was part of the broader Chinese nation and undertake reunification talks on that basis. [10] According to my mainland interlocutors, China's goal has been to return to the alleged consensus between Taiwanese and mainland representatives reached in 1992 in preparation for the talks held in Singapore in 1993. That consensus is summed up in the phrase, "One China, each with its own interpretation," (*Yige Zhongguo, gezi biaoshu*).[11]

The February 2000 Taiwan White Paper might be particularly worrisome precisely because it belies both moderation and impatience. Because Beijing elites offer what they believe to be conciliatory terms for cross-Strait rapprochement and express limited patience with existing trends in cross-Straits relations, they might conclude that some combination of economic and military coercion might be necessary to walk Taiwan back to the 1992 "consensus." Since Taiwan does not need to be moved very far politically to satisfy Beijing, CCP elites could conceivably convince themselves that the PLA might be able to succeed in its coercive mission without the ability to invade and occupy Taiwan, let alone defeat the United States military in a toe-to-toe war. Moreover, failure to gain such a "moderate" consensus would be dangerous, particularly if longer term trends in U.S. policy and Taiwan politics were viewed as reducing China's leverage on Taiwan.

Even if we were to accept such a pessimistic take on the Taiwan White Paper, war does not appear imminent in the next few years. The White Paper was commissioned and written during some of the worst months in both U.S.-China relations and in cross-Straits relations. It was produced in the months following the NATO bombing of the Chinese embassy in Belgrade in May 1999 and President Lee Teng-hui's "two state theory" proclamation to a German reporter in July of that year.[12] Moreover, the paper was published just weeks before the 2000 Taiwan presidential election, in which the traditionally pro-independence DPP candidate Chen Shui-bian would emerge victorious. Fortunately, as we will see below, since the drafting of the White Paper, Chinese elites seem more confident that cross-Strait relations can be settled peacefully than they were in early 2000. Moreover, on military grounds alone, few believe the PLA is prepared to attack Taiwan effectively, even in a sustained coercive campaign, let alone an invasion. But once Beijing has some additional coercive options, perhaps later in the decade, the key question may be: what factors will warrant patience or impatience in

Beijing?

I will argue that what will matter most are degrees of optimism or pessimism in Beijing about the prospects for eventual peaceful unification on Beijing's terms. To the degree that Beijing elites are optimistic that Taiwan will not move toward permanent independence from the mainland in the long term, Beijing is less likely to run the risks and pay the costs of using force. To the degree that Beijing elites believe that current trends will make Taiwan's eventual efforts at permanent separation from the mainland more likely and more costly to reverse, Beijing elites will be impatient and more likely to use force in the nearer term (here meaning in the second half of this decade). So, the key to understanding stability in the Taiwan Strait and across the Pacific is recognizing how Chinese elites view the following: the near-term development of the PLA's ability to coerce Taiwan militarily; trends in cross-Strait economic conditions; and trends toward unification or Taiwan separatism in Taiwan politics and society. The remainder of this essay tracks these three issues briefly for the past few years.

PRC Trend Analysis: From Pessimism to Cautious, Militarized Optimism

For economic and political reasons, Chinese elites appear much more sanguine now that cross-Straits relations might be resolved peacefully over time than they were in the first half of 2000. Moreover, the PLA is not yet prepared for an intense military campaign against Taiwan, particularly if, as seems increasingly likely to Americans and Chinese alike, the U.S. military were to come to Taiwan's assistance. So, appearances of patience may have as much to do with lack of near-term readiness as they do with sincere political optimism about the prospects for peaceful unification on PRC terms.[13] Finally, Beijing's securing of the Olympic Games for 2008 gives nationalist points for the regime without military posturing and further discourages the use of force in the years leading up to the games, which, for military and political reasons, might have been the most logical period for a PRC coercion campaign.

Early in 2000, PRC analysts appeared to believe that war over Taiwan was quite likely sometime in the future. There were several reasons for their pessimism. Although much attention has justifiably been paid to the Belgrade embassy bombing, for our purposes what was perhaps more important was the general Kosovo operation, of which the embassy bombing was a part. In Beijing's eyes, the Kosovo operation was a U.S.-led invasion of a sovereign country without U.N. backing, undertaken to help separatists fight that country's internationally recognized central government. In Beijing's view, this had clear implications for post-Cold War American attitudes toward not only Taiwan, but also Tibet and Xinjiang, where China has restive minority populations of its own.[14]

