

Multiple Shades of China's Taiwan Policy after the 19th Party Congress

Wei-chin Lee
Wake Forest University

Abstract:

The study begins with descriptions of the changing political landscape of Taiwan's domestic politics and China's increasingly influential role in global politics to show the strategic terrain of asymmetric cross-Strait relations and some implications of Taiwan's 2016 elections. It attempts to delineate the 19th Party Congress report for meaningful contemplation of and conjecture about China's purposes and policies in dealing with the prickly Taiwan issue. In essence, China's policy under Xi after the 19th Party Congress has been characterized by a dualist approach in which a soft power charm offensive has been the primary strategy to appeal to the Taiwanese public, whereas coercive measures in the diplomatic arena and military sphere have served as the supplementary approach to pressure the DPP government.

China completed its 19th Party Congress in October 2017, with President Xi Jinping delivering a marathon speech for more than three hours to highlight the party's shining records of accomplishments and to plot its multiple tasks in the coming five years. Media commentaries and policy analyses instantly screened the report for inklings of the CPP's grand plan in domestic governance and diplomatic endeavors. One prominent issue of this report is how Xi and his party assess cross-Strait relations after Taiwan's 2016 regime change and how the CCP plans to strategize its Taiwan policy. In particular, the Tsai government's refusal to accept the "1992 Consensus" since May 2016 has practically stalled cross-Strait relations completely. Hence, an examination of the fundamentals of the CPP's Taiwan policy promulgated in the 19th Party Congress can shed light on China's game plan in resolving the Taiwan issue.

The study will begin with descriptions of the changing political landscape of Taiwan's domestic politics and China's increasingly influential role in global politics to show the strategic terrain of asymmetric cross-Strait relations and some implications of Taiwan's 2016 elections. It will then attempt to delineate the 19th Party Congress report for meaningful contemplation of and conjecture about China's purposes and policies in dealing with the prickly Taiwan issue. The final section will evaluate and explore the implications of China's Taiwan policy.

China's Sisyphean Task in Peaceful Initiative?

When China launched economic reforms in 1977-78, Deng Xiaoping's paramount strategic principle was "*taoguang yanghui*" (hide one's might and build one's strength) in external affairs. Despite frequent declarations of the military option as a last resort for the unification of Taiwan, China was concerned about the disruptive effects of cross-Strait conflicts on its economic modernization effort without the cornucopian contribution of Taiwanese investments and trade. China's idealistic Taiwan policy was, hence, to accomplish the mission of unification peacefully by expecting that deep-rooted historical linkage, cultural affinity, and economic connection could be strong impetuses to national integration. However, Taiwan's identity efforts in indigenization since its democratic transition and consolidation, post-WWII ideological divergence, and institutional distinctiveness have made it drift away from China's political orbit and cultural identity compass. In a parallel development, China's spectacular economic growth and powerful ascendancy in global politics, both of which have been rooted in nationalist inspiration in both transformative discursive rhetoric and visible material displays, have led the country to become increasingly confident and resolute in marching toward its self-marked "Chinese dream" and claiming to be a peace-loving nation.¹ However, such a kinder and gentler voice would naturally shift to a sharper emphatic tone on sensitive issues, such as: territorial sovereignty matters, like the Taiwan issue; nationalist desires to be Washington's equal; or security competition with Japan and other neighboring countries.

The hodgepodge style of soft appeal coupled with daring altercation in China's international endeavors is similarly echoed in its dualistic approach to Taiwan. First, a pragmatically people-oriented, pluralistic, accommodative approach in bridging spatial and developmental divides across the Strait harbors its consistent and uncontested goal of unification with Taiwan. On the

one hand, China is willing to demonstrate its eagerness and flexibility in incorporating multiple views and participation for a united front in its mission accomplishment. On the other hand, dynamic discussions, dissention, and decision-making function only on China's terms within sanctioned confines.. Therefore, the phrase "harmony without sameness" (*he er bu tong*) captures the essence of China's tolerance of diverse and diffuse ideologies and moves only as long as its policy centrality and domination remain unchallenged.²

Second, even under tense and severe relations, China manages to keep confrontation in a mode of "fighting without breaking" (*dou er bu po*) the situation to an irreversible result.³ Rather than direct confrontation, it is better to take a broad and futuristic view by building up alliances and favorable circumstances to withstand pressures from the adversary. A case in point is China's remarkable economic growth, which has given itself ample resources to boost its political leverage through network linkage, such as the "One Belt, One Road" initiative, to ward off the stress imposed by Western democracy promoters in order to maintain its regime sustainability.⁴

Third, undoubtedly, there are critical moments warranting the mobilization of military force to safeguard its core interests, should the window of opportunity be available. Here, Alastair Iain Johnston's prior research on China's strategic behavior may offer insight into China's historical understanding that China is nearly identical to any other state with the use of military power to protect its core interests with a promising prospect of success in a realistic and rational assessment.⁵ Stated differently, China would employ coercive force as the last resort to defend its core interests.

Under this backdrop, the twists and turns of situational variables on different levels of analysis could affect China's Taiwan policy. First, a common perception across the Strait on the

international level is that China's recent surge in power and influence has dwarfed Taiwan's bargaining power in cross-Strait relations. In such an asymmetric dyad of rising authoritarian China versus the democratic Taiwan, Taiwan as a weaker party would instinctively seek a powerful third party ally for its regime survivability and stability. The convergence of multiple national interest variables, including the legacy of US-Taiwan historical security cooperation, the US post-WWII East Asian regional security arrangement and liberal economic order, and its commitment to democratic fellowship due to the belief in democratic peace, has made the US stand by Taiwan. This has boosted Taiwan's capability to balance against China's political intimidation and security threat.

