

Economic Interdependence and the Development of Cross-Strait Relations

*To what degree can economic interdependence encourage peace in the inherently conflictual
relationship between China and Taiwan?*

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Duke University, Durham, NC
Michelle Lu
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Professor Jentleson
Professor Kelley

Abstract

By measuring the extent to which improved economic relations between China and Taiwan has led to improved political relations, this project uses the case of cross-Strait relations to test the idea that economic interdependence encourages peace. Trade ties and indicators of political relations measure the extent to which economic interdependence can encourage peace and work toward conflict resolution in an inherently conflictual relationship. Economic interdependence expands contacts between states, encourages the building of cooperative institutions, and introduces new incentives for peace over conflict. This paper argues that economic interdependence is not sufficient to resolve political conflict, but it builds an environment conducive to improved political relations and easing of tensions. These improvements are not high-level, political, diplomatic ties but rather the building of lower level political and societal exchange. Trade relations have grown between China and Taiwan from 2003 and 2011, and this economic interdependence is correlated with expanded interaction in tourism, transportation, political dialogue and cultural exchange. These effects allow for greater mutual understanding and contact, which create a reciprocal effect by contributing to increased economic interaction. While progress in cross-Strait relations is constrained by the internal politics of both China and Taiwan at any moment, the United States plays an important role in reinforcing the positive effects of economic interdependence.

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Introduction

The relationship between the People's Republic of China (PRC) and the Republic of China (ROC) is characterized by fundamental differences over political status and sovereignty.¹ The two are separated by the 180-kilometer wide Taiwan Strait, which has seen three separate military crises (1954-55, 1958, 1995-96). Despite this, the two have enjoyed increasing trade ties and, in 2010, signed the Economic Cooperation Framework Agreement (ECFA) to expand trade and open access to markets. By examining economic and political data from 2003 to early 2011, this project evaluates the extent to which economic interdependence and expanded economic ties has improved and can continue to improve political ties between China and Taiwan.

The economic, political and social ties between China and Taiwan are referred to as cross-Strait relations. The Kuomintang Party (KMT) governed Mainland China until the Communist takeover and its retreat to the island of Taiwan in December 1949. Today, the Republic of China governs Taiwan, where the Kuomintang leads the Pan-Blue Coalition and generally favors a friendlier attitude toward China. The Democratic Progressive Party (DPP) dominates the Pan-Green Coalition, which leans more toward independence.

Since the retreat of the Republic of China government to Taiwan, China and Taiwan have disagreed over Taiwan's political sovereignty. In 1979, the United States shifted full diplomatic recognition from the Republic of China to the People's Republic of China while also confirming commitment to peaceful resolution of the Taiwan question. The United States also acknowledged the One-China Policy, which states that there is only one China

¹ The People's Republic of China will be referred to in this paper as China or Mainland China, and The Republic of China will be referred to as Taiwan.

and that both Mainland China and Taiwan belong to the same China. The United States Congress passed the Taiwan Relations Act in 1979 to provide defensive arms to Taiwan, as well as to continue trade and cultural exchanges.² In 1992, China and Taiwan's semi-official negotiating organizations, SEF and ARATS, met and agreed to recognize that there is only one China but that they disagree on the meaning of that one China. The outcome of this meeting, known as the 1992 Consensus, is interpreted differently by each of the parties.

Internationally, Taiwan is excluded from most international bodies, including the United Nations. It is a member or observer of a few organizations under different names, including the Asian Development Bank and the World Health Organization under the name "Chinese Taipei" and the World Trade Organization as the "Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu."

Following Taiwan's President Lee Teng-hui's visit to the United States, the Third Taiwan Strait Crisis (1995-1996) brought tensions to the brink of military conflict yet again, resulting in the suspension of semi-official talks between Taiwan's Straits Exchange Foundation (SEF) and China's Association for Relations Across the Taiwan Straits (ARATS). Though tensions have risen and fallen over the period since, relations have moved away from military confrontation. In 2000, DPP President Chen Shui-bian was elected, emphasizing pro-independence rhetoric and fostering greater tensions throughout his presidency. In 2008, KMT candidate Ma Ying-jeou was elected president, and SEF-ARATS talks resumed shortly thereafter. In 2010, both sides passed the ECFA, establishing the closest economic ties through tariff-free trade and other mechanisms for trade cooperation

² The One-China Policy states that there is only one China and that both Mainland China and Taiwan belong to the same China. Countries with diplomatic ties to China, such as the United States, are required to recognize the One-China Policy.

and increasing investment across the Taiwan Strait. Though progress in economic ties is certainly important, in this case, economic issues are difficult to separate from the greater political conflict of lack of recognition and issues of sovereignty.³

Beyond the relationship between economic interdependence and political relations, China and Taiwan's complex internal politics and domestic concerns are considered in measuring the influence of economic interdependence. The United States plays an important role in reinforcing the positive effects of economic interdependence.

Theoretical Framework

Economic Interdependence and Conflict

Two countries with strong economic interests to avoid war can be described as mutually dependent. Economic interdependence provides a state with supplies and offers trade as a tool of influence to avoid military conflict. Economic interaction does not affect trading partners equally, and states' power over one another can be measured by the costs to the other incurred by stopping trade. These asymmetrical relationships allow states to acquire economic power over one another.⁴ Such disproportional distribution of gains from trade creates potential for two states to engage in military conflict.⁵ Two main schools of thought emphasize different aspects of interdependence. Liberals focus on benefits, arguing that interdependence is a force for peace because it raises the cost of conflict, giving states more to lose from interruption of trade and encouraging cooperation. Realists, on the other hand, are more concerned about potential costs and state vulnerabilities that

³ Crane, 1993, p. 714

⁴ Hirschman, 1969

⁵ Mansfield and Pollins, 2001

have dangerous military implications.⁶ Beyond these two main camps, some believe that economic interdependence does not strongly impact political relations and conflict.⁷

The liberal view says that economic interdependence promotes peace by moving away from an emphasis on military power to an emphasis on economic power, assuming that economic exchange creates a common interest in peaceful relations between states.⁸ Trade between China and Taiwan provides an incentive for peace and deters China from using military conflict to force Taiwan into reunification. Economic interdependence decreases the likelihood of military conflict by making the payoff from trade higher than the potential gains from war, especially given the costs of war.⁹ Use of military power will disrupt economic ties and lead to expensive and uncertain consequences.¹⁰ Liberalism highlights transparency, democratization, mutual trust, domestic checks on military conflict, and international norms of pacifism and nonaggression to prevent the security concerns and spirals of tension that stem from misperceptions.¹¹ Uneven or asymmetrical interdependence can actually be a source of greater influence and economic power for states, moving away from a world dominated by military force “as an instrument of policy”.¹² Trade is a less costly alternative to military invasion of obtaining the resources necessary for economic growth and political stability.¹³ Further, the distinction between sensitivity and vulnerability interdependence demonstrates the importance of a trading partner to a state’s economy. Sensitivity interdependence measures a state’s

⁶ Copeland, 1996

⁷ Buzan, Giplin, Ripsman and Blanchard, as cited in Mansfield and Pollins, 2001

⁸ Friedberg, 2005

⁹ Copeland, 1996

¹⁰ Keohane and Nye, 1989, p. 29

¹¹ Christensen, 2006

¹² Keohane and Nye, 1989, p. 27

¹³ Staley, as cited in Mansfield and Pollins, 2001

responsiveness to trade disruptions within an otherwise unchanged policy framework, whereas vulnerability interdependence examines the availability and cost of alternative sources of supply.¹⁴ The difference between these two forms of interdependence reveals the importance of a trading partner and the costliness of war with that partner.

Trade also fosters communication and ties between governments and private firms, making it easier to indicate resolve on policy issues in a number of ways.¹⁵ States can signal resolve on an issue through economic sanctions, where states withhold trade as a mechanism of obtaining desired policy outcomes; however, some scholars argue that sanctions are ineffective in achieving foreign policy objectives.¹⁶ Effectiveness varies depending on the objective of the sanctions, multilateral participation, involvement of international institutions, costs to the sanctioning state, and economic prosperity of the sanctioned state.¹⁷ In the case of cross-Strait trade, sanctions from China to Taiwan for political purposes would likely backfire by upsetting businessmen and investors and stoking anti-Chinese sentiment in Taiwan.

Countries with close economic ties and tense political disputes can also use signaling to indicate state preferences. States decide between trading and initiating conflict based on their perceptions of the other state's reactions. States can represent themselves as politics-first or economics-first in order to affect the policy preferences of the partner state.¹⁸ To promote cross-Strait trade, China might choose to represent itself as economics-first in its relations with Taiwan. Closer ties allow for efficient signaling between states,

¹⁴ Keohane and Nye, 1989

¹⁵ Copeland, 1996; Mansfield and Pollins, 2001

¹⁶ Pape, 2007

¹⁷ Baldwin, 1985; Martin, 1992

¹⁸ Benson and Niou, 2007

which then minimizes the misunderstandings that have the potential to escalate into full-blown military conflict. Further, diplomatic signaling helps with uncertainty, while discourse, mutual concessions, reciprocal accommodation and repetition can affect perceptions of intent over time.¹⁹ States' participation in international institutions also helps to improve communication, thus enabling states to credibly signal intentions.²⁰

Social transactions such as migration, tourism and cultural exchange that build societal integration follow political steps like preferential trade agreements and the formation of cooperative institutions.²¹ Cooperative institutions increase economic and societal integration by creating private interests who benefit from and lobby for lasting peace and deepening of ties.²² Increased social contacts promote understanding between people, with the possibility that foreign policy will shift over time to favor peace. Trade also increases domestic prosperity, minimizing internal problems that push leaders into war.²³

Expanding commercial ties and societal contacts can create a group of producers and industries with vested interests in maintaining peace between two trading partner states. Through trade, actors and groups who benefit from peaceful trade may become prosperous and enjoy greater influence in that state's domestic power dynamics.²⁴ They constitute the commercial "fifth column", or a group within one state that can use their influence in domestic politics to encourage peaceful foreign policy and deter military conflict at the cost of vested business interests.²⁵ The fifth column in the Taiwan Strait is

¹⁹ Boulding, as cited in Kupchan, 2005

²⁰ Friedberg, 2005 and Christensen, 2006

²¹ Kupchan, 2005, p. 130

²² Kupchan, 2005

²³ Copeland, 1996

²⁴ Copeland, 1996

²⁵ Hirschman, 1969

the large number of businessmen from Taiwan working in Mainland China whose business interests rely on continued peaceful relations.