When mainland elites analyze the cross-Straits military situation, they consider the United States as far and away Taiwan's most important security asset. So, Beijing analysts study American military policy toward Taiwan with keen interest. Of great concern to Beijing observers in this regard were: the deployment of two aircraft carriers to the Taiwan area in March 1996; and the discussion in the United States of eventual inclusion of Taiwan in the upper-tier theater missile defense (TMD) systems being developed by the United States and Japan, among others, for deployment sometime late in this decade. Beijing's concern about the upper-tier approach to TMD focused on the potential transfer of Aegis-

equipped Arleigh-Burke destroyers to Taiwan, a likely future platform for the Navy Theater Wide (NTW) upper-tier system that the United States and Japan agreed to co-develop in 1998. The fear in Beijing regarding Taiwan's eventual inclusion in a future upper-tier system is as much political as it is military. Taiwan would be linked in peacetime to the American defense intelligence network, thereby re-creating a de facto, technological version of the U.S.-ROC Mutual Defense Treaty, which was negotiated away as part of the U.S.-PRC normalization agreement. Such an arrangement, CCP analysts fear, would make Taiwan "separatists" bolder in the future.[15]

Another trend relevant to future Taiwan scenarios that is watched closely in Beijing is the evolution of the U.S.-Japan alliance since the mid-1990s, when Assistant Secretary of Defense Joseph Nye pushed an initiative to clarify and expand Japan's role. The "Nye Initiative" included the review of the U.S.-Japan defense guidelines and the eventual 1997 revision of those Guidelines. It also included a successful push for Japan to participate in the development of upper-tier theater missile defenses. Given the history of Japanese intervention in Taiwan (the island was a Japanese colony from 1895-1945) and the more contemporary role of US bases in Japan for Taiwan scenarios, Chinese analysts appear worried about a more assertive Japan in the future, particularly one that might assist the United States near Taiwan in capacities such as theater missile defense. Coupled with the Clinton Administration's stated interest in developing a limited national missile defense, there were fears in Beijing that China might find it harder to coerce Taiwan and its supporters in the long-term future than it might in the medium-term future. This was particularly true since ballistic missiles remain China's most effective coercive weapon.[16]

Since President George W. Bush took office, much focus in the United States understandably has been placed on the EP-3 incident and Beijing's ham-fisted diplomatic handling of the affair. But in Beijing what has likely been more important are President Bush's arms sales decisions and his statements about the United States "doing whatever it takes" to help defend Taiwan. This likely appears to some to scrap "strategic ambiguity" in favor an unconditional commitment to Taiwan's security. But President Bush has reiterated the position that the United States does not support Taiwan independence as well. The arms sales decisions are similarly ambiguous. On the one hand, President Bush did not agree to transfer Aegis-equipped destroyers. On the other hand, the arms package was very large and included a commitment in principle to transfer diesel submarines, an item that had long been on Taiwan's procurement wish list but that Washington previously had rejected.[17] It also included blockade-breaking systems that arguably will be more important than Aegis to Taiwan's security, including mine-clearing assets and sub-hunting aircraft. For these reasons, it is possible that many in Chinese security studies circles share Prof. Yang Jiemian's view of the Bush Administration: it is too soon to tell if it will fundamentally alter U.S. China policy.[18] But vigorous U.S. pursuit of national missile defense (NMD) and U.S. efforts to strengthen existing alliances with Japan, South Korea, and Australia--and, perhaps, to build a new one with India--will likely worry China that it is being encircled, if not contained. That worry in turn carries implications for attitudes about Taiwan. Although it is common for Americans to discuss China's rise, many in China fear that China's security situation might be worse in 2020 than in 2010 because of technological initiatives and alliance-building efforts in Washington.[19]

China has been making a concerted effort to increase its military power, especially since the end of the 1980s. Although debates in the West have often focused on whether China is catching up with the United States or is gaining the ability to invade Taiwan, what may be more important is China's ability to coerce Taiwan militarily and, possibly, to delay or dissuade effective military responses by the United States and its allies. This is particularly true if the PRC's political goals in a conflict are not to occupy Taiwan, but rather are only to coerce Taiwan to accept the "one China" principle and return to negotiations under Beijing's version of the "1992 consensus."