Veering from the Obama administration's cautious mode of foreign policy, President Trump has ushered in a "shock and awe" style on multiple fronts of international issues related to US diplomacy, trade, and security framework and generated broad anxiety and deep fear among US allies and adversaries because of his frequent policy reversion, irregularities, and unpredictability. While official publicity and media coverage depicted a cozy atmosphere at the Trump-Xi meeting at the Mar-a-Lago summit in early April 2017, Trump had no problem later adopting a harsh trade war against China. As might be expected, a supposedly rising China and the existing hegemonic US under Trump are bound to have divergent and conflicting interests and mindsets, not to mention the temperamental Trump's frequent meddling and shifting of US foreign policy priorities. On the Taiwan issue, Trump vacillated wildly in 2017. He started with the unprecedented Trump-Tsai phone call on Dec. 2, 2016, hinting at the beginning of new horizon. Then in April 2017, he retreated to the traditional support of the "one China" policy. He seemingly reversed course again on June 29, 2017, with the approval of an arms deal of \$1.42 billion with Taiwan.⁶ In March 2018, Trump appeared to be steady in his approval of a

legislative bill adopted in late February by the Congress to encourage Taiwan-US official visits at all levels “under conditions which demonstrate appropriate respect for the dignity of such officials.”⁷ Trump’s appointment of John Bolton, one of the most pro-Taiwan figures in Washington, as the national security adviser surely sent an alarming signal to China.

Here, Trump has not concealed his intent to encircle and undercut China’s rise with the “Indo-Pacific” strategy as an expanded version of the Obama era’s Pivot policy. The idea appeared to echo the thinking of combining Japan and India as two countervailing forces on both fronts to curb the “expansionist” China in US political, economic, and security layouts.⁸ China began to speculate that US moves were part of a deliberate scheme to harm and hinder China’s economic progress and sustainability. For example, the Trump administration’s trade wars with China seemingly locked itself in escalating rounds of tit-for-tat tariffs and sanctions, involving \$34 billion worth of Chinese goods on July 6, 2018, with an additional list of goods valued at \$200 billion pending in future periods.⁹ Moreover, besides the blocking of China’s numerous attempts to acquire US semiconductor firms, in early 2018 the US dealt a heavy blow by banning American companies from selling any parts or software to the Chinese smartphone maker ZTE for seven years, after ZTE was found selling US technology to North Korea and Iran.¹⁰

In the view of Peter Navarro, the Chairman of the National Trade Committee and Trump’s economic adviser, the US goal was to disrupt and slow the advancement of ten key industrial sectors of China’s ambitious and wide-ranging “Made in China 2025” Plan for homegrown high-tech industry.¹¹ Additionally, in the future this US trade war could potentially weaken China’s financial efforts in its “One Belt, One Road” Initiative.¹² As bilateral trade tensions continued, nearly 58% of Americans in 2018 (an increase from 52% in 2017) believed that China’s economic strength was a major threat to the US, in addition to cyberattacks, environmental

damages, and human rights violations.¹³ In sum, it has been a concerted US effort to prevent China from accessing crucial US technology knowledge to climb up the chain of design and manufacturing. As the trade dispute gets nastier, China's export-dependent economy, with nearly 20% of Chinese products to the US, might suffer from a protracted trade war.¹⁴

Caught between fires, there are approximately 50,000 Taiwanese companies in China as of July 2017. Among the top twenty Chinese companies in Chinese exports to the US in 2016, fifteen were Taiwanese-owned ventures.¹⁵ Meanwhile, around 40% of annual Taiwanese exports went to China in recent years; for instance, semiconductors accounted for 62.6% of Taiwan's total hi-tech exports to China in the first ten months of 2017. Hence, the US-China trade war might convince some Taiwanese investors and companies to relocate to the US or Southeast Asia for risk aversion.¹⁶ China will have to offer more incentives and benefits to Taiwanese investors to sustain the momentum of the Chinese economy.

At the same time, the trade war clearly gave the DPP government greater cause to stick closer to Washington and stay away from Beijing's influence in the asymmetric China-Taiwan-US triangular relations. That means, the cooperative or confrontational atmosphere of the China-US relations would offer Taiwan an opportunity to explore its advantage. Should bilateral relations be cordial, both the US and China might downplay the role of Taiwan to avoid unnecessary disturbance to the equilibrium. However, if both China and the US are locked in a series of confrontations, either side may find Taiwan a negotiating asset for a better deal.

On the domestic aspect, Chinese society has not encountered the polarized view which has occurred in Taiwan, even though the teleological concept of "China" might be different from the spatial confines of China today. Like previous regimes in history, the CCP has long socialized itself well with the integrity of China. Along with tight political control, the party has

mesmerized the society well with the communicative narratives of achieving Chinese uniqueness and prominence in the world with the CCP at the helm.¹⁷ Granting that nationalist and ethnic tensions are bound to occur within Chinese society, the state intends to forge and consolidate a sense of Chinese nationhood through the maneuvering and manipulation of cultural symbols and historical memory. In this case, China's Taiwan policy is not simply a matter of concern to the Taiwanese, but also a perturbing issue to the Chinese across the Strait. In China's view, only a completely unified China could bring about the full realization of the Chinese nation in Xi's Chinese dream. In essence, China has conceived that the Taiwan issue is a form of cultural practice emulating the sanctity and pride of Chinese cultural uniqueness and civilizational unity far beyond political consideration. Therefore, the DPP government's deliberate and gradual reconstruction efforts for an indigenous Taiwanese identity clearly have departed from the sanctioned realm of Chinese-ness and have betrayed what the Chinese government has striven to uphold.

