

THE BROOKINGS INSTITUTION
CENTER FOR NORTHEAST ASIAN POLICY STUDIES

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Before

**THE U.S.-CHINA ECONOMIC AND SECURITY
REVIEW COMMISSION**

Hearing on

**CHINA'S MILITARY MODERNIZATION
AND THE CROSS-STRAIT BALANCE**

SEPTEMBER 15, 2005

Members of the Commission, thank you for the opportunity to testify today. I applaud you for addressing China's military modernization and the cross-Strait balance. It is central to peace in East Asia, the future of U.S.-PRC relations, and the well-being of the 23 million people of Taiwan.

My remarks today will draw on my nineteen years experience in the United States Government, where I served on the staff of the House International Relations Committee, as National Intelligence Officer for East Asia, and as chairman and managing director of the American Institute in Taiwan; and on a book of mine, *Untying the Knot: Making Peace in The Taiwan Strait*, which The Brookings Institution Press published this summer. I am going to focus on political issues since I know that my friends T.J. Cheng and Terry Cooke (who was also a colleague at AIT) will do an outstanding job on economics and no one is better than Eric McVadon on military issues.

Why are China and Taiwan at Odds?

It is critical, I believe, to understand why China and Taiwan are locked in a dispute that is so dangerous that it could lead to war in spite of the fact that economic interdependence between the two sides is growing. The two sides feel a profound vulnerability toward the other and the threat that it represents. Each takes steps to guard against that threat, only to trigger a hedging response from the other side. Thus Beijing and Taipei each add new systems to their respective arsenals to counter the acquisitions of the other. In the 1990s, the PRC acquired advanced fighter aircraft from Russia (the Sukhoi-27s and 30s) and Taiwan secured F-16s from the United States and Mirage 2000s from France. Over that same decade, Beijing bought Kilo-class submarines from Russia and Taiwan requested diesel-powered submarines from the United States. The PRC produced indigenously a growing force of short- and medium-range ballistic missiles and Taiwan sought to acquire missile defense capabilities – and received Patriot batteries – from the United States. In addition, the Taiwan armed forces worked to improve institutional ties with their American counterparts.

This state of affairs has a long history, of course, but the current impasse began in the early 1990s. This was a time when both the PRC and Taiwan sought to take advantage of the buyers' market in advanced weapons systems created by the collapse of the Soviet Union. Politically, there were growing conflicts over Taiwan's approach to the unification of China. Lee Teng-hui grew increasingly frustrated over the constraints of one country, two systems and Beijing's refusal to adjust its approach to the legal and political status of the ROC government. The PRC saw Lee's domestic policies and his effort to re-insert Taiwan into the international system as seriously threatening.

The conflict of the mid-1990s demonstrates that this is not the classic arms race, even though something like that has occurred. It is not a simple case where Beijing fears that Taipei's arms acquisitions makes it more vulnerable to attack. Instead, what Beijing dreads are Taiwan political initiatives to permanently separate the island from China, or, as they might put it, seizing Chinese national territory by fiat rather than force. Taiwan's military power and its de facto alliance with the

United States become relevant not because they are inherently threatening but because they are seen as useful in defending those political initiatives. It is, at a minimum, to deter those steps and to counter Taiwan's defensive military build-up that the People's Liberation Army acquires new capabilities. And it is supposedly to allay those fears that Beijing has asked Taipei to reaffirm the one-China principle.

It was these political vectors that created the crisis of 1995 and 1996, which at its core was a PRC coercive response to a series of political initiatives undertaken by Lee Teng-hui. Beijing was similarly alarmed in July 1999, when Lee Teng-hui declared that cross-strait relations were special state-to-state relations and in March 2000 when it became clear that Chen Shui-bian, whose party had the goal of independence in its charter, was about to win the Taiwan presidency. It ratcheted up pressure again in late 2003 and early 2004 when President Chen was proposing a new constitution through referendum, which Beijing regarded as the functional equivalent of independence. And in March 2005, China's National People's Congress passed the Anti-Secession Law.

In all these cases, the PRC suggested that it might use its growing military capabilities to deter what it saw – and I emphasize saw – as political trends it found threatening, if not to compel its preferred outcome (unification).