With respect to PLA modernization, outside analysts disagree whether the official budget is one half, one third, or one fifth of the actual value of PRC defense expenditures. But it is hard to dispute that the recent PRC defense budget increases have been impressive. After increasing by 12 percent in 2000 in real terms, official defense spending will increase in 2001 by 18 percent, a rate that will double spending every four years. If this rate holds for the remaining four years of the Tenth Five Year Plan, then the PLA will enjoy a lot more resources than it has through most of the reform period, when Deng Xiaoping placed military strengthening last among the "four modernizations." Double-digit increases in nominal defense spending were common in the 1990s, but in the first half of that decade, especially, high levels of inflation offset much of their real value.[20]

Strategic writings in China--including one authoritative doctrinal textbook from the National Defense University--have focused on how China must learn to use asymmetric strategies to defeat unnamed stronger opponents rather than waiting until China has closed the gap with them. Military tactics discussed include attacks against military targets with accurate, conventionally tipped missiles, information warfare, and maritime blockade using submarines and mines. Also emphasized are active and passive defensive measures to reduce the costs of conflict to China and to increase the costs to an attacking enemy. The goal of these operations is often as much to break an enemy's will to fight as it is to defeat its military physically. Enemy resolve is assumed to be lower than China's when China is fighting over something like Taiwan, which it considers part of its own sovereign territory.[21]

Consistent with these themes, China seems to building at home and acquiring abroad weapons that will increase PRC coercive capacity. These include hundreds of increasingly accurate, short- and medium-range ballistic missiles, land attack cruise missiles, destroyers with supersonic anti-ship cruise missiles, advanced fighters, attack submarines with advanced torpedoes, and air-defense and anti-radiation missiles. Many of these weapons come from Russia, but China has also sought technologies in Europe and in Israel.[22]

Much attention has also been paid to the potential for an alliance between China and Russia and the recent signing of a "Treaty of Cooperation and Friendship." The depth of that relationship is easy to exaggerate, as is evident in its vague mutual security commitments.[23] But what might be more important is the settling of border disputes and securing of good relations with Russia and other former Soviet Republics (the so-called "Shanghai Five"). China is thereby freed up for greater attention to its Southeast. Moreover, it has acquired coercive tools from Russia that might have real utility in

circumscribed roles or, perhaps more important from a deterrence perspective, might appear to Chinese elites to have enough utility to warrant use even when they do not, with potentially disastrous escalatory consequences. It appears from public sources that China has increased the intensity and quality of its military exercises in preparation for Taiwan scenarios and that it is thinking more seriously about how to use some of its newer systems in actual combat.[24]

A key question is whether Chinese elites will become more confident and patient when they acquire and learn how to use certain new systems, or whether they will see them as a declining asset that must be used before the United States, Japan, and Taiwan acquire the means to counter them with ease. If the latter is the case, we should be concerned about the possibility of conflict in the second half of this decade, before Taiwan absorbs all of the systems transferred to it, before Japan becomes more assertive, and before systems like TMD and NMD are up and running in any effective form.

Cross-Strait Economic Relations: Reasons for Growing Optimism in Beijing

On the economic front, China seems much more confident in 2001 than it did over the previous two years. China's very brief slow-down in growth in the period following the 1997 Asian financial crisis has turned around, with official growth figures for this year at 8.1 percent, surpassing expectations.[25] Moreover, from April to June 2001, Taiwan's economy contracted 2.35 percent, and unemployment reached a record 4.92 percent. The economic downturn over the past year has weakened President Chen Shui-bian politically and has made Taiwan elites more conscious of their dependence on the mainland for the island's future economic well-being.[26]

In January 2001, foreign policy elites in Beijing reported that a common source of optimism for the peaceful resolution of cross-Straits relations was the increasing economic and social ties across the Taiwan Strait. (They also cited the related weakness of President Chen Shui-bian domestically and the more accommodating signals coming to Beijing from the two major opposition parties in Taiwan, the KMT and the People First Party (PFP)). Taiwan has become one of mainland China's most important trade and investment partners. According to some calculations, Taiwan has some $50-60 billion of investment on the mainland (and some say the total might be near twice this amount).[27] In the last two years alone, despite Lee Teng-hui's "two state theory" and the election of Chen Shui-bian from the traditionally pro-independence DPP, Taiwan has invested $10 billion on the mainland, making the mainland Taiwan's foremost new investment target. Meanwhile, cross-Strait trade reportedly surpassed $30 billion in 2000, making Taiwan China's sixth-largest trading partner. These figures are only expected to grow, especially after both sides join the WTO.[28] Finally, hundreds of thousands of Taiwan citizens have established residence in mainland cities such as Shanghai and Shenzhen. The PRC may exaggerate the leverage it has over Taiwan because of the growing economic dependence of the island, but there is little doubt that huge economic costs would be leveled against Taiwan if its investments were seized and its trade with the mainland and exports from mainland platforms were destroyed. One important question is whether such dependence only makes a formal declaration of independence less likely, which it almost certainly does, or whether it actually might lead Taipei to accept Beijing's demands regarding the "one China" principle and unification talks.