On the other side of the argument, realists are more concerned about the potential costs of dependence. Asymmetrical interdependence leaves a state with vulnerabilities that can be exploited by a trading partner. The ability to disrupt trade and restrict a state's access to resources and goods gives trading partners power over one another. Whereas liberals think in terms of absolute power and benefits, realists stress relative power.²⁶ This emphasis on relative power translates into a belief that more power comes from superior military strength than economic leverage. Realists believe that mutual dependence leaves a state's fate open to the decisions of its interdependent trading partner. In the case of cross-Strait trade, realists worry that interdependence gives China more control over Taiwan's economic fate, making it more vulnerable to China. Apprehension of the possibility of losing access to key supplies might compel states to take action to reduce that vulnerability.²⁷ Leaders concerned with security and relative power will see greater potential for military conflict in relationships of high economic interdependence. Vulnerabilities become an incentive to go to war rather than a constraint. Economic coercion for political gains becomes a concern when trading with a rival.²⁸

The risk of creating state vulnerabilities, combined with potential security risks, provide significant reasons to choose conflict over trade if a state feels threatened. However, the positive benefits that the liberal perspective emphasizes certainly exist and incentivize continued peaceful trade over military conflict. Trade encourages societal

²⁶ Copeland, 1996

²⁷ Hirschman, 1969

²⁸ Lee, 2003

exchange and contacts, mutual understanding and trust, and the building of cooperative institutions. The fifth column effects play an interesting role, depending on the circumstances. Most simply, they provide an economic incentive for positive ties. These fifth column interests, if treated carefully by both sides, can act as a force for cooperation. The balance between benefits and risks can be managed through open communication, cooperation and some degree of transparency whether through international institutions or constant cooperation and exchange.

Other authors have sought to introduce new elements to enhance the basic understanding of the relationship between economic interdependence and conflict. Copeland believes that the liberal and realist perspectives fail to adequately capture the relationship between trade and peace. His theory of trade expectations integrates the two perspectives by considering benefits of trade as a force for peace and the potential costs of lost trade as a factor that could lead to war.²⁹ Introducing expectations of future trade as an independent variable brings in a dynamic evaluation of the expected future value of the trading option. Analyses can calculate the overall expected value of peaceful trade or military conflict. Low expectations of future trade indicate a low or negative expected value to peace without trade, while expectations for increased future trade can be an incentive for continued peace. Incorporating this variable, as determined by future export ability and constraints on trade from military or domestic pressures, allows for better understanding of the complexities of states' decisions.

In a complex political situation, trade and economic interdependence does not necessarily begin organically but rather might need some purposeful initial step. Kupchan

²⁹ Copeland, 1996

introduces the idea that a political step must precede the peace-promoting societal linkages established by economic interdependence.³⁰ While economic interdependence can support efforts toward political peace, economic interdependence alone is not sufficient without an initial move toward political reconciliation. Between rivals like China and Taiwan, economic interdependence needs a purposeful, political dimension to help overcome extreme political differences.

In fact, the relationship between economic interdependence and political relations does not simply go in one direction. The relationship between trade and political relations is reciprocal, and an improvement in one supports improvements in the other. Trade increases low-level political contacts. Agreements and other low-level political and social interactions may lead to increased business ties. This cycle continues until, over time, higher order political issues may be discussed.

Literature on Cross-Strait Economic Interdependence and Political Ties

One group of experts maintains that economic ties across the Taiwan Strait are beneficial to the relationship, both economic and political, between China and Taiwan.³¹ Business interests increase ties and disincentive military conflict, while economic integration between China and Taiwan has been beneficial to both economies.³² This has reinforced peaceful cooperation and deepened stability. Under Kupchan's model, the passing of the ECFA serves as an initial political step, which, with the forming of cooperative institutions, will lead to social transactions such as cultural exchange and tourism. China's overall economic policy toward Taiwan is to promise investment

³⁰ Kupchan, 2010, p. 3

³¹ Fuller, 2008; Chan, 2006; Cabestan, 1996

³² Fuller, 2008

protection and provide tax and land incentives to investors.³³ China has begun establishing institutions to deal with Taiwan in the hopes that economic cooperation can help ease tensions and eventually lead to peaceful reunification.³⁴

Meanwhile, some within Taiwan are concerned about the implications of increasing Taiwan's economic dependence on China. The first concern is that the mass movement of Taiwan's industries to China will effectively "hollow out" Taiwan's economy. As industries physically leave Taiwan, capital and technology leave and empty Taiwan's traditional industrial bases.³⁵ China could then cut trade or make some other economic decision that would completely undercut Taiwan's economy. These concerns stem from the fact that Taiwan is much more dependent on China as an export market than China is dependent on Taiwan for imports. Export dependency makes an economy more vulnerable to sudden changes than import dependency.³⁶ Here, concerns of vulnerability stem from the loss of a major market for Taiwan's exports. However, close examination of the nature of investment and trade shows that the Taiwan industries are an equally important source of revenue and stability for the Chinese government. The drop of labor-intensive exports from Taiwan coincides with increases in both Chinese exports and Taiwan investment in China, indicating a division of labor across the Strait. For instance, Taiwan's computer firms shifted production of desktop and notebook computers to Mainland China. By 2000, China produced 42 percent of Taiwanese PCs and replaced Taiwan as the third largest producer of computer hardware.³⁷ As Taiwan's firms moved manufacturing to China, Taiwan's

³³ Cheng, 2005

³⁴ Xin, 2010

³⁵ Lee, 2003

³⁶ Cheng, 2005

³⁷ Lardy, 2002, p. 52-53

industries have simply shifted so that exports are routed through China's manufacturing infrastructure.³⁸ China receives the bulk of Taiwan's outward investment, and most of the investment has shifted to capital-intensive sectors.³⁹ At high levels of interdependence, both states have enough to lose that the difference in dependence levels is inconsequential.

Another concern is that Taiwan's business interests in China might be held "hostage" until China's political aims of reunification are achieved. The idea is that China could use the Taishang (businessmen from Taiwan) as leverage to obtain their policy goals.⁴⁰ With foreign investment, Taiwan's firms are stuck in China if adversarial relationships take a turn for the worse. However, China recognizes that harassing investors could encourage investors to take future business elsewhere and strengthen anti-Chinese sentiment in Taiwan.⁴¹ Similarly, Hirschman's fifth column effect concerns many in Taiwan, who worry that investment in China and growing business interests in China could create strong pro-China interests in Taiwan, or that Taishang could become a political force lobbying for favorable policies toward China or even reunification. Actors who benefit from economic integration might pressure political leaders to modify goals that conflict with the goals of the trading partner state.⁴² China could follow a strategy of increasing economic integration with Taiwan to create business interests in Taiwan that will favor stability and resist any actions by Taiwan that would disrupt economic relations between China and Taiwan. This growing number might eventually form a substantial and influential interest

³⁸ Cheng, 2005

³⁹ Lee, 2003; Cheng, 2005

⁴⁰ Bush, 2005

⁴¹ Cheng, 2005

⁴² Kastner, 2009

group that could encourage closer relations and shift policy preferences in Taiwan.⁴³ It would lessen the risks and potential costs of cross-Strait business transactions, encourage investment of multinational corporations in both places, and move gradually toward peaceful political reconciliation. However, Taishang might actually play an opposing role: during the military confrontation of the Third Taiwan Strait Crisis, Taishang expressed dissatisfaction to leadership in Beijing with China's policy.⁴⁴ In addition, businesses that rely on cross-Strait stability have protested China's attempts to use economic sanctions for political purposes.⁴⁵ Others claim that Taiwan is not yet vulnerable to economic leverage from China.⁴⁶ While Taiwan relies on China for industrial manufacturing and as an export market, China would face high costs of replacing Taiwan's investment and suspending trade, creating more equal levels of dependence that protect Taiwan from manipulation.⁴⁷ In 2005, Taiwan's trade and investment were estimated to account for 14 percent of China's exports, a significant amount of trade that would be lost if Taiwan's investors left China.⁴⁸ In fact, others hold that Taishang residing in Mainland China cannot be used as pawn by either government, but their presence and integration into the Chinese economy could strengthen Taiwan's sovereignty and place in the world.⁴⁹

Within China, policymaking and debate exists at the elite level between high-level officials, CCP members, and the military. Discourse within China exists along a broad spectrum of opinions on China's international role, including how it should act toward Taiwan. Realists hold state sovereignty as the utmost important principle and advocate

⁴³ Kastner, 2009; Kahler, 2006; Tucker, 2005

⁴⁴ Cheng, 2005

⁴⁵ Chan, 2006

⁴⁶ Tung, 2006

⁴⁷ Cheng, 2005

⁴⁸ Cheng, 2005

⁴⁹ Keng and Schubert, 2010

strongly for the use of military, economic and diplomatic forces to achieve Chinese objectives. The PLA, with its hard, forceful rhetoric, falls in line with the realists' willingness to protect its sovereignty and interests with force. Other schools suggest concentrating diplomacy on relations with major powers, building stability and multilateralism in Asia, working as a leader of the developing world to redistribute wealth to the Global South, and expanding global participation gradually and selectively.⁵⁰ Within the Communist Party, a variety of voices debate China's involvement in international affairs and its approach to Taiwan.⁵¹

China's strategy over the past decade has focused on building economic interdependence with Taiwan and exerting a small amount of pressure to begin building low-level communication and establishing contacts in mutual military trust and political dialogue.⁵² Creating a complex network of trade, cultural interaction, educational exchange and tourism is hoped to weaken pro-independence sentiment by showing the people of Taiwan that complex cross-Strait relations and integration are in their best interests. This approach combines positive incentives for peaceful resolution with the implicit threat of China's growing military power.⁵³ China will bide its time, on the one hand gaining strength militarily and on the other hand increasing Taiwan's economic independence so that China can maneuver Taiwan into a position where it is forced to accept reunification.⁵⁴

Some scholars characterize the current state as an early step on the inevitable path to reunification. They argue that the development of cross-Strait relations has brought

⁵⁰ Shambaugh, 2011

⁵¹ Chu and Nathan, 2008

⁵² Romberg, 2000

⁵³ Shirk, 2007; Peterson, 2004

⁵⁴ Shirk, 2007, p. 194

Taiwan far into China's sphere of influence, more or less resolving the basic issue. The current stage of economic interdependence is building the economic core, and the ECFA will only further deepen Taiwan's dependence on China's economy.⁵⁵ Taiwan's freedom of action erodes as it moves closer to China. China's economic, military and diplomatic leverage over Taiwan constrains it to a path that eventually leads to reunification.⁵⁶ Meanwhile, Taiwan is growing weaker and US attention has been focused elsewhere.⁵⁷ President Ma entered office with a strong mandate to pursue policies of reassurance and moderation, which were strongly welcomed by the United States and China. Talks have since focused on managing large-scale trade and investment and creating closer, mutually beneficial ties rather than addressing security, sovereignty, military and other issues of international participation. China will strengthen positive incentives designed to check independence forces and encourage closer interaction and identification with China. In this view, the military imbalance is reaching dangerous levels while Taiwan's economic growth has slowed and grown dependent on China.⁵⁸

In the early 2000s, when, the independence movement enjoyed growing momentum in Taiwan, some observers went so far as to say that reunification had been eliminated as an option.⁵⁹ However, in 2008, the election of KMT candidate Ma Ying-jeou was described as an opportunity "for a shift in the tone and trajectory" of cross-Strait relations away from independence sentiment and toward a more moderate period.⁶⁰ Moderation and careful

⁵⁵ Shambaugh, 2010

⁵⁶ Sutter, 2011

⁵⁷ US policy toward Taiwan has remained constant over the period examined in this paper. The US has been preoccupied with other wars and domestic economic problems. Regular arms packages and updates have proceeded, but requests for new F-16 aircraft and upgrades that have been denied.