As I just suggested, the threat that Beijing saw was very much its own perception. In fact I believe it was a misperception. In fact, I believe that the PRC inflated Taipei's disagreement with its formula for unification into a fundamental challenge to its legitimacy and made the situation worse than it had to be.

The true issue in disagreement here, I believe, is the legal identity of the governing authority on Taiwan, specifically whether it possesses sovereignty. Discussion usually focuses on the issue of *whether* Taiwan is a part of China (that is, whether the state known as China owns the territory of Taiwan). The heart of the matter, however, is *how* Taiwan might be a part of China, or, to be more precise, whether the ROC government might be part of the Chinese state.

Ever since 1949, the PRC has asserted that the ROC ceased to exist and the "Taiwan authorities" are not a sovereign entity. On the island, in contrast, there is a broad consensus, from the PFP to the Taiwan Solidarity Union, that the government does possess sovereignty. To use the usual formulation, "the ROC (or Taiwan) is an independent sovereign state." All major forces on the island have consistently held that if unification is to occur, then the sovereign character of the Taipei government must be preserved within the context of that national union. Somehow, that government would be part of the state called China. Under the PRC's reunification formula of one country, two systems, however, Taiwan, like Hong Kong and Macau already, would possess autonomy or home rule but not sovereignty. The PRC government would remain the exclusive sovereign.

The legal identity of the governing authority on Taiwan pops up in many of the disputes of cross-strait relations, such as whether Chen Shui-bian should accept the one-

China principle in return for dialogue and how direct transportation links might be established. And it has rather profound implications. For if Taiwan were a sovereign entity in a unified China, it would obviously have a better deal than Hong Kong, and perhaps prompt a fundamental debate about the allocation of power in the Chinese system.

Although there are political unions composed of sovereign entities, to talk at this point about a Chinese confederation, for example, is somewhat hypothetical. What has not been hypothetical has been Beijing's response to Lee Teng-hui's and Chen Shui-bian's assertion that their government possessed sovereignty. It has regarded those claims as proof *ipso facto* that they were separatists. Beijing's misrepresentation of Taipei's position and its over-reaction to Taiwan's statements and actions taken on the basis of that position have made a difficult dispute more complicated.

China's Strategy towards Taiwan

China pursues a multi-faceted strategy towards Taiwan. Militarily, it is building up its capabilities to deter political initiatives that would challenge its fundamental interests and to reverse those initiatives should deterrence fail. Beijing is becoming more careful not to set precise red-lines because it cannot create an exhaustive list of the Taiwan political initiatives that would constitute such a challenge. Note, therefore, that article 8 of the Anti-Secession Law, which specifies the triggers for use of "non-peaceful means," is quite vague. That is actually worrisome, because Taiwan's leaders cannot be clear on what steps they should avoid.

Economically, it continues to maximize the interdependence between Taiwan and the mainland, and make China the destination of choice for investment, lower-end manufacturing, and alternative employment. And it is succeeding.

Diplomatically, China is tightening its quarantine around Taiwan in a variety of arenas. It contends with Taiwan for diplomatic partners. It resists Taiwan's efforts to enter international organizations and seeks to restrict its participation in those organizations where it has a role. It seeks to diminish Taiwan's positive reputation within the East Asian region, to make it appear the trouble-maker. With specific reference to the United States, it tries to get Washington to restrain the Chen administration from taking political initiatives that threaten its interests. President Bush's statement in December 2003 was one signal part of this campaign.

Politically, China seeks through united-front tactics to change the balance of political power and the complexion of political opinion on Taiwan and so reduce the likelihood that its leadership will take detrimental political initiatives. In this regard, it can use the advantage of the island's open system. (Note the asymmetrical nature of this situation; Taipei doesn't have the option of playing in Chinese politics).

Thus, Beijing has sought to capitalize on the business community's interest in better cross-Strait economic relations. It has aligned with the Kuomintang, People First

Party, and New Party, most recently through the visits of those parties' leaders to the mainland early this year. It has used the pro-unification media on the island to project its message. It seeks to win over economic groups that have been loyal to the ruling Democratic Progressive Party by offering special incentives (fruit-growers are a recent case in point). Drawing on another page on the united-front play-book, the PRC has also sought to isolate Taiwan's government and place the blame on it for all the difficulties that Taiwan is suffering.

