May 20, 2008, was a brilliant day in Taipei, Taiwan’s capital city. A cold front had blown away the clouds and pollution, and the sky was crystal clear. Fine weather was uncommon at that time of year in northern Taiwan, but it fit the political calendar well. For May 20 was the day that Ma Ying-jeou took office as the president of the Republic of China after winning a decisive victory in the election. His party, the Kuomintang (KMT), thus resumed control of Taiwan’s executive branch. Ma and the KMT promised to end the problems that had beset Taiwan during the eight years under his predecessor, Chen Shui-bian, leader of the Democratic Progressive Party (DPP). In particular, Ma promised a new path for Taiwan’s future. Concerning China, he would replace Chen’s edgy and sometimes provocative approach with reassurance and cooperation. That was, he believed, the best way to preserve the island’s prosperity, freedom, dignity, and security. The public seemed to believe that turning the political page offered hope for a new start.

China welcomed the KMT’s return to power as a “major and positive change” that created a hard-to-come-by “major opportunity.” It declared its expectation that negotiation channels, which had been largely suspended for the previous nine years, would reopen and expand the areas of cross-Strait cooperation. A senior official asserted: “The future of the peaceful development of cross-Strait relations is in the hands of the compatriots on both sides of the Strait. . . . We believe compatriots on the two sides of the Strait have enough wisdom and ability to jointly open up a new phase in the peaceful development of cross-Strait relations, and jointly herald in a prosperous and thriving tomorrow of the Chinese nation.”

Introduction
Introduction

The United States also was pleased with Ma’s ascension to power. The State Department spokesman congratulated Ma Ying-jeou on his inauguration and said that Washington looked forward “to working with Taiwan’s new leaders and maintaining the vibrancy” of the bilateral relationship. Most of all, the Bush administration welcomed Ma’s initiatives to reduce tension in the Taiwan Strait, believing that his election provided “a fresh opportunity for Taiwan and China to reach out and engage one another in peacefully resolving their differences.” Senator Barack Obama conveyed a letter of congratulations in which he said that Ma’s inauguration “holds promise for more peaceful and stable relations between the two sides of the Taiwan Straits, in no small measure because you have extended the hand of peace and cooperation to Beijing.”

That Beijing and Washington saw promise in Ma Ying-jeou was a function, in large part, of their attitude toward the Chen Shui-bian administration. The Beijing leadership had believed since the mid-1990s that trends on Taiwan were building momentum in favor of de jure independence for the island, negating its position (and the traditional position of the KMT) that the territory of Taiwan was a part of the state called China. The island’s democratization after 1986 had given Taiwan independence advocates a place in the political debate, and the DPP had made independence one of its goals. Chen Shui-bian and Lee Teng-hui, the KMT president who preceded him, had, in Beijing’s eyes, taken steps that reflected a covert separatist agenda. In response, the modernization of the People’s Liberation Army was accelerated, focusing in particular on Taiwan.

The PRC (People’s Republic of China) had worked even harder than before to constrain Taiwan’s participation in the international community. For its part, the United States had grown increasingly worried that political initiatives taken by Taiwan’s leaders might provoke a violent reaction from China. Even if those initiatives were not in fact designed to promote de jure independence, what mattered was how Beijing interpreted them and what actions it took in response. Washington feared also that should conflict erupt through miscalculation, it might have to intervene on Taiwan’s behalf against China, with which the United States shares economic and foreign policy interests. Now, the election of Ma Ying-jeou promised a change for the better. He had pledged that independence would not be an issue during his administration and offered other reassurances to both Beijing and Washington. The prospects of unwanted conflict declined.

In the wake of Ma’s inauguration, Taiwan and China moved quickly to end the stalemate between them, which had persisted for over a decade. The two governments agreed to resume semi-official negotiations on the basis of
something called the “1992 consensus.” They did so and quickly reached agreements to expand charter flights between the two sides of the Taiwan Strait (especially important for Taiwan business people working in China) and to increase the number of Mainland tourists coming to Taiwan. Those were followed over the next two years by agreements that established regular air transportation and opened direct sea transport and mail services as well as agreements on food safety, financial cooperation, Mainland investment in Taiwan, agricultural inspection, industrial standards, and fishing. Then, in June 2010, Beijing and Taipei signed the Economic Cooperation Framework Agreement (ECFA), which was the first step toward creating a free trade area, and an agreement on the protection of intellectual property.

