

“Rebalancing Postwar Interests:
Cross-Strait Relations and the Asia-Pacific Region”

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China and Taiwan cross-Strait relations drastically evolved over the last several years, resulting in one of the more significant strategic changes in Asia.. During the Cold War, the prospect of conflict between Taiwan and mainland China ranked as one of the two major war scenarios, along with conflict on the Korean peninsula. In comparison: President Ma Ying-jeou’s post-2008 efforts to decrease barriers to cross-Strait trade and flow of personnel have caused steady economic rapprochement between Taipei and Beijing, transforming relations.

Combined with China’s near economic and military dominance in Asia, and the U.S. Government’s oft-stated desire to create some kind of strategic partnership with Beijing, the recent development in cross-Strait relations is likely to influence the broader Asia-Pacific. The effects will be felt primarily in economic and security terms, leading some nations to fear an even more expansionist China, and others to welcome the removal of one of the primary triggers for regional conflict. The coming decades will likely see a slow erosion of Taiwan’s traditional position, however, whether Taipei will politically integrate with Beijing remains far more in doubt.

The fear that Beijing would attempt to reincorporate Taiwan shaped U.S. security posture in the region during the Cold War. Along with treaty commitments to South Korea, long-standing ties with Taipei formed the underpinning upon which Washington justified the decades-long forward basing of U.S. troops in Japan and the Philippines. Incidents such as the 1955 Quemoy and Matsu crisis and the 1996 missile tests off Taiwan's coasts seemed to validate the need for continued American presence in East Asia. Moreover, after the normalization of relations between Washington and Beijing in 1978, the status of Taiwan and the nature of U.S. ties and commitments to the island became the defining issue in Sino-American relations. As China has developed its military power, and steadily eroded the qualitative edge Taiwan's military once held, concerns about responding to a potential Chinese attack on Taiwan have dominated security thinking in Washington.

Indeed, it could be argued that cross-Strait relations played a major role in how the U.S. government articulated the rebalancing of American forces after the end of the Cold War. Instead of scaling back from international affairs, U.S. commitment to maintaining its overseas presence was, largely shifted from Europe to Asia. The 1996 Straits Crisis and the discovery that China was stealing classified missile technology from the United States punctuated the Clinton Administration's attempts to create better relations with Beijing. Ironically, both the positive and negative trends in Sino-U.S. relations helped shift American attention to the Pacific in the decade after the Cold War. Much of this momentum was redirected after the 9/11 terrorist attacks on American soil and the resulting decade-plus wars in Iraq and Afghanistan.

With military operations in Iraq and Afghanistan either ended or drawing down, Washington's attention is again shifting back to Asia. President Obama's much heralded "rebalance" or "pivot" to the Asia-Pacific was articulated as a strategic shift in U.S. focus and interest comparable to the post-World War II commitment to Europe. While U.S. government officials claim that the rebalance is itself balanced among economic, political, and security concerns, the most attention is paid to military and security aspects. How American foreign policy will change is of key interest to both U.S. allies and those with whom it has more complicated relations, such as China. Proponents of the pivot also argue that it is about "Asia" as a whole, and not any one country. While this may be correct in terms of economic involvement in Asia, maintaining U.S. security interests in the region has meant increasing U.S. military presence to counter Chinese aggression.

If future American strategy in Asia centers on China, then cross-Strait relations are of fundamental importance. First, and foremost, American strategists see the ultimate resolution of relations between Taiwan and China as an indicator of how China will act more broadly in Asia as it continues to grow. While Beijing's position appears to be irrevocably set on defining cross-Strait relations as an internal matter, the United States along with many Asian nations perceive it to be of regional importance. Thus, American attempts to maintain Taiwan's defense capabilities, generally understood to derive from the 1979 Taiwan Relations Act, cause constant friction with Beijing. At the same time, many perceive the United States as not adequately supporting Taiwan's sovereignty claims and attempts to gain legitimacy through joining international organizations. Strong allies have even

started to doubt America's willingness to aid its friends who find themselves pressured by China's diplomatic policies.

Because of America's long-standing commitment to Taiwan, perceptions that U.S. support is wavering are seen as a bellwether for the broader issue of American staying power in Asia. The United States has five formal treaty partners in Asia: Japan, South Korea, Australia, the Philippines, and Thailand; each watching China's rise with a mix of anticipation and concern. For all Asian nations, including America's allies, China's economic growth has brought great opportunities, and helped enrich each of them. Yet, all have also watched warily as Beijing developed its military strength and became far more assertive over common territorial disputes. While most Asian nations also see cross-Straits relations as an internal matter between Taiwan and China, they share Washington's main concern; namely, that how China chooses to act vis-à-vis Taiwan is an indicator of Beijing's larger approach to regional issues, such as territorial sovereignty and security. It is all the more important then, that the United States and Asian nations have been carefully watching developments in the Ma era for clues as to how the seeming rapprochement between Beijing and Taipei may affect broader regional relations.

Economic ties across the Taiwan Strait are the first main area garnering attention. Asian economic integration has greatly increased over the past decade. Indeed, intra-Asian trade accounts for the largest part of trade for China and Japan, not to mention for smaller nations. Although deep economic ties with both the United States and the European Union Common Market spurred regional economic growth, so did exchange among Asian nations. A major part of this trade has been

the export of raw materials from developing Asian nations to those that are higher up on the production chain, as well as the role of countries like China and Vietnam, that serve as final assemblers of high-tech component parts and materials produced in Taiwan, Japan, and South Korea.

The number of free trade agreements (FTA) in Asia have also increased, the most notable of which are the China-ASEAN FTA and the Japan-ASEAN FTA. Other agreements, such as the Trans-Pacific Partnership, which includes the Asian nations of Japan, Australia, Brunei, Singapore, Vietnam, Malaysia, and New Zealand, are currently being negotiated. Japan, South Korea, and China also discussed a free trade area, and even more ambitious plans for a region-wide Free Trade Area were proposed and mooted.