Beijing uses these political tactics to reinforce its position on the sovereignty issue and vice versa. Take the issue of direct transportation links, which would benefit economic groups on Taiwan but on which there has been no progress for many years. For much of this time, the obstacle has been a disagreement over how to discuss bringing the links about. Beijing has given Taipei a choice: either it can accept the one-China principle, in which case direct links can be discussed by existing semi-official organizations; or Taipei private associations can hold the discussions. For some time, the Chen Shui-bian administration saw this as a lose-lose proposition. On the one hand, it feared accepting the one-China principle because how China defined it degraded the legal status of the government. On the other, to allow private associations have total responsibility for negotiations on matters that were governmental in scope was also improper. Beijing would de-legitimize Taipei either way, but to make no progress on transportation links would cause political damage at home. In recent years, Taipei has actually sought to split the difference, by accepting talks on transportation links under the aegis of private associations as long as the responsible officials conducted the substantive discussions. Yet little progress has been made and some suspect that Beijing does not wish to facilitate an achievement by a DPP government.

The Limitations of Beijing's Policy

Shaping political attitudes on Taiwan is not a new approach on Beijing's part. Indeed, it has been part of its policy ever since 1979 when its objective changed from "liberation" to "peaceful unification." The premise, unsurprising for Marxists, is that growing economic ties between the mainland and the island would lead to political reconciliation. As the PRC's understanding of Taiwan's politics has grown, so has the sophistication of its policy. To fine tune the point, the PRC's approach to the second Chen administration is basically the same as the one it pursued towards the first Chen administration.

It does not necessarily follow, however, that China's strategy will succeed, that economics will trump politics, and that Taiwan will eventually drop, like a ripened fruit, into its lap. There are several reasons why that is not the case and why stalemate and paralysis rather than linear progression are more likely.

First of all, it is not certain that Taiwan's opposition forces will re-gain power and shift policy in a direction that is more favorable to China. It is true that Ma Ying-jeou, the telegenic mayor of Taipei, has become chairman of the Kuomintang (Nationalist Party, KMT), the leading opposition party. Barring some unforeseen development, he will be

the opposition's candidate in the 2008 election. Yet Mayor Ma still has some work to do in consolidating the so-called "Blue" forces. For there are many Taiwanese within the KMT who worry about his mainland origins and, more broadly, about the more pro-China direction of the opposition. If this Taiwanese wing of the KMT should split, then the Blue opposition cannot win the presidency in 2008 (and may not retain control of the legislature either).

Second, I have never made the mistake of selling short the DPP when it comes to election campaigns. This is not to minimize the vulnerabilities that the DPP candidate will take into the next election. But even if Mayor Ma is able to reassure Taiwanese within the KMT, he is not assured of victory. China has over-estimated the KMT's chances in the last two elections. It should not do so this time and nor should we.

Third, both China and the opposition parties in Taiwan are handicapped by the Taiwanese memories of harsh KMT rule from 1945 to 1990. Those memories place limits on what a Blue government or China might achieve in re-shaping cross-Strait relations. KMT repression created a strong Taiwan identity and a fear of outsiders that has become an important factor in the politics on the island today. Those with the strongest Taiwan identity regard opposition leaders who are friendly to Beijing as traitors and fear the Chinese Communists as the new outsiders who intend to enslave the Taiwanese. These views may have no basis in fact but they have political consequences. To take only one small example in the news, the US-Taiwan Business Council recently predicted the Taiwanese reaction to the engagement between China and Taiwan's opposition leaders will complicate liberalization of mainland investment by Taiwan semi-conductor firms.

Fourth, even if a Blue government were to take power, I doubt whether there would be a significant accommodation of China. Recall that a core substantive issue dividing the two sides is the legal identity of the Republic of China government, whether it is a state. There happens to be a broad consensus on Taiwan that the ROC is a state, including in the Blue parties. Ma Ying-jeou is a lawyer and he understands all the ramifications of that principle. So if he were to become president, the tone of cross-Strait relations might improve but the substance would not. Taiwan's position and China's are mutually contradictory.