A sample of news items during the week before and after May 20, 2010—the precise midpoint of Ma’s first term—gives some sense of the pace of activities. Delegations of PRC officials were regular visitors at the offices of Taiwan officials, businesses, and nongovernmental organizations (thereby also boosting hotel occupancy rates). In mid-May alone, a vice minister of agriculture, the governor of Fujian, the vice governor of Shandong, provincial secretaries from Shanxi and Sichuan, and the vice mayor of Nanjing were visiting the island. The Mainland delegations sought investment opportunities on Taiwan and concluded agreements to purchase agricultural and industrial goods, in part to foster goodwill among the island’s farmers, workers, and business people, while Taiwan officials promoted their particular agendas. Meanwhile, Chinese business executives were exploring the feasibility of investing in Taiwan banks and real estate, and Taiwan business executives actively explored new investment opportunities in China—in Fujian, Zhejiang, Jiangsu, and Hebei in the east, in Hubei in the center, and in Yunnan and Guizhou in the southwest. The two sides signed cooperation agreements at the provincial and municipal levels and between nongovernmental organizations. Taiwan entities held trade fairs in Chinese provinces. An association of Taiwan-owned companies in China, whose main purpose was to lobby PRC agencies for improvements in the business environment, held its annual meeting in Beijing. Moreover, military issues were not ignored. Xiamen University in Fujian convened an academic conference on measures that the armed forces of the two sides might take to increase mutual trust and minimize problems, and retired generals of the two armies participated in a golf tournament in Nanjing.

Not everyone was happy with the positive developments in cross-Strait relations. The opposition DPP warned repeatedly that Ma’s policies were selling out the island’s interests by increasing economic dependence on China
and failing to protect Taiwan’s claim that it was a sovereign entity; Taiwan was thus becoming more vulnerable to Beijing’s demands for unification on its terms. For example, Lu Hsiu-lien, Taiwan’s vice president during the 2000–08 DPP administration, warned that an agreement that the Ma administration had signed with Beijing to liberalize economic relations “has laid the foundation for China’s attempt to use economic integration to reach its ultimate goal of political unification.” Lurking beneath those policy critiques was a political subtext: Ma Ying-jeou’s family were Mainlanders who had come to Taiwan in the late 1940s with Chiang Kai-shek’s KMT. The KMT regime had ruled Taiwan harshly for forty years thereafter, repressing the political aspirations of island residents whose ancestors had arrived decades or even centuries before. Therefore, according to this subtext, the native Taiwanese could not trust Mainlander Ma’s intentions or those of his party. At worst, he might try to transfer Taiwan to PRC rule.

Concerns were voiced elsewhere too. In China, there were growing calls for rapid movement toward talks on political and security issues within a year of Ma’s inauguration. Chinese officials and scholars argued, moreover, that China had made most of the concessions on economic issues and that therefore it was time for Taiwan to satisfy Beijing by addressing the political direction of their interaction. Japanese observers assumed that the reduction of cross-Strait tensions would lead ineluctably to unification and deployment of People’s Liberation Army units to Taiwan, which in turn would threaten Japan’s unfettered access to sea lanes of communication with markets in Europe and oil fields in the Persian Gulf. Some in the United States also worried about where Taiwan was heading. In March 2010, the U.S.-China Economic and Security Review Commission, a body established by Congress to monitor China’s policies and behavior, held a hearing to assess, among other things, whether the economic integration that it believed was occurring was leading toward political integration between the two sides of the Strait. Still, the predominant response in all three capitals was to welcome the reconciliation that occurred after mid-2008, with its attendant reduction of tensions.

Four years later, Ma Ying-jeou faced the Taiwan electorate again. Having clearly enunciated his policy agenda in 2008, he ran on his record of cross-Strait rapprochement in 2012. Tsai Ing-wen, the leader of the Democratic Progressive Party, campaigned on the narrative that Ma’s policies, among other things, had benefited only the rich and had undermined Taiwan’s sovereignty. The weather on election day, Saturday, January 14, seemed ominous for Ma and his party. There were cloudy skies and intermittent showers over the northern half of the island, where KMT support was substantial. Down
south, in the DPP’s stronghold, it was partly sunny. In the event, weather and politics did not align. Ma won by 5 percentage points over Tsai, a victory that was not as sweeping as his victory in 2008 but still comfortable. The Kuomintang lost seats in the legislature but still retained control. Both Beijing and Washington were relieved at the outcome, but more important than their views was the positive verdict that the Taiwan public rendered concerning Ma’s political stewardship.

Questions on Ma’s Policy Course

The policy direction taken by Ma in his first term and the public’s apparent affirmation of it in the 2012 election do raise questions. First of all, will China and Taiwan steadily continue to address points of friction and expand areas of cooperation? Will they move successfully from the “easy,” principally economic, issues with which they began to harder issues in the areas of politics and security? Or will the difficulty inherent in addressing the latter at some point cause the whole process to stall? If so, what happens next?

Those questions focus on the short and medium term, but the longer term is more important. Where will cross-Strait interaction lead? Will the two sides find a way to resolve the fundamental dispute that has existed between them since 1949? After all, China’s ultimate goal is not just to have stable, cooperative relations with Taiwan; it is to end what it regards as a state of national division. If dispute resolution is in the cross-Strait future, what form will it take? Will it be the form that China used in Hong Kong and Macau, as China proposes? Or will it be a looser association? If resolution does not occur, what will happen? Will cross-Strait relations continue in their current mode or revert to the conflicted coexistence of the Chen Shui-bian era?