⁵⁸ Sutter, 2011

⁵⁹ Peterson, 2004

⁶⁰ Chu and Nathan, 2008, p. 78

management is important, as mutual antagonism, mistrust and misperceptions can lead to spiraling tensions and crisis escalation in the Taiwan Strait.⁶¹

Hypotheses and Central Argument

H₁: Expansion of economic interdependence between two states encourages improved political relations between the two states.

H₂: The peace-encouraging effects of economic interdependence are constrained by high-order political issues that deal with state sovereignty and security.

The central argument of this paper is that economic interdependence helps build political relations and ease tensions between China and Taiwan but is not sufficient to resolve this inherently political conflict. Internal politics, questions of internal legitimacy and national security concerns can intervene and detract from the beneficial effects of economic interdependence. Economic interdependence does work to resolve smaller differences and build lower-level ties, which may in turn affect larger political issues. The dependent political variables measured in this study are not indicators of high-level state-to-state political exchange but smaller improvements that can, over time, create a different political environment, including changed domestic conditions. These improved political relations may also lead to better economic relations. Over time, the reciprocal effects of improved economic and political relations can build to substantial progress. Meanwhile, an important outside player can serve to reinforce the positive effects of economic interdependence, manage misunderstandings, and counter domestic overreactions.

Methods

This project's independent variable is economic trade relations, measured by trade

⁶¹ Bush, 2005

and investment figures gathered from China and Taiwan's respective government databases, as well as the World Trade Organization, the United Nations Conference on Trade and Development, and the Asian Development Bank. From China, figures were gathered from the General Administration of Customs, the Taiwan Affairs Office, and the Ministry of Commerce. From Taiwan, data was gathered from the Ministry of Finance's Directorate General of Customs, The Statistical Yearbook of the Republic of China, Taiwan Statistical Data Book, the Bureau of Foreign Trade, the Ministry of Economic Affairs' Investment Commission, and the Mainland Affairs Council's *Cross-Strait Economic Statistics Monthly*. The *Cross-Strait Economic Statistics Monthly* itself includes data from Hong Kong's Census and Statistics Department, Taiwan's Bureau of Foreign Trade, and the customs bureaus of Hong Kong, Taiwan, and China.

The dependent variable in this project is political relations. Again, the variables measured here are not reflective of high-level political contact. Key indicators of the development of a political relationship include tourism, direct air transportation, cultural and educational exchanges, and the establishment of semi-official contact through negotiations, visits and cooperative institutions. Some of these, particularly semi-official contact and cooperative institutions, may feed back and allow for greater improvements economic and political relations further down the road. Chronologies and agreement documents from Taiwan's Mainland Affairs Council (MAC) and China's Taiwan Affairs Office (TAO) were used to track exchanges and agreements made on any of these topics. Specific tourism figures were gathered from China Monthly Statistics, the China Travel Yearbook, the National Immigration Agency of the Ministry of the Interior of Taiwan, and the *Cross-Strait Economic Statistics Monthly*.

Further, content analysis of official speeches demonstrates shifts in rhetoric and the warming or cooling of political relations. This portion of the project compared annual Chinese speeches on the subject of Taiwan, either in the New Year's Address or given at the annual Cross-Strait Trade and Cultural Forum, as well as Taiwan's annual New Year's and National Day speeches. This analysis also includes current president Ma Ying-jeou's inaugural address. A full list of the analyzed speeches is listed in Appendix II, along with the coding scheme. These phrases and topics were then traced to examine change over time and frequency in official rhetoric. Finally, an examination of secondary sources offers insight into the greater context of cross-Strait relations, including internal domestic dynamics and the role of a third player, the United States.

Limitations of Speech Analysis

The Chinese speeches were taken from the Taiwan Affairs Office and required translation from Chinese to English. The speeches from Taiwan are official translations released by the Office of the President, so they presumably carry the correct tone and intent of the original Chinese version. In my translations, I tried to stay true to the official language and intent; however, they are not perfect translations because the same Chinese words or phrases can carry slightly different interpretations.

Full-text Chinese speeches were only available from 2003, 2004, 2005 and 2011, so coverage from Xinhua News or People's Daily Online were pulled from the TAO website, covering highlights and selected quotes from the 2006-2010 speeches. Because of this, comparing the frequency that terms appear in speeches from year to year cannot be used as a reliable measure for the Chinese speeches. Instead, this section will focus on the emphasis of the rhetoric within each speech and examine whether and when subjects were

dropped entirely.

Data Analysis

Economic Relations

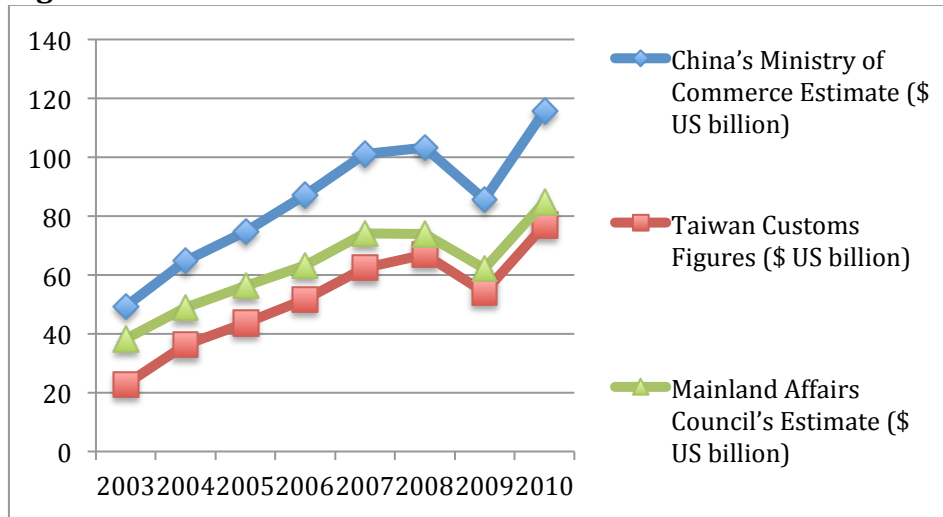
The independent factor, economic interaction and interdependence, is measured by the movement of goods between China to Taiwan, total trade figures including transit trade through Hong Kong, and Taiwan's investment in China. Overall, numbers reflect growing economic interaction between China and Taiwan. Trade figures for 2009 decrease as China and Taiwan's overall trade numbers also fell during the 2008-09 global recession.⁶²

Movement of goods from Taiwan to Mainland China is the most significant source of cross-Strait trade. Goods sometimes move between China and Taiwan through Hong Kong or other third-party channels, China and Taiwan's official numbers vary. The numbers examined in this section include official figures as well as estimates from Taiwan's Mainland Affairs Council. These numbers are included together in an attempt to capture an idea of the actual movement of goods. The numbers, detailed in Figure 1 below, demonstrate clear growth in economic interaction between 2003 and 2010, with a dip in 2009 caused by the global economic recession. This trend is on track to continue in 2011, with estimates of \$28.4 to 40.5 billion in goods in just the first four months of the year. In comparison, 2003 had \$4.7 to 14.3 billion for the same time period and \$22.9 to 49.4 billion total.⁶³ All three calculations show an increasing quantity of goods moving from Taiwan to Mainland China.

⁶² Data from the World Trade Organization, Statistical Yearbook of the Republic of China, Taiwan Affairs Office, and Mainland Affairs Council show that China's export goods fell by 16% and import goods fell by 11% from 2008 to 2009 while Taiwan's export goods fell by 20% and import goods fell by 27%. These numbers closely match the decrease in cross-Strait trade, which various estimates put between 17-22% each way.

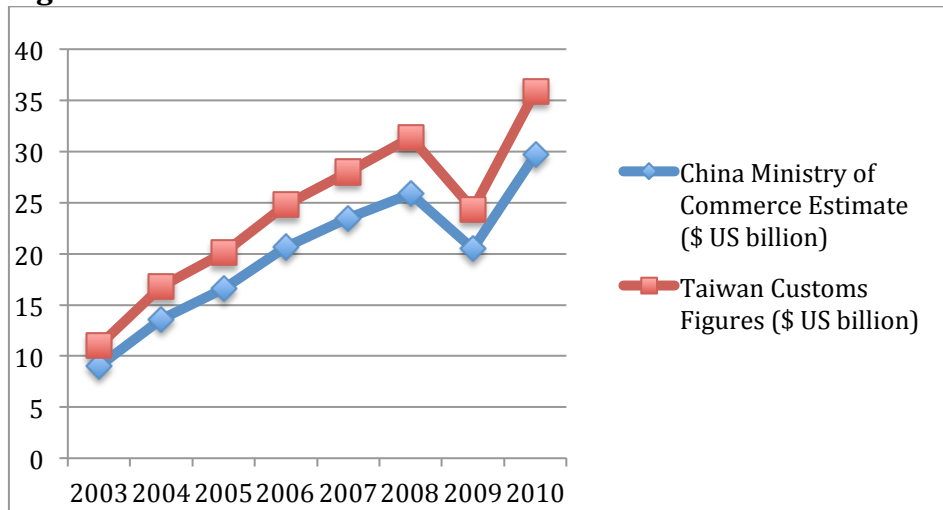
⁶³ Mainland Affairs Council *Cross-Strait Economic Statistics Monthly* #221

Figure 1: Movement of Goods from Taiwan to Mainland China



Compiled from Sources: Taiwan Statistical Data Book, Directorate General of Customs (Ministry of Finance, ROC), World Trade Organization, Asian Development Bank, Ministry of Commerce Taiwan and Hong Kong Division (TAO), *Cross-Strait Economic Statistics Monthly* (MAC)

Figure 2: Movement of Goods from Mainland China to Taiwan

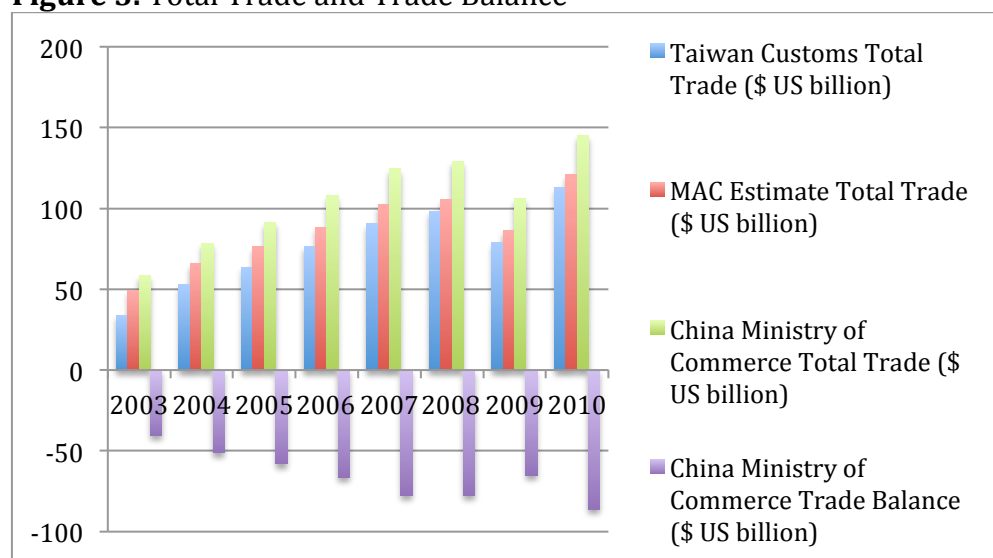


Compiled from Sources: Taiwan Statistical Data Book, Directorate General of Customs (Ministry of Finance, ROC), World Trade Organization, Asian Development Bank, Ministry of Commerce Taiwan and Hong Kong Division (TAO), *Cross-Strait Economic Statistics Monthly* (MAC)