A factor that might reduce Beijing's leverage is that any conflict over Taiwan would harm China's economy badly because it would damage economic relations with Taiwan, Japan, and the United States. According to official Chinese statistics, those three actors account for more than 40 percent of China's total trade and nearly a quarter of its foreign direct investment. And those figures almost certainly grossly underestimate the reality, as Taiwanese businesses in particular have long had reason to mask economic relations with the mainland and Hong Kong's role as trade and finance entrepot complicates the measurement of economic exchange between the mainland and the United States and Japan.[29] But even the lower official figures are impressive when one considers that China's exports account for 23 percent of its official GDP and that 50 percent of the value of Chinese imports and exports are carried out by companies owned wholly or in part by foreign interests.[30] Conflict over Taiwan, then, could be devastating to the Chinese economy, regardless of whose numbers one believes.[31] Therefore, when dependence is mutual, China and Taiwan might find themselves in a dangerous game of chicken involving military and economic coercion with no obvious winner and, potentially, many losers emerging from any resulting struggle.

Beijing's Political Trend Analysis: Another Source of Growing Optimism

The first half of 2000 was also a very pessimistic period in mainland political analysis of Taiwan affairs. In July 1999, President Lee Teng-hui gave an interview with a German journalist, in which he described the situation across the Taiwan Strait as one of "special state-to-state relations." The statement was subsequently referred to as Lee's "two state theory" (*liangguo lun*). Making matters worse was the fact that Lee's new formula emerged in the tense period following the American bombing of the PRC's Belgrade embassy and just weeks before a scheduled renewal of high-level, cross-Straits talks, which were subsequently canceled by Beijing.

As Taiwan's presidential elections neared in March 2000, it appeared that the leader of the traditionally pro-independence DPP, Chen Shui-bian, had a chance of winning. Taiwan's citizens were warned publicly by Beijing of the severe danger of voting for the wrong candidate. Moreover, the messenger was none other than Zhu Rongji, a sweetheart of American China experts for his moderate, pro-reform leanings.[32] When Chen actually pulled through with a narrow victory in the election, Beijing was tense and buzzing with conspiracy theories about how President Lee had sabotaged his own party, the KMT, in order to secure victory for a pro-independence candidate.

But from the time of Chen Shui-bian's inaugural speech on May 24, 2000 to the present, Chinese security analysts have appeared increasingly optimistic about securing accommodation from Taipei over the longer term, if not from Chen, then from his successors. In his inaugural speech, Chen promised not to pursue independence either directly or through a referendum during his first term of office and not to use the term state-to-state theory.[33] In his New Year's speech this year, Chen failed to meet Beijing's demand to return to the 1992 consensus, but neither did he move toward independence. Instead he proposed step-by-step economic, cultural, and political "integration" across the Strait (Chen used the term "*tonghe*," an unusual compound term). This triggered negative reactions

in Beijing because it seemed as if he was proposing something akin to European integration, a process being undertaken by existing, legally independent nations.[34] Beijing similarly dismissed as insufficient President Chen's proposal for the mini-three links, allowing for direct trade, postal, and communications links between the mainland and the ROC-held offshore islands of Quemoy and Matsu (traditionally part of Fujian province and the traditional notional link between ROC-controlled Taiwan and PRC-controlled mainland). While pessimism and mistrust toward President Chen as a person still abounds, however, Beijing elites seem to believe that he is penned in politically and can not pursue his pro-independence desires. In other words, although Chen has not complied with Beijing's demands, he has not strayed further in the direction of independence in his diplomacy.[35]

The economic factors discussed above and the political pressures that flow from them largely explain why, on August 26, President Chen's non-partisan Economic Development Advisory Commission recommended opening up direct trade and investment links with the mainland, going far beyond President Chen's earlier, more timid "mini-three links" policy. Chen accepted the recommendation. Whether or not Beijing will negotiate the opening of these direct links without Chen first uttering something in line with Beijing's "one China" principle is an open question at the time of this writing. But the move by Taipei is indeed significant and, if put into practice, could only serve to magnify the already impressive degree of Taiwan's economic dependence on the mainland.[36]

PRC Taiwan-watchers have taken great comfort in the low levels of popularity enjoyed by Chen Shui-bian. Beijing may, in fact, be trying to avoid increasing Chen's popularity in the run-up to the December 2001 Legislative Yuan elections by offering Chen a cross-Straits breakthrough. In January 2001, a few interlocutors in Beijing suggested that China could wait out Chen's first term, which ends in 2004, and deal more productively with his successor.[37] The December interim elections were viewed as a good testing ground for Chen's longer term prospects.