Additionally, the party-state has employed the term, "Century of Humiliation" in describing the officially approved narrative of the past.¹⁸ The political imperative is that the recovery of Taiwan has been a frequent reminder of China's nationalist triumph. Under the rubric of territorial integrity, the Taiwan issue hence has become a testing ground of China's will and capability to resolve and recover the lost piece of the territorial puzzle. Should Taiwan be independent from Taiwan's political perimeter, it would send a signal of encouragement to other Chinese separatist movements, such as the Hong Kong indigenization movement, the Tibetan independence drive, and Xinjiang's separatist force.

Third, Taiwan's foreign direct investment (FDI) was a key source of China's economic reforms. The exact amount of FDI might be hard to gauge because of the available channels of

FDI through Hong Kong or various tax havens to enter China. Still, during the period from 1991 to the end of June 2018, the number of approved Taiwanese projects invested in China has climbed to 42,905, and the accumulated value of approved Taiwanese FDI to China reached \$178.09 billion.¹⁹ While foreign FDIs account for merely 2.5% of China's GDP as reported in 2017, these inbound FDIs would generate a multiplying effect on China's GDP exceeding 2.5% through monetary circulation and market contribution in various ways.²⁰ In case the Chinese economy encounters economic slowdown or trade disruptions, any decent amount of capital inflow helps sustain political and social stability. Inbound investments from Taiwan, Hong Kong, and other overseas Chinese communities, for example, actually helped a great deal in the economic adjustment period immediately after the 1989 Tiananmen movement.

The logic of comparative advantage and division of labor because of the relative costs of production in locality, geographic proximity, and cultural affinity actually has benefited cross-Strait economic exchanges. Even so, the uneven development in economic capacity and market potential over past decades has tilted the exchanges more and more in China's favor. Its immense size and market potential has created a magnetic force attracting Taiwanese capital and business enterprises to move into the China market. Besides the expectation of using economic integration to cultivate a favorable atmosphere toward political integration, China has adopted the strategy of "*yishang bizheng*" (using business incentives to force political adaption) by hoping that those business enterprises would convince or coerce politicians to adopt China-friendly policies. Put simply, the aim has been that Taiwan's irreversible economic dependency on the China market would lead to political entrapment and unification.

During the period of 2007 to 2014, China's shares of Taiwan's exports increased from 39.5% to 42%.²¹ Nevertheless, the calculation failed to gauge the overall evolution of Taiwan's

sociotropic perceptions—mass public perceptions of how trade affects the whole country in the 2010s. Democracy permitted various socio-political activists and civil society groups to express their views in political contests. The anxiety of those classes and groups receiving fewer benefits from cross-Strait exchanges intertwined with others harboring China-sceptic identity stances to challenge the legitimacy and long-term profitability of cross-Strait policy in the 2014 Sunflowers Movement.²² This movement precipitated China's revision of its idealistic view of trade expansion and consolidation across the Strait to facilitate the process of integration.

The Taiwan issue, in the final analysis, resides not simply “at the heart of Chinese nationalism,” but also cuts into the economic perspective and political dimensions. Its resolution signifies the retrieval of a lost territory, represents a long-term struggle with enduring rivals, that is, the US and Japan, establishes a geo-economic integration scheme for China's continuous economic prosperity, and finally, embodies the geo-strategic possession of a gateway to the vast Western Pacific region for China's powerful role.²³

Lessons of the 2016 Elections and Afterwards

In Taiwan, historical perception about China and public attitude toward China have prompted severe divisions within political camps in electoral campaigns and policy formulation in dealing with China. Years of democratic elections in Taiwan have prompted ideological modifications for each political camp seeking to maximize public support. In general, the pan-Blue camp represented by the Kuomintang (KMT or Nationalist Party) inclines to favor friendly relations with China, and the pan-Green camp headed by the Democratic Progressive Party (DPP) harbors a vision of Taiwan Independence (TI) separating from China.²⁴ During the Ma era of the pan-Blue camp, 2008-2016, China sought to cultivate an amiable atmosphere based on the 1992

Consensus, though the pan-Green camp vehemently opposed Ma's China-friendly moves. Even so, both China and Taiwan achieved numerous compromises on practical issues to facilitate economic interactions and social exchanges. Beijing took a tacitly non-oppositional stand toward Ma's calling for Taiwan's expansion of international space and quietly accepted Ma's urge for a diplomatic truce in competition for diplomatic recognition. Regrettably, Beijing's more recent fear of the DPP's return to power in Taiwan has kept Beijing from advancing further compromises on issues of high political sensitivity concerning the acknowledgement of Taiwan's sovereign identity and respect for Taiwan's national dignity.

At the same time, China's past efforts of economic concessions to Taiwan's agricultural and business enterprises through preferential trade treatments of Taiwan's agricultural products and farm fishing, along with the joint endeavor in the setup of ECFA and CSSTA, did not generate the expected results for which Beijing wished. In fact, the 2014 Sunflowers Movement supported by the DPP fostered a whirlwind of anti-China sentiment and cast a heavy shadow over any cross-Strait policy that the Ma government decided to pursue and execute.