The movement of goods from China to Taiwan, shown in Figure 2 above, has also grown steadily, aside from the decrease in 2009 due to the global recession. Figure 3 shows increasing cross-Strait trade, along with a growing trade deficit where China's imports from Taiwan exceed its exports to Taiwan. These numbers reflect growing economic interaction and trade ties across the Taiwan Strait. Figure 4 below illustrates the share of

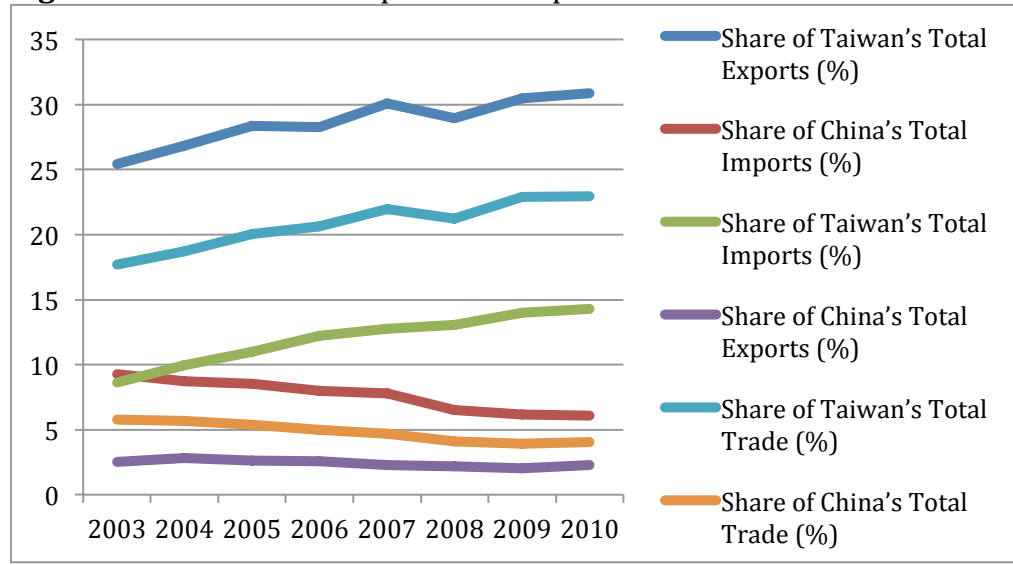
exports, imports and total trade with each other in Taiwan and China's economies. As economic interaction expands across the Taiwan Strait, it is becoming a more substantial part of Taiwan's economy while maintaining a low share in China's economy.⁶⁴ At the same time, exports to Taiwan have stayed consistently within 2 to 3 percent of China's total exports during a time of Chinese economic growth. Goods moving from Taiwan to Mainland China represent a far larger share of Taiwan's total exports than of China's total imports, making Taiwan much more export dependent on China. This trade balance seems to make Taiwan more vulnerable to China than vice versa, a concern that shapes Taiwan's domestic politics.

Figure 3. Total Trade and Trade Balance



Compiled from Sources: Taiwan Statistical Data Book, Directorate General of Customs (Ministry of Finance, ROC), World Trade Organization, Ministry of Commerce Taiwan and Hong Kong Division (TAO), *Cross-Strait Economic Statistics Monthly* (MAC)

⁶⁴ Mainland Affairs Council *Cross-Strait Economic Statistics Monthly* #221

Figure 4. Share of Total Imports and Exports

Compiled from *Cross-Strait Economic Statistics Monthly* (MAC)

Investment can promote peace by building mutual contacts and long-term interests. It also informs the level of interdependence, illustrating that dependence may not necessarily run heavily one way and describing a new division of labor between the two. The Investment Commission of the Ministry of Economic Affairs (ROC) recorded 3,875 cases of investment from Taiwan in China, totaling \$7.7 billion in 2003 and 914 cases totaling \$14.61 billion in 2010. During this time, the number of cases steadily decreased to 590 in 2009 and then increased to 914 in 2010. The amount of money invested fluctuated but generally enjoyed an upward trend.⁶⁵ China's Ministry of Commerce reported higher numbers of projects and lower figures of actual money invested, fluctuating during the examined time period between \$1.87 billion at the lowest in 2007 and \$3.38 billion at the highest in 2003.⁶⁶ The decreasing number of cases and increasing amount of money reported by Taiwan's Investment Commission suggest a shift to more substantial investments. Investment grew most significantly in manufacturing sectors, particularly

⁶⁵ Taiwan Statistical Data Book 2011

⁶⁶ Ministry of Commerce, Taiwan and Hong Kong Division (Taiwan Affairs Office, PRC)

electronic parts and components, computers, electronic and optical products, suggesting that rising Taiwan investment in China is not hollowing out Taiwan's industries but instead creating a division of labor across the Strait as the manufacturing components move to Mainland China.⁶⁷

Political Indicators

China's leaders may be allowing Taiwan to enjoy greater international space during President Ma's term in office by tolerating his plans to negotiate free trade agreements with Singapore and rejecting requests from Paraguay and Panama to switch diplomatic recognition to China.⁶⁸ However, the indicators discussed in this section do not measure progress in high-level political relations such as official diplomacy, participation in international organizations or China's acceptance of Taiwan's relations with other states. Instead, this section focuses on the "small steps of momentum," or the low-level issues that build trust and might lead to higher-level steps later, and examines the benefits of economic interdependence on these indicators.⁶⁹ These political indicators include semi-official political exchange and cooperative institutions, tourism, direct air transportation, cultural and educational exchange, and discourse analysis.

Semi-Official Political Exchange and Cooperative Institutions

China and Taiwan negotiate primarily through their semi-official organs, Taiwan's Straits Exchange Foundation and China's Association for Relations Across the Taiwan Straits. Until 2008, SEF-ARATS talks were at a standstill as China insisted that talks could only occur on the basis of the One-China Policy and the 1992 Consensus, and DPP President

⁶⁷ Taiwan Statistical Data Book 2011

⁶⁸ Tucker and Glaser, 2011, p. 31

⁶⁹ Chu and Nathan, 2008, p. 90

Chen did not accept the consensus. In an example of China's use of pandas as a diplomatic tool, China offered the gift of two giant pandas to Taiwan during the visit by the KMT delegation, and the Taiwan Affairs Office subsequently announced the gift in 2006.

President Chen's DPP government insisted that these pandas would need an import permit from Taiwan, as well as to follow the appropriate international conventions for importation and exportation of endangered species. Meanwhile, China labeled it a domestic shipment. This seemingly simple present was interpreted as a political ploy to define Taiwan's status in relation to China, and the present was formally rejected in March of 2006. However, by the end of 2008, as relations improved markedly under President Ma, Taiwan announced it would accept the pandas.⁷⁰ This story about China's gift of giant pandas to Taiwan reflects the impasse in negotiations and agreements up until 2008 due to disagreements on the One-China Policy and the 1992 Consensus. China's acceptance of the pandas at the end of 2008 mirrors Taiwan's new willingness to cooperate with China after the political transition. Since the resumption of SEF-ARATS talks in 2008, the two have signed sixteen agreements to cooperate in various areas, as listed in Appendix I. The negotiations, visits and agreements constitute the closest to official exchanges between the two sides.

Efforts to build cooperation or expand contact in a specific area often preceded the signing of cooperative agreements, which then formed the basis for the subsequent formation of cooperative institutions. For instance, health exchange talks in 2007 precipitated the signing of the Cross-Strait Food Safety Agreement in 2008 that led to the formation of cooperative institutions for food health. That, combined with China allowing Taiwanese doctors to practice medicine on the mainland, eventually led to the signing of

⁷⁰ Chronology of Cross-Strait Interactions, Mainland Affairs Council, <http://www.mac.gov.tw/>

the Cross-Strait Agreement on Medical and Health Cooperation. Prior to the passage of the ECFA, SEF and ARATS agreed to direct air and sea cargo transport, eased restrictions on investment, and financial cooperation. As Kupchan noted, trade agreements lead to the creation of cooperative institutions and expanded societal contacts, which can contribute to further progress toward stable peace. The signing of the ECFA necessitated the creation of the Cross-Strait Economic Cooperation Committee, and the next set of talks focused on investment protection. In general, the signing of these agreements is built on previous developments and subsequently contributes to the ever-expanding network of ties and cooperation. Eased travel restrictions were built on the earlier passage of travel permits. Combined with new air transportation agreements, tourism and travel are expanding rapidly. Everything from tourism to judicial cooperation requires the creation of cooperative institutions that bring governments together in some form of official contact.

Though the heads of state cannot officially meet, the number of visits by lower-level officials, heads of the semi-official SEF and ARATS, and political leaders has been increasing over time. The KMT party chairman met with Hu Jintao in China after President Ma Ying-jeou's inauguration in May 2008. As relations improved, China's TAO director Chen Yunlin led a delegation to the island to visit and sign negotiated agreements.⁷¹ In 2008, the government of Taiwan began allowing county magistrates and mayors to visit Mainland China for cross-Strait cultural exchange activities, forums and conferences to increase positive interaction between cities and people.⁷² This move encouraged cooperation and development of ties in tourism and business industries, leading to various agreements

⁷¹ Taiwan Affairs Office, <http://www.gwytb.gov.cn/lajlwl/zdjl/>

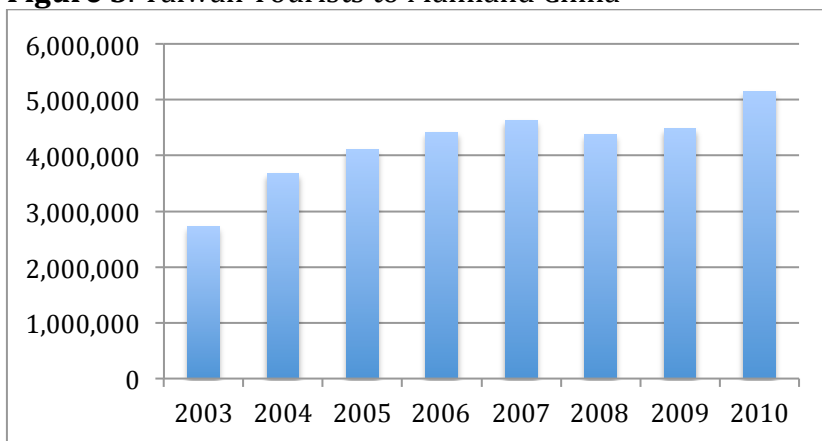
⁷² Mainland Affairs Council, <http://www.mac.gov.tw/ct.asp?xItem=44835&ctNode=5649&mp=1>

between provincial and city-level governments. These low-level political exchanges also increase economic exchange across the Taiwan Strait, demonstrating how the effects of economic and political exchange feed off one another.