What are the implications of all of this for the United States? Is the current convergence between Beijing and Taipei a good thing? If so, should Washington seek to encourage it? If not, what, if anything, should the United States do to stop the trend? Some American scholars have warned that the cross-Strait equation is changing in ways that are detrimental to U.S. interests and that it is time to prepare for those changes. Others say that it is good for the United States that Taiwan is moving steadily into China’s orbit. Still others argue that Taiwan has become a strategic liability for Washington that should be jettisoned. And some worry that neither Taipei nor Washington sees the downside of current trends.

This book addresses these complex questions. The Chinese Communist Party (CCP) has defined “territorial integrity and national reunification” as
one of its “core interests” and a fundamental regime goal.\textsuperscript{13} Chinese in the PRC support that objective without hesitation. In contrast, as some people on Taiwan contemplate the idea of Taiwan’s incorporation into China, they recall the poor treatment that they or their forebears received at the hands of rulers from outside. All are conscious of the nature of the Chinese communist system. The postwar relationship between Taiwan and the United States, despite much change and some lingering ambiguity, has been a fixture of East Asian security, and a change in Taiwan’s relationship with China would certainly alter the regional architecture.

The Taiwan conundrum is intellectually interesting. At the heart of the problem is a question of definition. Does the dispute stem from the protracted division of the Chinese state after World War II, or does the Republic of China on Taiwan in some sense constitute a successor state of the old Republic of China (ROC), one on a par with the People’s Republic of China on the Chinese mainland?\textsuperscript{14} Whether and how the unification of the two entities might occur hinges on the answer. Indeed, I have argued that the core of the dispute between the two sides has been their disagreement over whether the Republic of China—or Taiwan—is a sovereign entity for purposes of cross-Strait relations.\textsuperscript{15} It follows that if unification is a real option, the two sides must form a political union that bridges the disagreement over the island’s legal status. Is that possible?

Then there is the question of the role that the people of Taiwan would have in any decisions about the island’s future. Members of the Taiwan public, who were previously denied a say in decisions about their fate (including decisions by the United States), would have to live with the consequences. The island’s democratic system gives the people a check on misguided decisions by their leaders, and in principle, that is a good thing. Yet the fact that Taiwan voters now get to pick some of their leaders through open elections raises the deeper question of how well any democratic system makes choices. Here there are no easy answers. Both representative democracy and direct democracy have their limits and create distortion of the popular will. Moreover, democracies that have yet to be fully institutionalized, such as Taiwan’s, are subject to even greater distortions.\textsuperscript{16} As a result, the Taiwan public might be denied options that represent an optimal response to the challenges that the island faces.

Finally, the interaction between Taiwan and China is occurring as China’s power is rapidly growing. Hypothetically, that increases the chances that China might try to achieve its ultimate objective of unification not through negotiations in which Taiwan truly voluntarily agrees to a resolution but
through intimidation, using its growing power to exert leverage on Taiwan decisionmakers and restrict their choices to the one that Beijing prefers. Or does Taiwan have ways to defend its interests despite China’s power? More broadly, how does the outcome of the Taiwan Strait issue affect the rise—or more accurately, the revival—of China as a great power and the position of the United States as guardian of the international system? 17

Today the future of the Taiwan Strait is open-ended, more so than at any other time in recent decades. The current engagement between Beijing and Taipei creates the possibility that they can find a solution to their six-decade-long dispute. Whether, when, and how that might happen is shrouded in uncertainty. Metaphorically speaking, the waters of the Strait are uncharted, and each of the actors worries about shoals beneath the surface. China fears the island’s permanent separation, whether it makes an overt move to de jure independence or simply refuses unification. Taiwan fears subordination to an authoritarian regime that does not have its best interests at heart. The United States worries about the stability of the East Asian region.

Design of the Book

To gauge the prospects for the future, this book focuses on the course of cross-Strait relations during Ma Ying-jeou’s first term. But this work is more analysis than chronicle. I begin by setting the historical and political context and laying out my conceptual framework. Particularly important analytically is the idea that the hallmark of the 2008–12 period was an effort to stabilize and improve the cross-Strait status quo through negotiations. I then assess what stabilization accomplished (or did not accomplish) in the areas of economics, politics, and security and evaluate the implications for resolution of the fundamental dispute. In brief, China and Taiwan made more progress on economic stabilization than in the political and security arenas. The course of Taiwan’s 2012 presidential election, described next, suggests that the island’s voters approved of the progress made to that point.

The effort to improve the status quo occurred in what I call the paradigm of mutual persuasion, wherein the two sides seek mutually beneficial outcomes by engaging in some degree of reciprocal accommodation. But there is another possibility. Their interaction could occur in the “paradigm of power asymmetry,” wherein Beijing, losing patience with negotiations, exploits its greater power by seeking its ultimate goal (unification) through pressure and intimidation. Although the probability of this more coercive scenario seems low, the growth of China’s economy and military power makes it plausible. In
In this context, I assess the prospects for the medium-term future. In turn, I examine what Taiwan might do to strengthen itself and make PRC pressure less likely; what China might do to enhance the prospects for a mutually acceptable outcome; the implications of the evolution of cross-Strait relations for the United States; and what Washington should do to protect its interests.