Instead of serving as a catalyst for "positive identification with the welfare of another, such that the other is seen as a cognitive extension of the Self rather than as independent,"²⁵ cross-Strait economic exchanges appeared to be an impetus to further separation from China. China's refusal to consent to Taiwan's desire for decent and dignified status of recognition, along with the failure to spread cross-Strait economic wealth equitably, prompted public resentment that cross-Strait economic interactions were only an exploitative ploy profiting business enterprises, rather than the masses, and a setup for the gratification of the stronger China in regime asymmetry.²⁶ Consequently, "trade liberalization and average country size are inversely related." And "...as the process of economic 'globalization' will progress, political separatism

will continue to be alive and well.”²⁷ If this is so, then China’s cross-Strait progress and concessions have not translated into political influence and dominance as expected. China’s wishful expectation through economic exchanges is being increasingly subject to the public or partisan dichotomy of “friends or foes” in identity acknowledgement and on both sides across the Strait to satisfy the political desire for recognition and domination.

Taiwan’s 2016 elections and their aftermath highlighted several interesting developments. First, the trend of Taiwan’s identity indigenization has continued without any sign of reversion during Ma’s rapprochement policy toward China, 2008-2016. During the Ma era, “Taiwanese” identifiers surged from 48.5% in 2008 to 59-60% in 2014-15 and 55.8% in 2018, with “double identity” respondents hovering around 43.1% in 2008 to 32-33% in 2014-15 and 37.2% in 2018, and “Chinese” only identifiers declining from 4.0% in 2008 to be around 3.3-3.5% in 2015 and 2018.²⁸ Naturally, the survey could have had a more refined result, if the survey had proceeded to ask respondents to locate their identification along a ten-point scale across different identity categories—“Taiwanese,” “Chinese,” or “Both.” A finding in a different survey based on such a measurement showed that “Taiwanese only” would be only 46%, lower than 52% of them perceiving themselves as “both” Taiwanese and Chinese.²⁹ Even so, most of these periodical surveys have pointed out one general trend of the gradual passing of previous “China-centered” generations in voter composition, and the rise of younger eligible voters who tend to be “natural supporters of Taiwan independence” (*tianran du*) and who have not much shared memory related to China in general.³⁰ The attitudes of younger cohorts toward national identity and Taiwan’s future in the 2016 elections have deviated from the usual stand of the KMT and the pan-Blue camp. Should this trend persist, one should expect eventual replacement of the “China-centered” generations with the steady augmentation of Taiwanese identity devotees.

Second, the new Tsai government replaced the golden mantra of the 1992 Consensus under Ma with an elusive “status quo maintenance” panacea. The DPP declined the Consensus because the Consensus carries a negative connotation against Taiwan’s sovereignty. As the DPP consolidated belief in democratic value and life, a strong sense of indigenous Taiwanese identity arose.³¹ This seemed to be a smart electoral appeal to the views of majority voters. After all, the support of unification among the public has steadily dropped from 20% in 1994 to 9.6% in 2015 and 15.5% in 2018, should one add “unification as soon as possible” and “status quo and move toward unification” together in survey data. Simultaneously, surveys showed an increase from 11.1% in 1994 to 22.2% in 2015 and 20.3% in 2018 for those preferring “independence as soon as possible” and “status quo and move toward future independence.” Nonetheless, 59.4% in 2016 and in 2018 57.1% of respondents stated their preference of “status quo maintenance” either indefinitely or to be decided later.³² In Tsai’s calculation during her campaign, such a powerful backing by voters would allow China no other choice but to follow the DPP’s move for accommodation.

In careful examination, Tsai’s pledge for “status quo maintenance” is somewhat close to Ma’s declaration of “no unification, no independence, and no use of force,” except the “no independence” pledge. In order to fulfill its independence vision, the DPP government has discreetly adopted a persistently constructive approach to identity indigenization through the change of educational contents and name rectification schemes as part of social engineering. It has been a deliberate effort to de-legitimize the China-oriented cultural identification and historical genealogy for the expansion of the “Taiwan-centered” social construct and a collective historicity without “China” in cultural and political reference. Given time, such a constructive movement would quietly transform public conviction and cultural identification and convince

future generations of the irrelevancy of China in Taiwan's democratic politics through elections and public referendums.

Third, the 2016 elections reveal what Taiwanese people thought about cross-Strait relations—the China market is too close for comfort and too far to lose. Overdependence on the China market was a political liability. The results of the 2016 elections seemed to vindicate Taiwanese society's anti-China fever after the eruption of the 2014 Sunflowers Movement and the public resentment over the Chinese Trojan Horse plot of economic coercion of Taiwan's political future. Thus, the DPP launched the New Southbound Policy to lower Taiwan's economic dependency on China by pursuing the Southeast Asian market to replace the China market. Even so, the statistical data issued by Taiwan's Mainland Affairs Council showed that Taiwan's trade with China accounted for 24.1% of Taiwan's overall trade in 2017, with exports to China claiming 28% of Taiwan's total exports, while imports from China composed 19.3% of overall imports in 2017. According to the Ministry of Economics, Taiwanese investment in China marked 58.9% of all investments abroad until December 2017.³³ Should export to Hong Kong be included within "China" in data compilation, Taiwan's export to China reached 39.44% in 2016 and 41% in 2017 of overall export.³⁴ It was hard to roll back Taiwan's economic and trade dependence on the China market.

Fully aware of the high spirit, optimism, and aspiration of the DPP electoral supporters and the catastrophic defeat of the KMT, the CCP under Xi definitely needed to reconsider and retool their former policy logic for better cross-Strait policies. The DPP's phenomenal resurgence in Taiwan's political terrain in 2016 has prompted China to revise its strategic layout in Xi's second term of presidency after the 19th Party Congress.