Finally, even if the Blue parties took control of the Taiwan government, and even if they sought to accommodate Beijing substantively (contrary to my strong expectations), there are significant checks within the Taiwan political system. The legislative process requires some measure of consensus before bills are considered (as such, the Legislative Yuan is more like the United States Senate than the House of Representatives). Moreover, the fundamentals of cross-Strait relations would have to be addressed through constitutional amendments and here the hurdles are truly daunting: a quorum of three-quarters of the Legislative Yuan; a three-quarters majority of LY members present for passage; and then a popular referendum with a majority of *eligible* voters for passage. If there were ever proposals to reconcile with the mainland that required constitutional revision, a relatively small yet committed minority of Taiwanese would have to be convinced. This group can stop any constitutional change in its tracks.

Prospects

Consequently, in my view there are limits on any changes in the status quo through political means. Fundamental reconciliation between Taiwan and China seems unlikely because the substantive disagreements over sovereignty and security are rather intractable and, as I have explained, Taiwanese identity is an important factor. Complicating any effort at reconciliation is the heavy overhang of mistrust that exists between Beijing and Taipei. Each side not only watches the actions of the other and takes steps to deter the worst, but also assumes that the other will not keep its word should some substantively attractive formula emerge. Neither side has found a way out of substantive or process stalemates.

If reconciliation is unlikely, so is a unilateral political change in the status quo on Taiwan. Indeed, I think it is impossible for the foreseeable future. The daunting mathematics of constitutional revision that I discussed above concerning the Blue parties also frustrates any party contemplating Taiwan independence.

So the most likely scenario is for more of the same. If one's concern is Beijing's using united-front tactics and Taiwan's open system to wear down its resistance that should be some reassurance but it is not a reason for complacency. Taiwan needs to strengthen itself in a variety of ways if it is to cope with the complex and difficult choices it faces.

Economically, it must strengthen itself so that the island's companies and work force remain competitive in a globalized economy.

Militarily, Taiwan must strengthen itself in order to deter aggression and, should deterrence fail, to hold on until American support arrives (assuming we decide to provide support). As an aside, let me say, that if anyone is unilaterally changing the status quo it is Beijing with its systematic, dedicated military build-up.

Diplomatically, Taiwan must strengthen itself, which first and foremost means ensuring a solid relationship with the United States.

In terms of sovereignty, the Taiwan public must strengthen its understanding of the legal identity of the ROC government, where flexibility is possible on sovereignty and where it is not.

Politically, Taiwan desperately needs to strengthen its institutions and consolidate its democracy. The people of the island are not well served by the choices that political institutions make – or in many cases do not make – on their behalf. Obviously, this is very hard, because it affects the power of the very people who must carry out the reforms, but much is at stake.

Building strength on these various dimensions will foster psychological strength and confidence. The last thing that Taiwan needs is to face a confident Beijing with a sense of weakness and insecurity.

The United States Role

What is the U.S. role in all of this?

Briefly, Washington's approach evolved in the 1990s from the traditional stance of strategic ambiguity to dual deterrence. Under dual deterrence, the United States warns Beijing not to use force against Taiwan but reassures it that we do not support what it fears, Taiwan independence. We warn Taipei not to take political initiatives that would provoke Beijing into using force, but we reassure it that we will not do what it fears, abandon the people of Taiwan. What we have today is more of a conditional commitment to each side. Ambiguities remain but it is more in the operationalization of the commitment. What exactly is the status quo that we don't want either side to unilaterally change, for example? Personally, I believe that the PRC's systematic, dedicated military build-up comes close.

By and large, however, I do not find fault with the Bush administration's current Taiwan policy. The danger in the current situation is Beijing or Taipei or both will somehow miscalculate and stumble into a war, not that they will make a deliberate decision to change the status quo and so create a war. The best answer to this situation is a resumption of communication between the leaders of the two sides, if only for crisis prevention and crisis management, if not to stabilize and even resolve the dispute. Beijing bears the onus for the absence of communication by setting preconditions for the resumption of communications. Understandably, it mistrusts President Chen's intentions and wishes some reassurance. Just as understandably, those feelings are reciprocated. The only way to address this overhang of mistrust is to start talking. The United States can encourage both sides, but especially Beijing, to do so, but that is about all it can do.

If communications do not exist between the leaders of the two sides, then the next best solution is for the United States to remain deeply involved in cross-Strait relations, in order to ensure that miscalculation does not occur. That, in effect, is what Washington has been doing for the last decade. It is not easy, but our stakes in peace and stability are high enough that we have no choice.