Taiwan has been excluded from many of these agreements, despite having one of the most advanced economies in Asia. Taiwan's technological prowess and extensive foreign reserves make it a major industrial producer and investor, yet it has been left behind by the free-trade developments in Asia over the past decade.

Since 2010, however, Taiwan and China have increased their trade ties through the controversial Economic Cooperation Framework Agreement (ECFA). The ECFA, perhaps the signal economic policy of President Ma's first term, is designed to liberalize trade and investment with China, but also to allow Taiwan to pursue regional trade agreements with other countries in the absence of Chinese opposition. This was borne out by the 2013 Taiwan-New Zealand free trade agreement, the island's first FTA with a developed nation. Politically, ECFA played a major role in the 2008 campaign, with opponents arguing that it would lead

eventually to the loss of Taiwan's sovereignty, as China's massive economy would swallow up the island's smaller economy, and that it de facto gave China a veto over Taiwan's foreign economic policy. Proponents believe that Taiwan could increase its GDP by as much as 4.5 percent by 2020 through expanded access to China's market, as well as through entrance into other liberal trade agreements.

The importance of the ECFA in the Asia-Pacific region is two-fold. First, it allows Taiwan to more deeply integrate into regional trade networks. Since Japanese companies, for example, are heavily invested in both Taiwan and China, the agreement allows them to have increased exposure to the Chinese market and to take advantage of Taiwan's close ties to the mainland. Other nations are also able to talk with Taiwan about expanding trade without worrying about China's resistance. For Taiwanese exporters, the major drivers of Taiwan's economy, the ECFA is crucial in maintaining competitiveness and not losing out markets to other countries that trade with China.

Secondly, by increasing ties between China and Taiwan, the ECFA serves as a broader stimulus to Asian free-trade development. Along with direct flights and mail service between the island and the mainland, also key policies of President Ma, the ECFA normalizes Taiwan's participation in Asian economic life. This reduces tensions across the board and promotes the ideal that all Asian nations should be able to benefit from the growth of economic interdependence and cooperation. The ECFA may not directly address the issue of Taiwan's participation in international and regional political forums, but it is an important initial step to overcoming more than a decade's worth of political marginalization by China. Fears that Beijing will

use the ECFA to absorb Taiwan's economy likely overplay the dangers to independence that greater trade will bring, but Taiwan's officials will have to be careful to use the ECFA as a wedge to allow them greater participation in Asian economic activity, and to not narrowly limit themselves to cross-Strait trade.

Security is the second major area in which cross-Strait ties affect the broader Asia-Pacific. As previously noted, fears of possible conflict between China and Taiwan shaped a large part of America's Cold War Asian security policy. Fears of a resurgent China overwhelming Taiwan's limited defense forces animated Washington policymakers during the latter part of the 2000s and into the next decade. These concerns were seen as representative of deeper worries about China's intentions in the region and whether or not any type of viable security architecture that would overcome distrust among leading nations could be established in Asia.

The balancing act that President Ma has attempted vis-à-vis security relations with China is based on attempting to prevent a major deterioration of the security balance across the Taiwan Strait, which would harm Taiwan's ability to defend itself, while also reducing sources of potential friction with China. President Ma has criticized China's continued buildup of military assets across from Taiwan, specifically short and medium range missiles, and has moved ahead with plans to increase the island's air defenses, field new offensive missiles, and develop of more robust submarine force. A perennial issue of tension among Taiwan, China, and the United States is the upgrading of Taiwan's aging F-16 fleet.

In adopting a policy of strengthening Taiwan's defensive capabilities while pursuing closer political ties, Taipei is following the lead of countries such as Japan and India, which are also seeking to tamp down areas of contention between themselves and China while enhancing their overall defense posture. This then puts Taiwan in the mainstream of Asian responses to China's buildup, as witnessed by the desires of Vietnam to purchase new submarines and of the Philippines to enhance their surface fleet. While not being able to work closely with other nations on its security concerns, Taiwan's policy is nonetheless roughly congruent with other Asian states, despite the uniqueness of its political relationship to the mainland.

One area, though, in which cross-Strait relations have the potential to affect the Asia-Pacific, is the dispute over the Senkaku/Diaoyu Islands. Claimed by China, Taiwan, and Japan, the islands, once known as the Pinnacle Islands, lay just to the northeast of Taiwan at the southern extremity of the Ryukyu Island chain stretching from Japan's home island of Kyushu. They also form the effective geographical barrier between the East China Sea and the western Pacific Ocean. Administered by Japan since 1972, they have recently become a highly-contested issue between Beijing and Tokyo.

President Ma's assertion of Taiwan's ownership of the islands seems to back Beijing's claim that the islands are Chinese. This puts him in de facto opposition to Japan and potentially in support of China's position. In August 2012, President Ma promoted an East China Sea Peace Initiative, designed to find a diplomatic solution to the impasse, underpinned by a sharing of resources found in the Islands'

exclusive economic zone. A May 2013 fisheries agreement between Taiwan and Japan, coming on the heels of violent confrontations between Taiwanese fishermen and Japanese coast guard vessels, is also held up as an example of how the three countries could peacefully coexist in the waters around the islands.

Taiwan's approach could serve as a means of resolving other territorial disputes in Asia, particularly those between China and its neighbors over maritime boundaries. Should Taiwan move closer to China's position over sovereignty, however, it will be a major coup for China in its attempts to resolve all contested territorial issues in its favor. This then could have significant spillover effects in expanding China's influence throughout the Asia-Pacific region.