The Impulse to Close Ranks

In Xi's marathon speech at the 19th Party Congress, section XI addressed the Taiwan issue. This section will discuss several key points of Xi's policy toward Taiwan. First, Xi reconfirmed China's unification goal by sternly asserting China's commitment to the core principle of territorial integrity. In Xi's stern warning, "We have the resolve, the confidence, and the ability to defeat separatist attempts for 'Taiwan independence' in any form. We will never allow anyone, any organization, or any political party, at any time or in any form, to separate any part of Chinese territory from China."³⁵ An unmistakable message is that China will not permit any separatist or secessionist groups, including the Taiwan independence supporters to challenge China's determination to safeguard its sacred territorial domain.

Second, closely related to Xi's warning of "don't ever think about breaking Chinese territory apart" is his proposition of the "One China" principle contained in "the 1992 Consensus" as the political foundation of cross-Strait relations. Although deliberately omitting the other segment of the 1992 Consensus which references "different interpretations," Xi at least stated that both sides could "conduct dialogue to address through discussion the concerns of the people of both sides" by recognizing "the historical fact of the 1992 Consensus." "The 1992 Consensus" is the key to unlocking the cross-Strait stalemate between the DPP and the CCP. Tsai and the DPP have repeatedly rejected the 1992 Consensus, but they did not deny the historical facts of "the 1992 Meeting" or the existence of "the 1992 Spirit."³⁶ Although Xi was aware of Taiwan's adamant insistence on its interpretation of "One China" in the 1992 Consensus, referred to as the Republic of China (ROC) during the Ma era, Xi reiterated the 1992 Consensus in the 19th Congress to persuade the DPP government to join the "China" orbit regardless of the content of

the interpretation. Thus, the 1992 Consensus becomes the pre-condition for the resumption of cross-Strait dialogues and collaboration.

Third, Xi's speech reminded the audience of China's political pledge of the "One Country, Two Systems" formula in Hong Kong and Macao and its successful implementation during their transition period for future integration with China. Likewise, China upheld the same "One Country, Two Systems" formula for the "peaceful unification" of Taiwan. Nevertheless, past ideological rivalry across the Strait, the insistence on Taiwan's sovereignty and autonomy, and indigenous identity have made this formula politically unpopular in Taiwan.³⁷

Finally, other than the layout of stringent and unbreakable conditions, China also highlighted a kinder and gentler approach to appeal to Taiwanese compatriots for the "rejuvenation of the Chinese nation" as well as the sharing of the Chinese dream. The essential element was to adopt and magnify the uniqueness of "China" as a proper cultural discourse to appeal to the Taiwanese public. Rather than an expedient policy, Xi's speech implied the CCP's necessity to transform China's sincerity into long lasting and pervasive effects in all non-political issue areas. In other words, on the core principle of China's territorial integrity and "One China" stand, the CCP under Xi is non-negotiable and non-transferable. Nevertheless, on issues related to social and economic issues, China switched its tough, uncompromising stand into a liberal accommodationist pose to persuade and charm the Taiwanese public, if not the government, with a constructive measure to cultivate and consolidate a social construct associated with China. Since China's past goodwill efforts (e.g., numerous offerings of economic concessions into the Taiwan domain, as well as frequent Chinese officials' island visits to Taiwanese localities, and people not receiving their expected benefits), a new approach was to open and embrace Taiwanese compatriots into China proper to know more about China's daily life and

developmental practice. As Xi's speech expressed, Xi pledged, "over time, people from Taiwan will enjoy the same treatment as local people when they pursue their studies, start business, seek jobs, or live on the mainland."³⁸

Under this guiding framework in Xi's speech, the Chinese government designed and implemented both carrot and stick measures to pressure and persuade various Taiwanese constituencies. First, while cross-Strait official exchanges are in a standoff with the Tsai government's refusal to accept the 1992 Consensus based on the "One Country, Two Systems" formula, the Chinese government has tried to maintain unofficial people-to-people exchanges as business as usual. Of course, China has discouraged, if not outright banned, tourist exchanges and economic concession packages of fruits and fishery products as a subtle economic pressure on Taiwan. For example, an examination of the arrival figure of Chinese visitors to Taiwan reached the peak of 4.18 million in 2015 during the period of 2012-2017. Starting from May 2016, the number of Chinese tourists reduced to 3.5 million in 2016, and it dropped to 2.7 million in 2017, a 22% decrease from 2016. With the Taiwanese government's active promotion and subsidy, Southeast Asian tourists increased 29.2% from 1.65 million in 2016 to 2.1 million in 2017 to compensate for the loss of Chinese tourists in the past two years.³⁹ However, in the estimate conducted by Taiwan's Tourism Bureau, Chinese tourists had a higher average daily consumption of \$184.38, as compared to the figure of Southeast Asian tourists, \$152.25. On the estimate of goods purchased, Chinese tourists spent an average \$83.08 daily, while Southeast Asian tourists spent an estimated average of \$42.43 in 2017.⁴⁰ China's policy change has caused collateral damage on Taiwan's tourist industry.