It is too early to comment on the implications of former President Lee's creation of the Taiwan Solidarity Union (TSU). This constituted an all but formal break with the KMT and rather explicit support for President Chen's party, the DPP, in the upcoming Legislative Yuan elections. Other than confirming earlier conspiracy theories regarding a Chen-Lee axis, it is unclear how the creation of the TSU will ultimately affect Beijing's calculations. On the one hand, the union will likely weaken one opposition party, the KMT, by drawing votes and candidates away. But, on the other hand, it might also weaken Chen's own DPP if pro-independence forces are drawn away from it by TSU.[38]

The remaining dangers in Beijing analysts' minds are the long-term societal and educational trends on Taiwan if some cross-Strait accommodation is not reached in the interim. They point to Taiwan culture and history movements in the schools and in society, the removal of references to unification from public buildings, and the addition of the designation "Taiwan" to ROC passports. These issues may seem esoteric and unimportant, but they are not. They are at the center of any notion of peaceful unification, since that will require the willing acquiescence of Taiwan's citizenry.[39]

There is one other politically important trend worth noting. By winning its bid for the 2008

Olympics, Beijing has the potential to gain nationalist points from something peaceful. Moreover, any conflict over Taiwan prior to the games would spoil the Olympic spectacle. It would be naïve to consider the Olympics a panacea for all cross-Straits problems, but the games will fall conveniently in the middle of the period where conflict otherwise seems most likely, according to my analysis--the second half of this decade. By then, China may have acquired real coercive capabilities against Taiwan and its supporters. By then, Beijing might have grown increasingly impatient with Taiwan's intransigence on unification. By then, Beijing may also be concerned about an increasingly assertive Japan and the prospects that new technologies, such as missile defenses, will soon be deployed in the region. And by then, the CCP as a whole and individual leaders might be concerned about the domestic implications of failure to gain progress as they approach the Seventeenth Party Congress in 2007. While winning the bid to host the Olympics has made some Chinese writers more jingoistic, the CCP's desire to have a peaceful environment during the 2008 games may just play a role in canceling out some of those forces for conflict.[40] But we do not know.

Conclusion

While I have emphasized the dangers of excessive long-term pessimism in Beijing, excessive optimism in Beijing is also a major concern. Such optimism in Beijing might take the form of misperceptions and exaggerations about the likely effectiveness of the coercive military capabilities discussed above. Or it may involve inflated hopes that Taiwan's growing economic dependence on Taiwan will lead naturally to political accommodation across the Strait. All things being equal, military deterrence will play a major role in dissuading China from using force to coerce Taiwan. American and Taiwanese deployment of systems that can counter the coercive tools discussed above should be helpful in keeping the peace. The challenge is deterring in the nearer term while reassuring the mainland that military and alliance trends do not portend an increased likelihood of future independence for the island. Mainland pessimism about existing security trends could lead to conflicts to reverse those trends, even if China does not have the upper hand.

Excessive optimism about political and economic trends in Beijing about cross-Straits relations can also be dangerous, especially if it leads to overly confident and counterproductive diplomatic stands on the mainland and, ultimately, disappointment. In interviews, Beijing analysts are quick to give their own government credit for reining in Chen by providing irresistible economic opportunities to Taiwan businesses and for reaching out to the two main Taiwan opposition parties, the KMT and the People First Party, to help isolate Chen domestically. But if they discover that Chen survives politically or that his successors are not as accommodating as they had hoped, they might become dangerously frustrated about cross-Strait trends.

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[1] See Joseph Fewsmith's excellent contribution to this edition of the China Leadership

Monitor.

[2] Quoted in James Kynge, "China's Binding Ties," *Financial Times* Comment and Analysis, May 10, 2001.

[3] See "Martial Chinese," a letter to the editor of the *Far Eastern Economic Review*, August 23, 2001, p. 3. Also see John Tkacik, "Human Rights and Security Issues: Hurdles on China's Olympic Track to respectability," The Heritage Foundation Executive Memorandum, No. 764, August 10, 2001, p. 2.

[4]Interviews with foreign policy analysts and officials in Beijing in January 2000, June 2000, and January 2001.

[5]Interview, Chinese government analyst, June 2000.

[6]Interviews Chinese government analysts from 1993-2001. It is instructive that, during the recent Dongshan Island military exercises in China's southeast--clearly in preparation for Taiwan scenarios--the PLA held simultaneous exercises in Xinjiang province. This suggests that the PRC wants to prepare for uprisings in Xinjiang during operations against Taiwan. I am grateful to Harlan Jencks for raising this issue.

