

CHINA BALANCE SHEET

TAIWAN

The direction that China and U.S.-China relations take will define the world's future. For the United States, a rising China increasingly affects American prosperity and security, calling for some clear-eyed thinking and tough economic, political, and security choices. As the twenty-first century unfurls, the stakes have never been higher for getting U.S. policy toward China right. By untangling the complex, sometimes contradictory, strands of this vast and dynamic country, *China: The Balance Sheet* lays the foundation for informed and effective U.S. policy toward China, the world's emerging superpower.

BACKGROUND

- **Beijing views the Taiwan issue as an internal matter left over from the Chinese civil war**, when Chiang Kai-Shek's Republic of China government retreated to Taiwan and subsequently fell under the alliance protection of the United States.
- The Taiwan issue is linked to the legitimacy of Chinese Communist Party rule, with **the eventual return of Taiwan to the “motherland” deemed essential to China's self-identity and honor**.
- **China's official policy on Taiwan requires that Taipei accept the “One China” principle** as a precondition for reopening cross-Straits talks and “peaceful reunification” under the “One Country, Two Systems” formula.
- **Taiwan president Chen Shui-bian calls for dialogue without preconditions**, favors discussion of the meaning of “One China,” and insists that the 23 million people in Taiwan determine the island's future.
- China's tactics toward Taiwan are two-fold:
 - China seeks to cultivate closer economic, social, and cultural ties to win over the hearts and minds of Taiwan's people.
 - **The PRC continues to increase, upgrade, and modernize its military forces deployed opposite Taiwan:** Beijing claims this is meant to deter independence; others fear that China seeks to acquire the capability to coerce or take Taiwan by force sometime in the future. China's planning for a Taiwan scenario takes into account the possible intervention of the United States.

For further information, see Chapter 5:

“China's Foreign & Security Policy: Partner or Rival?”

China: The Balance Sheet: What the World Needs to Know Now about the Emerging Superpower

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- China views U.S. involvement with Taiwan, particularly its arms sales and defense ties with the island, as an encouragement to Taiwan's independence forces and a fundamental obstacle to unification.
 - The United States maintains its commitment to Taiwan's security under the Taiwan Relations Act (TRA).
 - **While the United States remains agnostic on the ultimate outcome of the dispute, it urges that any resolution be peaceful and noncoercive, and it opposes unilateral actions by either side to change the status quo.**

CURRENT SITUATION

- In March 2005 Beijing passed the "Anti-Secession Law," codifying both China's peaceful unification policy and its intention to employ "nonpeaceful means and other necessary measures" to prevent permanent separation.
- In line with its **"United Front" strategy of extending benefits to those who are viewed as (relative) allies while avoiding those with whom it disagrees**, Beijing has reached out to the Kuomintang/People's First Party opposition, while refusing to deal with the elected Democratic Progressive Party government.
- China's military development and political divisions in Taiwan constraining Taiwan's defense modernization are shifting the military balance in Beijing's favor.
- **Maintaining the status quo remains the Taiwan population's overall preference.**

IMPLICATIONS

- A change in the political landscape in Taiwan favoring independence, a perception that the United States is backing this position, or a **domestic regime legitimacy crisis could lead to a heightened sense of urgency in China that tougher action, even military force, is necessary to prevent Taiwan's separation from the mainland.**
- Rather than compel near-term unification, Beijing appears to be focusing on deterring independence, while postponing the task of reunification to the indefinite future.
- **The United States will need to continue to exercise a policy of "dual deterrence" across the Taiwan Strait**—encouraging decision makers in both Beijing and Taipei to remain patient, flexible, and constructive and to avoid provocative actions that work against an eventual peaceful resolution of the impasse.

Facts

- *China-Taiwan trade: \$107.8 billion (2006)*
- *China is now Taiwan's leading trade partner*
- *Taiwanese investment on the mainland: More than \$100 billion since 1978.*
- *Taiwanese living on the mainland: 1.5 million*
- *Cross-strait intermarriages: 250,000 (since 1992)*
- *More than 900 mobile short-range ballistic missiles (augmented by about 100 missiles each year); medium-range ballistic missiles; new long-range land-attack cruise missiles; and other advanced air and naval capabilities are being deployed by China across the Strait.*