Second, the Tsai government's rejection of the 1992 Consensus has permitted China to openly claim that the Consensus is the "One China" principle without the tacit ambiguity of the

“China” reference embedded in the Consensus during the Ma era. Since 2016, China has firmly declared that “China” refers to the PRC (People’s Republic of China) in international representation. Thus, the 1992 Consensus has evolved from “One China, Separate Interpretations” by both sides to the “One China” principle as exclusively assumed by the PRC. The inability of Taiwan’s limited participation in the World Health Assembly and the International Civil Aviation Organization was a testimony to China’s effort to marginalize and localize Taiwan as a part or region of China’s administrative domain in international representation. It was also a response to the DPP government’s persistent “*zhengmin*” (name rectification) movement domestically and internationally. As part of the Taiwan Independence pursuit, the DPP has endeavored to employ the name of “Taiwan” or an equivalent as an official designation in the international community.

The most recent case of China’s localization effort was its Civil Aviation Administration’s demand that international airlines revise their website identifications of Taiwan within China’s administrative domain in compliance with its “One China” principle. As much as international carriers would like to resist such directives as “Orwellian nonsense,” as the White House decried in May 2018, the reality is that all 44 major airlines caved to China’s demand one way or another by the deadline on July 25, 2018. Market profit is an undeniable force which cannot ignore the 7.95 million airline flights between the US and China in 2017, a 5.8% increase from the previous year.⁴¹ China’s adamant position on the “One China” policy encountered resistance from a few international airlines. In late August, the Chinese Ministry of Foreign Affairs still decried United Airlines for designating currency denominations of “Chinese Yuan,” “New Taiwan Dollars,” and “New Hong Kong Dollars” on the flight destination list to steer away China’s insistence on the “One China” policy.⁴²

Likewise, the abrupt cancellation of Taiwan's hosting of the 2019 East Asian Youth Game in Taichung City, Taiwan, by the East Asian Olympic Committee on July 24, 2018, illustrated China's influence. It was a pre-emptive move to warn Taiwan for a deliberate referendum on the change of Taiwan's representation from "Chinese Taipei" to "Taiwan" in the 2020 Tokyo Olympic Games, in violation of the 1981 Lausanne Agreement, even though China's move would surely prompt strong resentment among the Taiwanese public as an impetus for the referendum's passage.⁴³

China's massive investment and financial offerings became powerful incentives to boost its influence. In comparison to the Ma administration's loss of one ally in his eight years of diplomatic truce, the Tsai government since 2016 has lost four Taiwanese diplomatic allies—São Tomé and Príncipe in Dec. 2016, Panama in June 2017, Dominican Republic and the Burkina Faso in May 2018, and El Salvador in August 2018. The Kingdom of Eswatini (formerly Swaziland) is the only one of Taiwan's diplomatic allies left in Africa. China has expressed its desire to add Eswatini to the 53-member China African Summit recently convened in Beijing on September 3, 2018, for a full wrap-up of China's diplomatic victory in Africa. As of September 2018, the figure of Taiwan's diplomatic allies has shrunk to only 17 versus China's recognition by more than 170 allies. As much as the US was seriously concerned with El Salvador's switch of diplomatic recognition from Taiwan to China on August 21, 2018, the US has not been able to exercise measurable influence to stop Taiwanese allies from changing recognition.⁴⁴ Should the "tie-cutting" game on Taiwan's diplomatic allies persist and Taiwan's allies drastically drop, it would be a severe challenge to Taiwan's international personality. Even so, China will need to think hard about the repercussions of Taiwan's loss of all allies on the US-China relations, the

impact of regional and global reputation, and most importantly its mission of peaceful unification with Taiwan.

Third, while cross-Strait economic exchanges and concessions had suffered setbacks with the incompleteness of the Cross-Strait Service Trade Agreement in 2014 and the disruptive effect of the Sunflowers Movement in Taiwan, China had started to extend economic olive branches by setting up numerous beneficiary policies to Taiwanese people who came to China. For example, China set up startup enterprise bases for young Taiwanese entrepreneurs in 2015. It had shifted its previous focus on economic and political elites to a “mass line” approach by appealing to the general population. Since China’s economic concession packages to Taiwan failed to transform Taiwanese hearts and minds in political orientation during the 2016 regime change, Xi chose to shift the venue by offering lucrative benefits to those willing to come to China. Namely, China “retreated” its venue of concessional practice from Taiwan to its own administrative domain for better practice. Thus, it can minimize political noise, partisan scuffling, and the transactional cost of policy distortion in Taiwan. On its own turf with full administrative command, China can ensure that benefits and privileges promised to Taiwanese compatriots be implemented as close as anticipated and designed. By inviting Taiwanese talents, professionals, and business entrepreneurs, particularly of the younger generation, to come to China, China hopes to mold and socialize them in its own social construct.⁴⁵

Therefore, in February 2018, China’s Taiwan Affairs Office of the State Council drew out the “31 preferential policies for Taiwan,” with twelve of them facilitating Taiwan’s economic ventures in China and the other nineteen preferences offering benefits to Taiwanese residents to life adjustment, educational enhancement, and career advancement in China. These new policies would permit Taiwanese businesses to participate in China’s grand “Made in China 2025”

Project in the manufacturing sector and a variety of infrastructure projects for tax incentives.⁴⁶ Different levels of government, including Shanghai, Xiamen, and Guangzhou, have improvised and expanded these fundamental preferential policies with additional locality-specific measures to fatten up local offers. China's 2017 announcement of issuing a new residence permit card for Taiwanese people in China with an 18-digit code identical to a Chinese citizen ID was realized in August 2018.⁴⁷ The new ID permits the Taiwanese to access privileges similar to the ones their Chinese counterparts receive in public rental housing and enrollment in social insurances and housing funds. The preferential policy also offers special advantages to Taiwanese youth in job employment, entrepreneurship, internship, and study in China.⁴⁸ China has exalted a great success to attract Taiwanese people into China after the inception of these lucrative offers.⁴⁹ The most current statistics released by Taiwan showed 407,000 Taiwanese working in China (including employment in Hong Kong and Macao) in 2016 and 2,567 Taiwanese students (6.5% of 37,149 overseas students) enrolled at Chinese educational institutions in 2017.⁵⁰