[7] The 40% figure comes from official PRC data. See the Ministry of Foreign Trade and Economic Cooperation report at www.moftec.gov.cn/tjsj/jcktj/zygb2000_01_12.html.

[8]For public polls conducted by various organizations over the past five years, visit the Mainland Affairs Council web site at http://www.mac.gov.tw/english/POS/890623/8906e_1.gif.

[9]Taiwan White Paper, February 2000, in *Beijing Review*, March 6, 2000, pp. 16-24.

[10]For Qian Qichen's most recent statements along these lines, see Jaremy Page, "China Details Taiwan Unification Offer" Reuters, Sep. 10, 2001.

[11]It is important to note that Chen Shui-bian has denied that there was a consensus in 1992, arguing instead that Taiwan and China should return to the "spirit" of 1992, which refers to the shelving of political differences to discuss practical matters such as economic and legal issues. President Chen is at odds with the two opposition parties in Taiwan on this issue. On August 28, the United States government representative in Taipei, AIT Director Raymond Burghardt sided with President Chen in the dispute. See William Foreman, "US Official Sides With Taiwan Leader," Associated Press, August 28, 2001.

[12]For transcript of President Lee Teng-hui's July 9, 1999 *Deutsche Welle* interview, see

http://www.taiwanheadlines.gov.tw/state/1.htm.

[13]In several discussions with members of the PRC's Taiwan policy elite in Beijing in January 2001, the "third if" was rarely raised by Chinese interlocutors in conversation. When it was raised by foreign experts, it was not rejected. But one did not sense in Beijing a great deal of impatience in the short term to gain concessions by Taipei. But interlocutors also consistently argued that the PRC needed to continue to prepare for military contingencies as it handled cross-Straits diplomacy and that its patience, ultimately, was limited.

[14]Author interviews with military officers, civilian government experts, and Western military attaches, spring 1999 and January 2000. For official analyses that link the Kosovo operation to American and Japanese containment strategies toward China through interference in China's internal affairs, see Gao Qiufu, ed., *Xiao Yan Weigan*: *Kesuowo Zhanzheng yu Shijie Geju* [The Kosovo War and the World Structure] (Beijing: Xinhua Publishers, July 1999) (internally circulated), esp. ch. 3.

[15]See Thomas J. Christensen, "Theater Missile defense and Taiwan's Security," *Orbis* 44, no. 1 (Winter 2000): 79-90.

[16]Thomas J. Christensen, "China, the U.S.-Japan Alliance, and the Security Dilemma in East Asia," *International Security* 23, no. 4 (Spring 1999): 49-80. In the guidelines, the vague geographic scope of the alliance and the call for clearer Japanese commitments to base access, logistic and rear area support, and mine-clearing operations all have implications for future Taiwan scenarios.

[17]Those sales may never occur because of the lack of appropriate production facilities in countries that would be willing to help in Taiwan's acquisition.

[18]Yang Jiemian, ""Current problems and Strategic Visions: Turning point in U.S.-China Relations," unpublished manuscript. The author, a leading scholar in a Shanghai government think-tank, is brother of the current PRC Ambassador to the United States.

[19]For a recent example, see Lu Qichang, "The New Military Strategy of the George W. Bush Administration" *Xiandai Guoji Guanxi* [Contemporary International Relations], May 2001, FBIS Document ID: CPP20010614000176

[20]See Chart 1, appended.

[21]The book on doctrine is Lt. General Wang Houqing, and Maj. General Zhang Xingye, eds. *Zhanyi Xue* [Military Campaign Studies] (Beijing: National Defense University Press, May 2000) (military circulation only). The book is available at Harvard's Fairbank Center library; for more detailed analysis of this book and other strategic writings in this vein, see Thomas J. Christensen, "Posing Problems without Catching Up: China's Rise and Challenges for U.S. Security Policy," *International*

Security 25, no. 4 (Spring 2001): 5-40; and Mark Stokes, *China's Strategic Modernization: Implications for the United States* (Carlisle Barracks: Strategic Studies Institute, US Army War College, 1999).

[22]See Chart 2, appended.

[23]For the July 24, 2001 treaty, see the PRC Foreign Ministry web site, at http://www.fmprc.gov.cn/eng/15722.html.

[24]"Long March to Modernisation," *Jane's Defence Weekly* 36, no. 2 (July 11, 2001).

[25] Peter Wonacott, "Economic Growth of 8.1% Beats Forecasts for the Quarter," *The Asian Wall Street Journal, Weekly Edition*, April 23-29, 2001, p. 2.

[26]Maureen Pao, "Taiwan: Tied to China's Dragon," *Far Eastern Economic Review*, September 6, 2001, pp. 28-29.