Tourism

China opened its doors to visitors from Taiwan beginning in late 1987. Taiwan has welcomed visitors from the Mainland since 2002. Tourism bureaus and travel industries have participated in cross-Strait Travel Fairs that have promoted tourism and expanded societal exchange.⁷³ Figure 5, below, shows that the flow of tourists from Taiwan to Mainland China has, with the exception of 2008, increased annually, reaching 5.1 million visitors in 2010. Decreased travel to China could be attributed to the global economic recession or to heightened travel expenses during the Beijing Olympics. The most recently released statistics show that 1.6 million have visited Mainland China from Taiwan from January to April of 2011, growing 2.21 percent from the same time period in 2010.⁷⁴

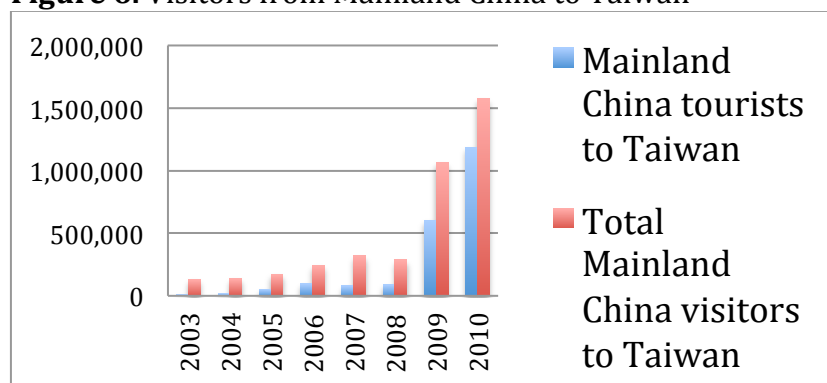
Figure 5. Taiwan Tourists to Mainland China



Source: Compiled from *Cross-Strait Economic Statistics Monthly* #221; China Monthly Statistics, China Travel Yearbook, and National Immigration Agency, Ministry of the Interior of Taiwan

⁷³ Chronology of Cross-Strait Interactions, Mainland Affairs Council, <http://www.mac.gov.tw/>

⁷⁴ China Monthly Statistics and China Travel Yearbook, *Cross-Strait Economic Statistics Monthly* #221

Figure 6. Visitors from Mainland China to Taiwan

Source: Compiled from *Cross-Strait Economic Statistics Monthly* #221; China Monthly Statistics, China Travel Yearbook, and National Immigration Agency, Ministry of the Interior of Taiwan

Meanwhile, Figure 6 above shows the number of tourists and other visitors to Taiwan from Mainland China. The total number of Mainland visitors increased dramatically from 2003 to 2010. After the election of Ma Ying-jeou and the resumption of SEF-ARATS talks in 2008, tourism exploded in 2009 with an annual growth rate of 568.47 percent.⁷⁵ The sharp increase after Taiwan's political transition demonstrates how political shifts can boost positive trends initiated by economic interdependence. As economic exchange has increased, tourism has subsequently increased in both directions, promoting societal level contact and mutual understanding.

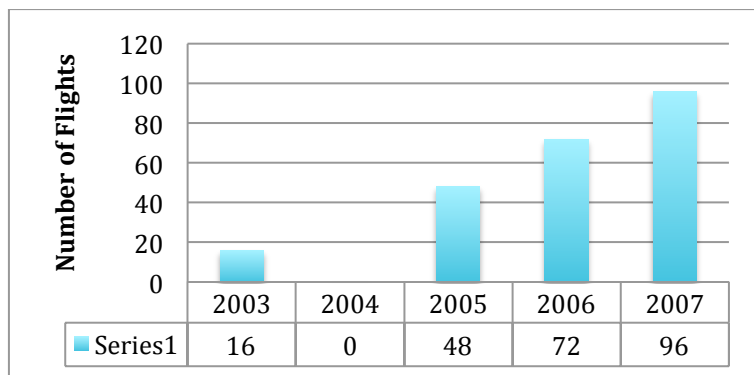
Direct Air Transportation

The case of direct air transportation provides a clear example of how increased business ties has expanded societal contact and promoted political exchange. In 2003, the two sides agreed to begin negotiations to allow flights for Taiwan businessmen to return home during the Lunar New Year Holidays. Initially, the flights required a stop over in Hong Kong or Macau. Ports of entry and exit were Shanghai for China and Taipei and

⁷⁵ National Immigration Agency, Ministry of the Interior of Taiwan, ROC; *Cross-Strait Economic Statistics Monthly* #221

Kaohsiung for Taiwan.⁷⁶ Taiwan President Chen Shui-bian's provocative rhetoric stalled negotiations in 2004, demonstrating the limits of economic interdependence in political conflicts. Negotiations fared better in 2005, with the two sides agreeing to expand flights to include more cities and to allow flights to fly over instead of landing in Hong Kong for a mandatory stop.⁷⁷ Negotiations allowed for increased flights in 2006 and 2007, as shown in Figure 7.

Figure 7. Lunar New Year Charter Flights 2003-07



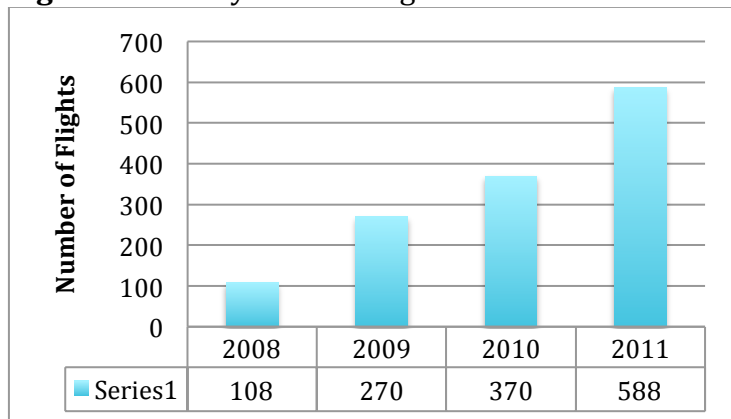
Data compiled from the MAC Chronology of Cross-Strait Interactions

Finally, in June 2008, the newly restarted SEF-ARATS negotiations concluded with the signing of the Cross-Strait Air Transport Agreement to allow for direct two-way flights and postal communication.⁷⁸ Taiwan opened eight more flight points, and China opened sixteen. In total, the agreement permitted a maximum of 108 passenger flights and 60 cargo flights per week. The two sides followed the same pattern before, reaching agreements to increase flights each of the next two years, reflecting increased interaction and demand for cross-Strait travel as business ties expanded and tourism increased.

⁷⁶ Chronology of Cross-Strait Interactions, Mainland Affairs Council, <http://www.mac.gov.tw/>

⁷⁷ Chronology of Cross-Strait Interactions, Mainland Affairs Council, <http://www.mac.gov.tw/>

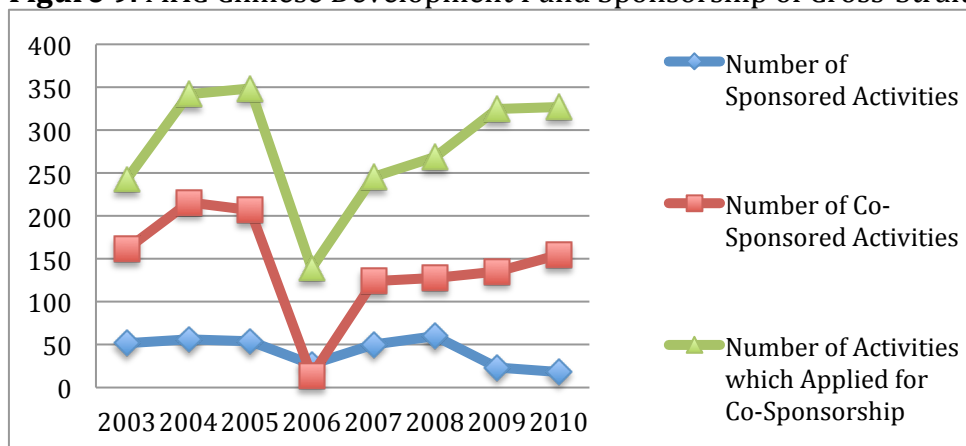
⁷⁸ Cross-Strait Air Transport Agreement and Annex on Arrangements for Cross-Strait Flight Paths and Passenger and Cargo Charter Flights, <http://mac.gov.tw/>

Figure 8. Weekly Charter Flights 2008 - 2011

Data compiled from the MAC Chronology of Cross-Strait Interactions, *Taipei Times*

The increase in air transportation over the examined time period exemplifies the implementation of semi-official cooperation and negotiated agreements. This business-motivated initiative led to the signing of a cooperative agreement, which further increased societal exchange. Needs brought on by economic interaction enabled political dialogue, increased business, and cultural and societal exchange. This example demonstrates how low-level political relations further enhance economic ties and encourage exchange.

Cultural and Educational Exchange

Figure 9. MAC Chinese Development Fund Sponsorship of Cross-Strait Cultural Activities

Source: Department of Cultural and Educational Affairs, Mainland Affairs Council, Executive Yuan, Republic of China

The Mainland Affairs Council sponsors cross-Strait cultural activities, including events co-sponsored with other organizations as interest increases, as shown in Figure 9. Despite high levels of economic exchange, all three figures experienced a dip in 2006 due to tense political relations between President Chen's DPP leadership and the Chinese Communist leadership, demonstrating that the positive benefits of economic interdependence cannot overcome high political tensions. In 2007, China's Ministry of Culture approved 200 items of cultural exchange activities over the first half of the year, including 119 activities involving travel by Mainlanders to Taiwan and 81 in the opposite direction.⁷⁹ 2006 marked the first Cross-Strait Economic Trade and Culture Forum as well as well the second Cross-Strait Book Fair and a Peace and Development Forum co-hosted by Overseas Chinese organizations from each side. MAC also allowed visits from Chinese basketball star Yao Ming and Chinese performance artists on promotional tours. While negotiations to bring the Olympic Torch through Taiwan on its route to Beijing were unsuccessful, cultural exchanges such as these continued throughout this time period.