As anticipated, Taipei denounced such preferential policies as nothing more than a devious scheme to acquire political support of the Taiwanese public. However, by adopting these economic incentives to woo Taiwanese youth and businessmen, Beijing wished for a swing of Taiwanese political orientation to a non-hostile and non-sceptic, if not outright friendly and favorable, attitude toward China. This will be reflected in their public discourse and voting behavior in the coming Taiwanese elections either in 2018 or 2020. While the political stalemate continues without any sign of thawing, Beijing at least has attempted to accelerate economic and social engagements to soften the rough edges for the construction of a "common destiny" permeating all aspects of life across the Strait. Even so, China's preferential policies of quasi-equal treatment were undoubtedly a united front strategy to attempt to "nationalize," though

Taiwan's Mainland Affairs Council would complain that the whole scheme was China's malicious undertaking to "*neiguo hua*" (internalize or domesticize) Taiwan under China's jurisdiction and belittle Taiwan's sovereignty.

Fourth, along with soft touch and padding came coercive actions to compel Taiwan. Chinese aircraft and naval vessels have deliberately cruised and circulated Taiwan since November 2016, with a total of four trips in 2016, nineteen in 2017, and eleven rounds through the end of July 2018.⁵¹ Regardless of China's real intent in challenging Japan in the Diaoyu/Senkaku island disputes in the East China Sea or deterring the US in the contentious South China Sea, any Chinese military activities around the island aroused collateral concerns for Taiwan's news media and political elites. Still, China has had to accept the risk of these military operations, which might inadvertently nudge Taiwan to seek assistance from the US and Japan to balance China's pressure.

In a similar fashion, on January 4, 2018, without consulting Taiwan, China unilaterally launched the M503 flight route, along with the extensions of the W121, W122, and W123 routes for horizontal connection service to Xiamen, Fuzhou, and Dongshan. The M503 route, which runs approximately six miles away from Taiwan's air-defense identification zone, posed security risks for sudden Chinese military aircraft incursions.⁵² Taiwan's vehement protest of China's unilateral launch certainly fell to deaf ears. By declaring its legitimate right to ease air space congestion, China justified that the route was within its de facto sea and airspace. Taiwan hence demanded that all airlines halt their flights on the controversial route with a hope for a cross-Strait breakthrough for official contacts to iron a deal. Nevertheless, the refusal of two Chinese airlines, China Eastern Airlines and Xiamen Airlines, to heed Taiwan's command signaled China's *incommunicado* with the Tsai government. These two airlines even cancelled their 176

cross-Strait charter flights ahead of Taiwan's countermove, leaving 50,000 passengers to scramble for alternative options during the Lunar New Year Holiday, in a classic tit-for-tat scenario. Here, one witnesses the Xi government's insistence on the 1992 Consensus as a prior condition for official contacts with Taiwan.

Regrettably, instead of falling into China's original intent of reining in Taiwan through coercive measures, Taiwan has harbored a dig-in mentality by moving closer to the US and Japan in the regional security framework to balance China. Without diverging from Taiwan's usual claim of self-defense as Taiwan's responsibility, in the CNN interview on July 23, 2018, Joseph Wu, Taiwanese Minister of Foreign Affairs, openly confirmed the vitality of the US security support of Taiwan to prevent China from misperception and miscalculation of Taiwan's vulnerability.⁵³ In return, this would allow Taiwanese allies, particularly the US, to use Taiwan as a bargaining chip in their bilateral relations with China, especially in tense trade disputes.

Analysis and Implications

Cross-Strait relations have been through twists and turns aplenty only to arrive at the dismal point of stalemate after the regime change. Contestation and contradictions have continued to pile up the clutter. Each side has refused to reconcile their irreconcilables on the "One China" principle underlined by the 1992 Consensus. The Tsai government has bet its decisions on the "status quo" plea and is expected to drag this policy for the long haul. In this case, China's Taiwan policy after 2016 has spawned several ramifications.

First, China is convinced that time and victory will be on its side by hardening its resolve in the resolution of the Taiwan issue. The constitutional revision of China's presidential term limits has given Xi more time and authority in dictating the temporal and spatial direction of China's

policy toward Taiwan. The 19th Party Congress speech illuminated that China has watched with great concern the DPP government's low-profile promotion and progress of its "silent transformation" through various agendas and programs framed by the deconstruction of "Chineseness." At the same time, it actively pushed for the re-elucidation of Taiwan's historiography and collective memory, and carefully re-mapped a Taiwanese identity construct in political affiliation and national bond. When the time is ripe, Tsai's vision of the "status quo" could evolve and unfold naturally into the materialization of Taiwan independence through peaceful democratic election without much partisan strife. Should it occur, it would be a colossal task for China to dismantle. Hence, there is a sense of urgency for China to "nip it in the bud" by actively preventing Tsai's social engineering effort from realization. The purpose and policies of China's economic incentives and preferential treatments embedded in "31 preferential policies" target the DPP government's social engineering task. China is engaging in a steady charm offensive with its "soft power" to convert Taiwanese hearts and minds to China's favor.