[27]The $50 billion dollar figure comes from Taiwan's Bank of China and is reported in John Tkacik, "Taiwan Dependence: Trade and Investment Dimensions of Cross-Strait Politics, in Julian Weiss, ed., *Tigers' Roar: Asia's Recovery and Its Impact* (New York, M.E. Sharpe, forthcoming). The higher figure comes from John Tkacik, "Taiwan's Majority Won't Stand for Unification with China," *China Brief*, August 7, 2001, at http://china.jamestown.org.

[28] Craig S. Smith, "Signs in China and Taiwan of Making Money, Not War," *New York Times*, May 15, 2001 (online). According to the *Asia Times*, the ratio of mainland investment of local businesses has increased to 36 percent in 2000 from around 31 percent the previous year. Among them, 17 percent have not yet been in the mainland for more than one year, showing that the number of new Taiwan investors in the mainland is indeed on the rise." *Asia Times*, May 29,2001

[29]Data available from the PRC Ministry of Foreign Trade and Economic Cooperation, at http://www.moftec.gov.cn/moftec_cn/tjsj/jcktj/zygb2000_01_12.html, and http://www.chinafdi.org.cn/english/O1/f/23/16.htm".

[30]"Enter the Dragon," p. 24.

[31]James Kynge, "China's Binding Ties," *Financial Times* Comment and Analysis, May 10, 2001.

[32]"Premier Zhu Don Corleone," *Washington Post* March, 16, 2000, p. A26.

[33]For President Chen's inaugural speech, see http://www.taipei.org/chen/chen0520htm

[34]Interviews with experts on cross-Straits relations, January 2001. For President Chen's New Year's Eve speech on December 31, 2000, see http://www.taipei.org/chen/chen891231.htm.

[35] Despite his pro-independence leanings, Chen was also described as a political "opportunist" (*jihuizhuyizhe*) in expert circles in Beijing in January 2001. The key, then, is to make sure that his major opportunities lie in accommodation, not independence.

[36]Tyler Marshall, "Taiwan Leaders Call for More trade with China," *Boston Globe*, August 27, 2001.

[37]Author interviews, January 2001.

[38] See Maureen Pao, "No Help At All." *Far Eastern Economic Revie*w, August 16, 2001, p. 21.

[39]In my January 2001 interviews, the Taiwan culture and identity movement was consistently listed as a major factor that made lack of progress on cross-Straits relations dangerous and that exposed the insincerity of DPP officials who appeared more accommodating than expected toward the mainland once in office.

[40]John Tkacik points out that on July 26, the PLA's newspaper, *Jiefangjun Bao*, stated that "the campaign to win the Olympics showed the world that there is now a brand new power that breaks through brambles and thorns and will not stop before reaching its goal," and that "no foreign power will be successful" in interfering in the Taiwan question. See his, "Human Rights and Security Issues: Hurdles on China's Olympic Track to Respectability," The Heritage Foundation, Executive Memorandum, No. 764, August 10, 2001.