At the education level, the MAC reported that it had raised NT2.2 million (New Taiwan dollars) to subsidize Chinese graduate students conducting research in Taiwan. Upon Taiwan's political leadership transition in 2008, Taiwan extended the stay of Chinese scholars to one year and expanded recognition of Mainland academic diplomas.⁸⁰ Organizations from both sides have held annual cross-Strait summer camps for college students to encourage interaction between higher education institutions.⁸¹ Classes began in 2007 for children of Taiwanese businessmen working in Fujian Province. Various youth

⁷⁹ Chronology of Cross-Strait Interactions, Mainland Affairs Council, <http://www.mac.gov.tw/>

⁸⁰ Mainland Affairs Council, <http://www.mac.gov.tw/ct.asp?xItem=49782&ctNode=5907&mp=3>

⁸¹ Chronology of Cross-Strait Interactions, Mainland Affairs Council, <http://www.mac.gov.tw/>

organizations, including the Communist Youth League of China and the KMT Youth Corps, have held youth forums to promote understanding between younger generations.⁸²

In the media realm, China's TAO and the All-China Journalist Association invited journalists to participate in a "cross-Strait journalist joint news coverage activity" for the 2006 launch of the Qinghai-Tibet Railway's trial operation.⁸³ In 2007, journalists from Xinhua News Agency, People's Daily and China News Service participated in a "Media Mission" to Taiwan to encourage media exchange.⁸⁴ Later that year, CCTV applied for permission to legally broadcast its programs in Taiwan. In 2008, Xinhua, People's Daily and five local media organizations stationed reporters in Taiwan. More extensive media exchanges occurred in 2009 under the leadership of SEF and ARATS. As economic interdependence has expanded, increased societal exchange including businessmen and families living in Mainland China has led to increased demand for education programming, media access and cultural exchange activities.

Shifting Emphases in Official Rhetoric

Annual speeches in China and Taiwan include discussions of the state of cross-Strait relations. These texts reflect both the attitude of each government and the intricate political game played in the Taiwan Strait. As Susan Shirk stated in her 2007 book, statements on Taiwan in China are directed "first at the Chinese audience, second at the United States, which they hope will restrain Taiwan, and only third at Taiwan itself."⁸⁵ That must be true to some extent for Taiwan as well.

⁸² Chronology of Cross-Strait Interactions, Mainland Affairs Council, <http://www.mac.gov.tw/>

⁸³ Chronology of Cross-Strait Interactions, Mainland Affairs Council, <http://www.mac.gov.tw/>

⁸⁴ Chronology of Cross-Strait Interactions, Mainland Affairs Council, <http://www.mac.gov.tw/>

⁸⁵ Shirk, 2007, p. 187

China's speeches, throughout the time period examined, heavily emphasize its desire to develop closer ties with Taiwan through trade, cultural exchange and shared heritage. Jia Qinglin's 2005 speech provides just one example of this rhetoric:

We are willing to work with Taiwan compatriots to promote the peaceful and stable development of cross-Strait relations and achieve mutual benefits . . . It is our hope that common development of both sides will make the Chinese nation strong, and all Chinese people will be able to share the happiness and glory.⁸⁶

China's rhetoric also stresses the ultimate goal of peaceful reunification and the requirement that Taiwan recognize the One-China policy. This insistence on reunification eased slightly after the transition back to KMT rule, reflecting China's preference for KMT leadership, lessened concern about independence, and China's strategy of winning over the people of Taiwan while building economic interdependence and military strength. In contrast, Taiwan's annual New Year's and National Day speeches focused on peace, security and stability in the Taiwan Strait. Under President Ma Ying-jeou, the speeches have maintained the same emphasis and increased calls for the development of closer ties with Mainland China, reflecting his willingness to work cooperatively with China.

President Chen Shui-bian's second term speeches included independence-leaning sentiment and ideas of self-reliance, beginning with his New Year's Address in 2004: "The Republic of China is an independent sovereign country. The 23 million people of Taiwan have the right to enjoy the dignity of a sovereign state and the status of citizens of the

⁸⁶ Speech by Jia Qinglin on the 10th anniversary of Jiang Zemin's Eight Points Speech. (Taiwan Affairs Office, http://www.gwytb.gov.cn/speech/speech/2011_01/t20110123_1723784.htm).

international community.”⁸⁷ President Ma Ying-jeou’s inaugural speech marked the beginning of a less confrontational approach to cross-Strait relations: Ma called for both the resumption of talks under the 1992 Consensus and a “new era of cross-Strait relations,” where people on both sides should recognize their “common Chinese heritage” and “find a way to attain peace and co-prosperity.”⁸⁸

In Taiwan, maintenance of the status quo seems to be mentioned briefly in pre-2005 and post-2009 speeches simply to reassure other domestic players, but it is not mentioned in Chen’s speeches after 2005. Meanwhile, China regularly referred to “Taiwan’s independence forces”, particularly in the final years of Chen’s leadership. Starting in 2005, and particularly following Ma’s 2008 election, China distinguished between Taiwan independence forces and “secessionist activities.” Chinese State Council Tang Jiaxuan’s 2004 speech even went so far as to call on people in Taiwan to check “Taiwan independence separatism.”⁸⁹

The rhetoric from both sides has become less confrontational, shifting away from controversial topics toward areas of possible agreement and cooperation. As economic interdependence, political and social linkages have increased; high-profile rhetoric has become more conducive to the further building of ties. President Chen’s speeches demonstrate high political tension during times of high economic trade, reflecting the limits of trade to lessen political conflict.

⁸⁷ Speech by Chen Shui-bian on New Year’s Day, 2004 (Office of the President, ROC, <http://www.gio.gov.tw/taiwan-website/4-0a/20040101/2004010101.html>)

⁸⁸ Inaugural Address “Taiwan’s Renaissance” by Ma Ying-jeou on May 20, 2008 (Office of the President, ROC, <http://english.president.gov.tw/Default.aspx?tabid=491&itemid=16304&rmid=2355&word1=President+Ma%27s+Inaugural+Address>)

⁸⁹ Speech by State Councilor Tang Jiaxuan on the 9th Anniversary of Jiang’s Eight Points (Ministry of Foreign Affairs, PRC, <http://www.fmprc.gov.cn/eng/wjdt/zyjh/t58791.htm>)

Discussion of Data Findings

Economic interdependence has grown across the Taiwan Strait in conjunction with the development of low-level political relations. China's position remains firm on US arms sales to Taiwan, Taiwan's full membership in international organizations and other countries' relations with Taiwan. However, this low-level contact increases interaction and mutual understanding and might eventually create an environment conducive to the discussion of high-level political issues.

Important Contextual Considerations

Domestic Politics in Taiwan

Within Taiwan, opinions on relations with China vary by generation, position in life, and family background. Ideas of identity, statehood and opinions on the wisdom of economic integration with the mainland most affect Taiwan politics.⁹⁰ In November 2008, opinion polls found that 43.2 percent of Taiwan's citizens wanted more frequent talks with China, 21.6 percent said the amount was about right and 18.9 percent wanted talks reduced.⁹¹ In September 2011, after three years of cross-Strait negotiations and cooperation, 46.4 percent of Taiwan's citizens think that the pace of cross-Strait relations is right as it is, 29.5 percent think it is too fast and 14.4 percent too slow.⁹²

Meanwhile, the Taiwan independence movement and the DPP have promoted the idea of an island-wide identity that encompasses aspects of the aboriginal, Chinese, Japanese and Western cultures that have influenced Taiwan.⁹³ Younger generations of

⁹⁰ Chu and Nathan, 2008

⁹¹ Global Views Research Center, <http://www.gvm.com.tw/gvsrc/eng/index.asp>

⁹² Glaser and Billingsley, 2011

⁹³ Phillipps, 2005

people living in Taiwan feel little cultural or political connection to the mainland.⁹⁴ At the same time, the pro-Chinese lobby also cuts across ethnic groups and works to counter the appeal of a “Taiwanese” identity and nationalism.⁹⁵

Internationalist economic interests are gaining significant political influence and can affect the “relationship between cross-Strait political conflict and Taiwan’s cross-Strait economic policy”.⁹⁶ The economic strength of the business lobby makes it an important domestic constituency in favor of preserving the status quo to avoid risking considerable investments in China.⁹⁷

Democracy is still very young in Taiwan, and parties are organized around the original struggle for democratization.⁹⁸ Politics is highly competitive and compromise is difficult.⁹⁹ The government often finds itself paralyzed due to a lack of consensus and politicians focus on relative gains, party politics, and short-term electoral consequences.¹⁰⁰ Questions of national security, as well as the national security and public opinion implications of pursuing China-friendly trade policies, are central to policy making.

President Chen’s inauguration speech featured “Five No’s” that moved his position away from independence for Taiwan; however, he quickly grew frustrated with China’s insistence on the One-China Policy and adopted a more confrontational attitude.¹⁰¹ The DPP is concerned that deepening integration with China’s economy will move Taiwan further away from independence and sacrifice Taiwan’s autonomy by hollowing out the

⁹⁴ Peterson, 2004

⁹⁵ Lee, 2003

⁹⁶ Kastner, 2006, p. 43

⁹⁷ Shirk, 2007

⁹⁸ Bush, 2005; Rigger, 2005

⁹⁹ Chu and Nathan, 2008

¹⁰⁰ Lee, 2003

¹⁰¹ Lee, 2003

economy and creating fifth column interests. The DPP continues to focus the national agenda on nationalism and cross-Strait relations.¹⁰² President Ma recognizes the One-China Policy under the 1992 Consensus of different interpretations. He holds the position that the Republic of China has independent sovereignty but opposes a constitutional referendum on independence. Ma and the KMT oppose the one country, two systems proposal and favor closer economic ties.¹⁰³

Domestic Politics in China: Why Taiwan Matters

While strong internationally, the Chinese regime is more focused on maintaining its internal legitimacy, as determined by a nationalist narrative and rapid economic growth.¹⁰⁴ The regime has also turned its focus to ensuring social stability by addressing its internal problems of unemployment, migration, need for urban job creation and lack of public infrastructure and social programs.¹⁰⁵

The Communist regime's legitimacy lies partly in its success in lifting hundreds of millions of Chinese out of poverty in just a few decades.¹⁰⁶ To maintain its legitimacy, the regime needs to continue to deliver economic growth and job creation.¹⁰⁷ China's economic development enhances its internal stability and ability to compete globally.¹⁰⁸ More recently, this decade has focused on addressing the unsustainability of the economic growth of the past few decades as well as the domestic imbalances created by this growth.¹⁰⁹ The rapid development of China's economy has affected urban and rural areas