Second, ultimately though, despite all of Tsai government's caution, those pro-Taiwan independence elites among Tsai's supporters might not patiently wait for Tsai's scheme of social reconstruction of Taiwanese identity to bear its fruit. It is Tsai's job to bring those fervent Taiwan independence activists back into the ranks to support the status quo policy. Unfortunately, it is the nature of those diehard independence activists to inject their strong views into the political maneuvering, and they are unlikely to come down on the side of angels in finding a compromising solution. During the interval between elections, the Taiwanese ruling party usually maintains a pragmatic and realistic policy to seek and capture the median voters for policy success within the international strategic interaction among Taiwan, China, and the US.

As a result, China's persistent pressure on Taiwan's diplomatic arena and international space might trigger resentment and criticisms from some of the DPP supporters. Even so, the Tsai government could still compose itself to continue its status quo policy. However, when the election reaches its heated moments and the ruling party's polling drops, China's bashing and hammering on Taiwan's status and survival could easily be the DPP's campaign rallying call for electoral mobilization. Thus, China's policies become a catalyst advantageous to the Tsai government to move closer to a pro-independence stance on the political spectrum for the maximization of its electoral base, endorsement, and support.⁵⁴

Putnam's two-level game between domestic politicking and international undertaking permits us to explore China's policy impact on Taiwan. China's relentless pressure on Taiwan has made Tsai readjust her dealing with China as she began to refer China as "China" in official statements after the Burkina Faso in Western Africa severed its tie with Taiwan on May 24, 2018. The change from the usual reference of "mainland China" in her past statements, which had indicated a delicate acknowledgement of the "One China" principle, appeared to evaporate in May 2018. Furthermore, China's claims of diplomatic victory would generate an increasingly fading impact on Taiwanese public attitude due to shock fatigue and widespread apathy from a past chain of disappointing news about the succession of diplomatic frustrations. Should China eventually adopt a diplomatic "nuclear" option to demolish Taiwan's diplomatic network with "zero" ally, China's anticipation that the Taiwanese people would be shocked and cave to China's demands might be a bloated prognosis. After all, China's series of coercive and suppressive measures in its past diplomatic endeavors have forged a stereotype image of China's bossy and bullying behavior toward Taiwan. The absence of official diplomatic allies would likely frustrate the Taiwanese public, but it would be unlikely to crush the will of the DPP

government, which has constantly reminded and foretold the public of such a worst-case scenario in the future.

Third, similar to Taiwan's domestic pressure on Tsai's cross-Strait policy calculation, Xi also needs to respond to pressures exerted by its domestic ideological hardliners and passionate nationalists who bear a zero-sum view of cross-Strait relations. These zealots have perceived any slight concession or favor extended to Taiwan as a compromise of China's intransigent nationalist unity against separatism and a sell-out of Beijing's centrality against the Taiwanese locality. With China's domestic anti-corruption campaign in process, Xi had to be cautious and sometimes overcompensating on the side of cross-Strait confrontation to soothe domestic constituencies and nationalist inspiration. That means, because of the situational volatility of international politics, paired with domestic complexity, both sides will have to find a nuanced negotiating stance to navigate the treacherous Taiwan Strait for tension reduction without constantly barking for a fight. In this case, the socially resourceful non-state actors could play a role in influencing progressive changes across the Strait. Sidestepping Taiwan's official agencies, China reached out to the Taiwanese talents, youth, and socio-economic elites for a possible congruence of ideas and connection of societies. Even so, non-political channels for communication and conciliation are still incompatible with governmental dialogues and official negotiation. After all, they cannot replace the government's legal authority and legitimate functionality for meaningful and enforceable rules and regulations across the Strait. How to reestablish a mutually acceptable understanding like the 1992 Consensus to facilitate official communication would be a major task for China, if China does not intend to see the continuous deterioration of cross-Strait relations.

Fourth, China was fully aware of the intended consequence of the deterioration of cross-Strait relations within the triangular US-Taiwan-China framework of balancing and bandwagoning. When China pressured Taiwan, it would naturally elbow Taiwan to leave the Chinese policy realm for the US constrain-China orbit for Taiwan's interest. Moreover, in coincidence with the Trump administration's idiosyncratic policy, the DPP ascendancy to power armed with an anti-China campaign pledge consequently tilted the equilibrium of the triparty interactions. Other than the effect of the US-China trade war disrupting Taiwanese investors' confidence in China's market compatibility and financial stability, the US surely took a chance to support Taiwan's military buildup for strengthening an "asymmetrical defense" capability against China. Recent military assistance has included the passage of the Taiwan Travel Act to facilitate bilateral official visits for defense and security collation, the 2018 National Defense Authorization Act (NDAA) for US naval port calls to Taiwan, and advantageous arms sales, including the State Department's approval of market licenses of submarine technology in April 2018—a deal perceived as unlikely and unrealistic by former administrations.⁵⁵ Thus, in the US-Taiwan dyad, the US has offered great incentives to help Taiwan upgrade its security protection platform against China. Reversely, in cross-Strait relations, China's pressures without restraint have only led Taiwan to detach and depart from any institutionalized framework similar to the 1992 Consensus for conflict resolution.⁵⁶ In the end, China's coercive measures have failed to compel the DPP government to modify its policy, though undeniably Taiwanese security officials might not easily feel comfortable about the whole development. Nevertheless, as long as the Trump presidency is in power, it seems that the best deal for China will continue to be found through concentrating on its soft approach to Taiwan.

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