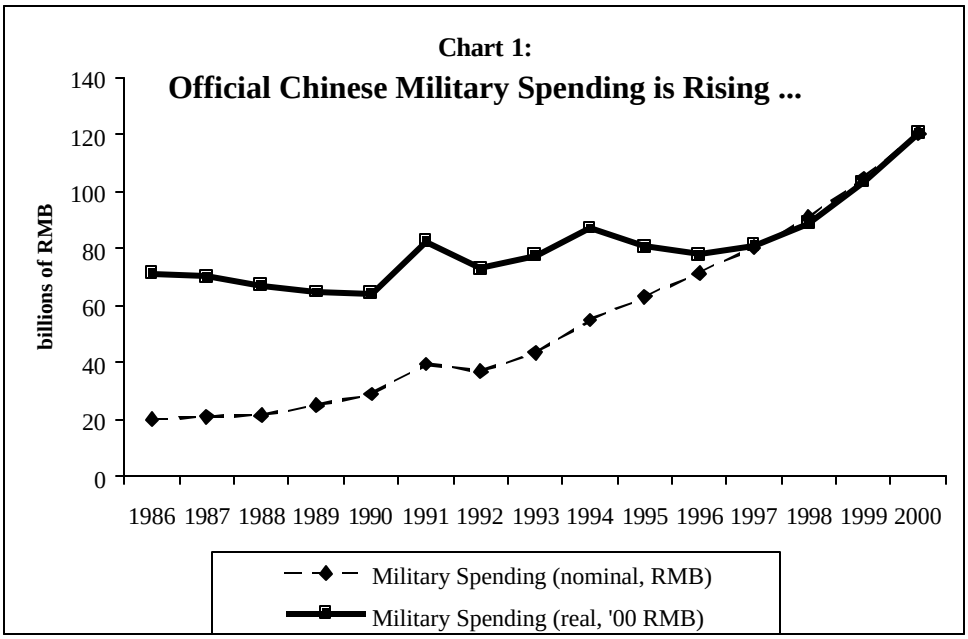

CHART 2: SELECTED RELEVANT MILITARY SYSTEMS FOR P.R.C COERCIVE STRATEGIES

P.R.C.	Taiwan
Ballistic and Cruise Missiles Offensive Systems 250-600 SRBMs (M-9 and M-11) Likely to grow by 50-100 per year 50-60 IRBMs (DF-21A) Likely to grow significantly Land Attack Cruise Missiles Will be acquired soon in unknown numbers	**Missile Defenses** **Anti Ballistic Systems** Lower Tier: A number of Patriot-variant BMD systems, likely to grow over next decade Upper Tier: ?? **Anti-Cruise Missile Systems** Kidd-class DDGs (SM-2 SAMs) Several Patriot systems
Air Force **Tactical Airpower** 60-90 Fourth-Generation fighters (SU-30, SU-27) Rapid increases possible, contingent on continued Russian support 312 Third-Generation fighters (J-8IIM, JH-7; in future J-10, FC-1) Could increase significantly if technologic and manufacturing problems are overcome **SAMs** ~20 SA-10 variant SAM systems (each w/ several launchers) Numerous indigenously produced systems **Force Multipliers** Perhaps 2-4 A-50E (Russian AWACS variant) in the future Significantly less capable than US/Israeli systems 3-4 Patrol/reconnaissance planes (TU-154M, Y-8) **May have some limited early warning capabilities**	**Air Force** **Tactical Airpower** 210 Fourth-Generation Fighters (F-16, Mirage-2000-5) 325 Third-Generation Fighters (IDF, F-5E) **Airbases** Sufficient runway space, but even more protection needed. **SAMs** Substantial numbers of tactical systems **Force Multipliers** 4 E-2C Hawkeye AWACS Capable of controlling 40 intercepts, monitoring 2000 targets, at range of 300+ nmi Up to 4 more may be purchased

P.R.C. Navy	**Taiwan Navy**
Surface Fleet 2 modern, balanced warships (Sovremenny) **Additional ships may be imported, pending Russian support** 60 other surface warfare ships with severe vulnerabilities to air and sub attacks	**Surface Fleet** 4 advanced destroyers (Kidd-class, scheduled for delivery) 21-22 other modern, balanced warships (Perry, La Fayette, Knox) 10 older warships (Improved Gearing)
Submarine Fleet 4 quality imports (Kilo, Improved Kilo) Likely to grow over course of decade with Russian cooperation 5 nuclear subs of questionable reliability (Han) May be supplemented by two newer subs in latter half of decade 18-19 noisy, functioning SSKs (Song, Ming) Dozens of questionably operable, backward SSKs (Romeo)	**Submarine Fleet** Tiny, might grow toward end of decade
Anti-ship Cruise Missiles Some advanced systems deployed More capable systems likely under development with Russian support	**Key ASW Assets** (other than surface fleet) Small number of modern airborne ASW systems Soon to be supplemented with 12 P-3 Orions
Mine Warfare Assets Some evidence of advanced mines A large inventory of backward mines	**Counter-Mine Capabilities** 4 relatively modern Minehunter ships Potentially an indigenous follow-on project as well. Modern Minesweeping helicopters, to be imported (MH-53E) 8 older Minesweeper ships

Sources: International Institute for Strategic Studies, *The Military Balance, 2000-2001* (New York: Oxford University Press, 2000); A.D. Baker III, *Combat Fleets of the World, 2000-2001: Their Ships, Aircraft, and Systems* (Annapolis, Maryland: Naval Institute Press, 2000); Paul Jackson, *et al*, eds., *Jane's All the World's Aircraft, 2000-2001* (Alexandria, VA.: Jane's Information Group, 2000); Tony Cullen and Christopher Foss, eds., *Jane's Land Based Air Defence, 2001-2002* (Alexandria, VA.: Jane's Information Group, 2001); Duncan Lennox, *Jane's Strategic Weapon Systems, 2001-2002* (Alexandria, VA.: Jane's Information Group, 2001); Mark A. Stokes, *China's Strategic Modernization: Implications for the United States* (Carlisle Barracks: Strategic Studies Institute, US Army War College, 1999); and various others.