¹⁰² Peterson, 2004

¹⁰³ Chu and Nathan, 2008, p. 84

¹⁰⁴ Nye, 2010

¹⁰⁵ Christensen, 2011

¹⁰⁶ Economy, 2010, p. 143

¹⁰⁷ Miller, 2010; Ikenberry, 2011; Diamond and Nathan, 2009; Nye, 2010

¹⁰⁸ Kissinger, 2011

¹⁰⁹ Jisi, 2011, p. 70

differently.¹¹⁰ The regime faces needy groups like impoverished farmers and rural migrants in urban areas as well as an expanding middle class and business elites with the capability to exert more political pressure.¹¹¹ Economic development and the emergence of a middle class have the potential to feed ideas of political liberalization that could threaten the Communist regime.¹¹² Though protests thus far have been aimed at better governance rather than overthrow, the leadership fears discontented groups uniting in nationalistic zeal to protest and overthrow the regime.¹¹³ The regime's two greatest fears are a national movement bringing together various discontented groups under the leadership of unemployed students with the capacity to successfully organize and a public crisis that the government could not adequately handle due to a lack of public infrastructure and resources.¹¹⁴

The regime's nationalist narrative promises China's return to dominance after a century of humiliation under foreign imperial rulers, including regaining sovereignty over the divided Chinese territory, and reunification with Taiwan is central to that goal.¹¹⁵ Taiwan is important to the Chinese public because the CCP's nationalist propaganda has convinced them that eventual reunification with Taiwan is a matter of national unity.¹¹⁶ The regime's education and propaganda campaigns have created intense nationalism in younger generations with an exaggerated perception of China's rise in global power.¹¹⁷ Chinese leaders believe that passively allowing Taiwan's independence could end the

¹¹⁰ Kissinger, 2011

¹¹¹ Gilboy and Read, 2008; Economy, 2010; Ikenberry, 2011

¹¹² Friedberg, 2005

¹¹³ Dickson, 2011

¹¹⁴ Shirk, 2007

¹¹⁵ Ross, 2002; Friedberg, 2005

¹¹⁶ Shirk, 2007

¹¹⁷ Christensen, 2011; Jisi, 2011; Nye, 2010; Kissinger, 2011

regime, especially if it lost the support of the military.¹¹⁸ Therefore, if Taiwan were to declare formal independence, China's leaders might use force against Taiwan in order to ensure political survival despite the economic consequences that a military conflict with Taiwan and the United States would entail.¹¹⁹ Due to the domestic political insecurity, the regime is overly sensitive to nationalist criticism at home and may respond more rigidly to perceptions of challenges abroad, such as Taiwan.¹²⁰

Appearing strong internationally appeals to nationalist sentiment and can potentially draw focus away from domestic weaknesses. A Chinese leader's approach to Taiwan at any given moment depends on domestic Chinese stability, the situation at the moment in Taiwan, and the position of the American administration on cross-Strait relations. Bursts of nationalism can constrain the Chinese government's flexibility in cross-Strait policy.¹²¹ Inflammatory comments by Taiwan's leaders must be met with equal or greater intensity.¹²² However, Chinese leaders confident in their political stability can take a nonaggressive, pragmatic and flexible position.

Today's Chinese leaders, the fourth generation of leaders in Communist China, tend to be very careful with Taiwan, believing, as Hu Jintao stated before he was chosen as the next leader, that "the proliferating web of economic and social ties will inevitably lead to a mutually satisfactory solution" and that rising nationalism in Taiwan is temporary.¹²³ The change in tone of rhetoric dealing with Taiwan reflects the influence of a new generation of

¹¹⁸ Shirk, 2007, p. 182

¹¹⁹ Shirk, 2007, p. 2

¹²⁰ Christensen, 2011

¹²¹ Bush, 2005, p. 197

¹²² Shirk, 2007

¹²³ Bush, 2005, p. 184

leadership with a better understanding of Taiwan's public audience.¹²⁴ Chinese leadership today is following a more nuanced approach, at once strengthening economic ties and deepening economic interdependence in the hopes that China can win over the hearts and minds of the people of Taiwan while simultaneously expanding its military capabilities.¹²⁵ Kissinger calls this strategy "combative coexistence": while China builds its own strategic position, it hopes to maneuver Taiwan into a weaker negotiating position.¹²⁶ China will deter the pro-independence forces for as long as possible while making itself more appealing by tying Taiwan's economic success to China's economic development.

The Role of the United States in Cross-Strait Relations

A full understanding of cross-Strait relations must incorporate the United States' protection of Taiwan against Chinese aggression. The Taiwan Relations Act ensures that the United States will provide Taiwan with significant capabilities to defend itself against Chinese military aggression, and arms sales in the last two years have totaled almost \$13 billion.¹²⁷ Military conflict would interrupt trade between China and the US, resulting in the loss of a significant export market for China.¹²⁸ Loss of trade with the United States would mean job loss, instability and significant economic set backs for China.¹²⁹ In this sense, the United States is an important guarantor, both economically and militarily, of the peaceful development of cross-Strait relations.

Positive-sum views of Sino-American relations suggest a path of deepening cooperation, stability and lasting peace, while zero-sum views predict the gradual

¹²⁴ Bush, 2005

¹²⁵ Peterson, 2004

¹²⁶ Kissinger, 2011

¹²⁷ Tucker and Glaser, 2011

¹²⁸ Cheng, 2005

¹²⁹ Nye, 2010

deterioration of relations, leading to increasingly open competition and potentially even all-out war.¹³⁰ The positive-sum perspective endorses a US policy of accommodation and reassurance toward China and encourages establishing transparency, building mutual trust, developing economic ties, and minimizing the likelihood of military conflicts.¹³¹ Diplomatic and economic ties help resolve security issues, prevent spirals of tension, and reduce the misperceptions that carry the potential to undermine peaceful international relations as China's power grows. In contrast, the zero-sum perspective interprets the continued increase in Chinese power as a challenge to the dominance of the United States.¹³² The changes that positive-sum liberals see as reducing the dangers of mistrust and misperceptions have also increased China's relative economic and political role in Asia. Improving China's relations with its neighbors is seen not as a stabilizing force but as a reduction of US interests in the region. Some see a diminishing role for the United States as Taiwan drifts closer to China, while others suggest that Washington encourages positive efforts at reducing cross-Strait tensions, which could result in a win for all three.¹³³

Both Taiwan and China push the United States to issue new formulations of its cross-Strait policy in order to shift and constrain US policy in a favorable direction.¹³⁴ China works to make Taiwan feel vulnerable, weak and abandoned by trying to elicit statements from American leadership that show it to be leaning toward China or critical of Taiwan. Meanwhile, the United States is nervous that Taiwan's tendency to make public statements that assume US support will eventually trap the United States in a military conflict against

¹³⁰ Friedberg, 2005

¹³¹ Christensen, 2006

¹³² Christensen, 2006

¹³³ Gilley, 2010; Chang, 2010

¹³⁴ Bush, 2005

China on Taiwan's behalf. Some in the United States also complain that Taiwan's government relies too heavily on the United States to deter the Chinese military threat without developing its own military.¹³⁵ Distrust is inherent in relations between these three actors. Each is afraid of entrapment by another, and an aggravated sense of insecurity is reinforced by various misperceptions.¹³⁶

The United States has pursued a policy of strategic ambiguity that gives it the flexibility to pursue its fundamental goal of ensuring peace and stability in Asia, regardless of changing circumstances.¹³⁷ Ambiguity allows the United States to shape its response based on the nature and timing of an event.¹³⁸ Defining exactly what action the United States would take under various different circumstances encourages further attempts to define American policy position, removing the flexibility to pursue the single goal of peaceful resolution. The United States combines deterrence and reassurance to ensure that Taiwan does not make a premature, dramatic move toward independence that could result in crisis escalation.¹³⁹ It deters China from attacking Taiwan, which comes with high economic costs of war with the United States and the risks of initiating a domestic economic crisis and placing the legitimacy of its leadership into question if defeated. Closer US-Taiwan cooperation and military ties signal continuing US resolve to China, making threats of retaliation credible.¹⁴⁰ The United States' strong presence in East Asia and threat of the high economic costs of war maintain the current peace while creating an environment that encourages the development of cross-Strait relations. Without the US as a

¹³⁵ Tucker and Glaser, 2011

¹³⁶ Bush, 2005

¹³⁷ Bush, 2005

¹³⁸ Tucker, 2005

¹³⁹ Petersen, 2004

¹⁴⁰ Ross, 2002

guarantor of Taiwan's security, China would have fewer incentives to continue working on the peaceful development of cross-Strait relations.

Policy Implications and Conclusions

In a few years, research can be conducted that analyzes the effects of the ECFA on the relationship between economic interdependence and cross-Strait relations. Isolating and examining the role of the third party, the United States, could analyze if it has tended to act as a positive or negative force for peace in the Taiwan Strait while a deeper examination of the domestic forces at play in both China and Taiwan could build on this study and provide new insight into the future path of cross-Strait relations.

This study shows a positive correlation between economic interdependence and the development and expansion of political ties over the time period examined. Though political tensions were high during President Chen's second term from 2004 to 2008, this period also saw growing economic interaction paired with increasing social contacts, cultural and educational exchange, and the building of cooperative institutions for tourism and transportation. Upon Ma Ying-jeou's assumption of the presidency in Taiwan, economic interdependence and willingness to engage in political negotiations further expanded the network of political and social cooperation. These developments encourage mutual understanding and transform societal attitudes toward cross-Strait relations that can soften high political tensions and might eventually allow discussion of high-level issues. Economic interdependence has tangible benefits in the establishment of low-level political and social interaction but is not a sufficient force to improve high-level, political exchange.

This example shows that the liberal argument, though not entirely sufficient, has valid points on the peace-encouraging effects of economic interdependence. Economic

interdependence increases contacts and incentives to build peace, especially with high expectations of future trade. Fifth column effects, rather than reversing policy preferences in Taiwan, may be carefully managed to encourage cooperation. As Kupchan argues, a political component is necessary to capitalize on the political benefits of economic interdependence. The signing of the ECFA and other agreements has further increased economic ties and augmented the effects of societal exchange to encourage lasting peace. Economic relations benefit low-level political improvements in a reciprocal fashion. Realist concerns of China's economic and military power over Taiwan are abundant, but the division of labor across the Taiwan Strait and increasing cooperation in other areas, as well as positive expectations of future trade, make the use of military conflict seem unlikely unless tensions escalate.

Political reconciliation – not necessarily reunification but rather positive dialogue, negotiation, and eventual resolution – can only occur between China and Taiwan during times of domestic tranquility and mutual trust. Under conditions where internal politics are intricately tied to the relations between these two countries, the peace-building effects of economic interdependence are limited. If leaders of either side engage in provocative language or use the issue of cross-Strait relations as a rallying point to distract from domestic issues, tensions will build and the currently peaceful situation in the Taiwan Strait has the potential to quickly escalate back to crisis levels. The handling of cross-Strait relations requires careful management.

Economic interdependence can be tied with other enabling factors, like the encouragement of a third player that is vital to the interests of both sides. In this case, the United States fits into that role. If played carefully, the United States can serve to reinforce

the positive effects of economic interdependence while also managing any misunderstandings. Both China and Taiwan try to use the United States against each other, but the United States can carefully play its role to counter overreactions by each side's public and support peaceful development and negotiations. By not allowing itself to be actively drawn in by either side, the United States has allowed China and Taiwan to expand their own direct contacts. American encouragement of positive development of cross-Strait relations can contribute to more positive steps rather than foster security concerns and crisis escalation.

China's leaders are constrained by intense nationalist sentiment, yet oftentimes the views of the leadership are more moderate, practical or cautious than the inflammatory rhetoric found in the media.¹⁴¹ If, over time, China's leaders can find a way to deemphasize Taiwan's importance and work toward resolving domestic problems, the issue could become less volatile. This problem will not be resolved in this generation if it is still such a sensitive issue in both places.

Economic interdependence has led to positive steps to build mutual understanding and expand political and social contacts. The effects of trade and politics seem to play off one another. Trade leads to the creation of cooperative institutions and builds social and cultural exchange. This, in turn, encourages further trade as well as builds mutual trust. China and Taiwan are moving to an increasing network of cooperative ties in economic, political, cultural and societal spheres. This network can eventually serve as a framework for either reunification or a close relationship between two independent states. Along with US encouragement, time, and patience, that is the best road to a gradual resolution. As the

¹⁴¹ Jisi, 2011; Nathan, 2011

number of political agreements grows beyond the current sixteen, various cooperative institutions will contribute to the building of mutual trust. Continued economic interdependence over the long term and careful, measured steps by all players could lead to eventual peaceful resolution. Because the state of cross-Strait relations relies on the actions of leaders and political sentiment in both countries, the 2012 Chinese leadership transition and Taiwan elections can greatly affect the development of cross-Strait relations. The key is careful management of tensions by state leaders and international players.

Appendix I. List of Agreements Between Straits Exchange Foundation (Taiwan) and Association for Relations Across the Taiwan Straits (China)

Minutes of Talks on Cross-Strait Charter Flights
Cross-Strait Agreement on Travel by Mainland Residents to Taiwan
Cross-Strait Food Safety Agreement
Cross-Strait Air Transport Agreement
Cross-Strait Postal Service Agreement
Cross-Strait Sea Transport Agreement
Agreement on Cross-Strait Air Traffic Supply
Agreement on Cross-Strait Financial Cooperation
Agreement on Cross-Strait Mutual Cooperation in Cracking Down on Crimes
Cross-Strait Arrangement on Cooperation of Agricultural Product Quarantine and Inspection
Cross-Strait Agreement on the Cooperation in Respect of Fishing Crew Affairs
Cross-Strait Agreement on Cooperation in Respect of Standards, Metrology, Inspection and Accreditation
Cross-strait Economic Cooperation Framework Agreement (ECFA)
Cross-Strait Agreement on Intellectual Property Right Protection and Cooperation
Cross-Strait Agreement on Medical and Health Cooperation
Cross-Strait Nuclear Power Safety Cooperation Agreement

Appendix II. List of Speeches Analyzed and Coding Scheme

China Speeches

- Qian Qiwen (2003, January 24). "Continue to promote the realization of the great cause of the motherland's reunification." Speech to commemorate the 8th anniversary of Jiang Zemin's Eight Points Speech. (Asia Africa Intelligence Wire [2011, September 27]).
- Tang Jiakuan (2004, January 19). "Compatriots Across the Taiwan Straits, Unite to Strive for National Reunification." Speech to commemorate the 9th anniversary of Jiang Zemin's Eight Points Speech. (Ministry of Foreign Affairs, PRC, <http://www.fmprc.gov.cn/eng/wjdt/zyjh/t58791.htm> [2011, September 27]).
- Jia Qinglin (2005, January 28). "Resolutely curb 'Taiwan independence' secessionist activities to safeguard peace and stability across the Taiwan Strait, continue to strive for development in the direction of cross-Strait relations toward peaceful reunification." Speech to commemorate the 10th anniversary of Jiang Zemin's Eight Points Speech. (http://www.gwytb.gov.cn/speech/speech/201101/t20110123_1723784.htm [2011, September 27]).
- Zhang Yong (2006, January 26). "Commemorate the 11th anniversary of Jiang Zemin's Eight Points Speech, He Luli," Xinhua (http://www.gwytb.gov.cn/speech/speech/201101/t20110123_1723831.htm [2011, September 27]).
- Lee Kai (2007, January 30). "12th Anniversary of Important Speech by Jiang Zemin 'to promote the complete reunification of the motherland and continue to struggle held in Beijing," Xinhua (http://www.gwytb.gov.cn/speech/speech/201101/t20110123_1723877.htm [2011, September 27]).
- People's Daily Online (2007, September 29). "Jia: 'Taiwan independence' activities are rampant in high-risk situation in the Taiwan Strait." People's Daily Online (http://www.gwytb.gov.cn/speech/speech/201101/t20110123_1723905.htm [2011, September 27]).
- People's Daily Online (2008, January 2). "Hu Jintao: In the new year, we must never compromise against 'Taiwan independence' secessionist activities." People's Daily Online (http://www.gwytb.gov.cn/speech/speech/201101/t20110123_1723912.htm [2011, September 27]).
- Ye Xiaonan (2008, January 30). "Zhou Tienong: resolutely oppose and check 'Taiwan independence' to seek peace in the Taiwan Strait and the region," People's Daily Online (http://www.gwytb.gov.cn/speech/speech/201101/t20110123_1723905.htm [2011, September 27]).
- Xinhua (2009, February 7). "Jia Qinglin attended the meeting on the Taiwan issue and made an important report," Xinhua (http://www.gwytb.gov.cn/speech/speech/201101/t20110123_1723969.htm [2011, September 27]).
- Xinhua (2010, January 29). "Jia Qinglin speech at 2010 Taiwan conference," Xinhua (http://www.gwytb.gov.cn/speech/speech/201101/t20110123_1724027.htm [2011, September 27]).
- Lihang Fang (2010, July 11). "Jia Qinglin attends Sixth Cross-Strait Trade and Cultural Forum and gave a speech," Xinhua (http://www.gwytb.gov.cn/speech/speech/201101/t20110123_1724054.htm [2011, September 27]).
- Xinhua (2011, January 29). "2011 Taiwan conference held in Beijing, Jia Qinglin delivered an important speech," Xinhua (http://www.gwytb.gov.cn/speech/speech/201101/t20110131_1739736.htm [2011, September 27]).
- Jia Qinglin (2011, May 7). "Seventh Cross-Strait Trade and Cultural Forum Opening Speech." (http://www.gwytb.gov.cn/wyly/201105/t20110507_1848796.htm [2011, September 29]).

Taiwan Speeches

- Chen Shui-bian (2003, January 1). "President Chen's New Year's Address" (<http://www.gio.gov.tw/taiwan-website/4-oa/20030101/2003010101.html> [2011, September 29]).
- Chen Shui-bian (2003, October 10). "President Chen's Address to the National Day Rally" (<http://www.taiwanembassy.org/uk/ct.asp?xItem=4196&ctNode=932&mp=132&nowPage=8&pageSize=30> [2011, September 29]).
- Chen Shui-bian (2004, January 1). "President Chen's New Year's Address" (<http://www.gio.gov.tw/taiwan-website/4-oa/20040101/2004010101.html> [2011, September 29]).
- Chen Shui-bian (2004, October 10). "President Chen's Address to the National Day Rally" (<http://www.taiwanembassy.org/uk/ct.asp?xItem=4196&ctNode=932&mp=132> [2011, September 29]).

- Chen Shui-bian (2005, January 1). “Creating a New and Stable Environment for Consultation and Dialogue” New Year’s Address (<http://www.gio.gov.tw/ct.asp?xItem=31594&ctNode=2462&mp=807> [2011, September 29]).
- Chen Shui-bian (2005, January 28). “The ROC Government’s Position on the 2005 Lunar New Year Cross-Strait Charter Flights” (<http://www.gio.gov.tw/ct.asp?xItem=31604&ctNode=2462&mp=807> [2011, September 29]).
- Chen Shui-bian (2006, January 1). “President Chen’s New Year’s Address” (<http://www.gio.gov.tw/taiwan-website/4-0a/20060101/2006010101.html> [2011, September 29]).
- Chen Shui-bian (2006, October 10). “President Chen’s National Day Address” (<http://www.gio.gov.tw/ct.asp?xItem=31643&ctNode=2462&mp=807> [2011, September 29]).
- Chen Shui-bian (2007, January 1). “President Chen’s New Year’s Address” (<http://www.gio.gov.tw/ct.asp?xItem=31621&ctNode=2462&mp=807> [2011, September 29]).
- Chen Shui-bian (2007, October 10). “President Chen’s National Day Address” (<http://www.gio.gov.tw/ct.asp?xItem=34498&ctNode=2462&mp=807> [2011, September 29]).
- Chen Shui-bian (2008, January 1). “President Chen’s New Year’s Address” (<http://www.gio.gov.tw/ct.asp?xItem=35547&ctNode=2462&mp=807> [2011, September 29]).
- Ma Ying-jeou (2008, May 20). “Taiwan’s Renaissance” Inauguration Address. (<http://english.president.gov.tw/Default.aspx?tabid=491&itemid=16304&rmid=2355&word1=President+Ma%27s+Inaugural+Address> [2011, September 29]).
- Ma Ying-jeou (2008, October 10). “President Ma Ying-jeou’s National Day Address” (<http://www.gio.gov.tw/ct.asp?xItem=43623&ctNode=2462&mp=807> [2011, September 29]).
- Ma Ying-jeou (2009, January 1). “New Year’s Day Celebratory Message” (<http://www.gio.gov.tw/ct.asp?xItem=44972&ctNode=2462&mp=807> [2011, September 29]).
- Ma Ying-jeou (2009, October 10). “President Ma Ying-jeou’s National Day Address” (<http://www.gio.gov.tw/ct.asp?xItem=53427&ctNode=2462&mp=807> [2011, September 29]).
- Ma Ying-jeou (2010, January 1). “Through Reform and Hard Work, Taiwan Will Rise Again” (<http://www.gio.gov.tw/ct.asp?xItem=57463&ctNode=2462&mp=807> [2011, September 29]).
- Ma Ying-jeou (2010, October 10). “President Ma Ying-jeou’s National Day Address” (<http://www.gio.gov.tw/ct.asp?xItem=74073&ctNode=2462&mp=807> [2011, September 29]).
- Ma Ying-jeou (2011, January 1). “Building up Taiwan, Invigorating Chinese Heritage” (<http://www.gio.gov.tw/ct.asp?xItem=79319&ctNode=2462&mp=807> [2011, September 29]).
- Ma Ying-jeou (2011, October 10). “A Century of Struggle, a Democratic Taiwan” (<http://www.gio.gov.tw/ct.asp?xItem=99223&ctNode=2462&mp=807> [2011, September 29]).

Coding Scheme:

Peaceful Reunification
 One-China Policy
 One Country on Each Side
 One Country Two Systems
 Anti-Secession Law
 Taiwan Independence Forces
 Secessionist Activities
 ECFA and Economic Cooperation
 Opposition to Economic Interdependence
 Development of Closer Ties
 Three Links
 Mention of Leadership of Opposite Side
 1992 Consensus
 Development of Democracy in China
 Peace and Stability
 Maintenance of the Status Quo
 Expressions of Independence Sentiment

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