



NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

THESIS

**TAIWANESE NATIONAL IDENTITY, CROSS-STRAIT
ECONOMIC RELATIONS, AND THE THREAT OF THE
PEOPLE'S LIBERATION ARMY: EXAMINING TAIWAN'S
RELATIONS WITH MAINLAND CHINA SINCE 2000**

by

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September 2020

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REPORT DOCUMENTATION PAGE			<i>Form Approved OMB No. 0704-0188</i>	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington, DC 20503.				
1. AGENCY USE ONLY (Leave blank)		2. REPORT DATE September 2020	3. REPORT TYPE AND DATES COVERED Master's thesis	
4. TITLE AND SUBTITLE TAIWANESE NATIONAL IDENTITY, CROSS-STRAIT ECONOMIC RELATIONS, AND THE THREAT OF THE PEOPLE'S LIBERATION ARMY: EXAMINING TAIWAN'S RELATIONS WITH MAINLAND CHINA SINCE 2000			5. FUNDING NUMBERS	
6. AUTHOR(S) Kevin Chao				
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey, CA 93943-5000			8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES) N/A			10. SPONSORING / MONITORING AGENCY REPORT NUMBER	
11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.				
12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release. Distribution is unlimited.			12b. DISTRIBUTION CODE A	
13. ABSTRACT (maximum 200 words) This thesis examines the impacts of national identity, cross-strait economic relations, and the security threat of the People's Liberation Army (PLA) on Taiwan's relationship with mainland China since 2000. Analyzing primary sources and academic analyses on both the Kuomintang (KMT) and the Democratic Progressive Party (DPP) administrations, this thesis argues that Taiwan's national identity has moderated its political elites to implement policies that would otherwise excessively challenge Taiwan's de facto sovereignty status. From an economic standpoint, Taiwan has shown to consistently establish close economic ties with the mainland to bolster its prospects in the global market. On the role of national security, the island has steadily refined its defense strategy and invested in its military to contest the expanding security threat from the PLA. In observation of these findings, this thesis predicts that in the near term, Taiwan's two main opposing political parties, the KMT and the DPP, will both increasingly adopt a centrist view toward its mainland policies, asserting its de facto sovereignty status and continuing to resist the mainland's pressure for unification. Based on past trends, Taiwan will likely continue to maintain its economic ties with the mainland and remain committed to its national defense in order to deter and defend against the PLA.				
14. SUBJECT TERMS Republic of China, People's Republic of China, Taiwan, China, cross-strait relations, National Identity, National Security, National Defense, Economy, International Relations, Chen Shui-bian, Ma Ying-jeou, Tsai Ing-wen, Kuomintang, Nationalist Party, Democratic Progressive Party, One Country Two Systems, 1992 Consensus, One China Respective Interpretation, National Chung-Shan Institute of Science and Technology, Cross-strait Services Trade Agreement, Economic Cooperation Framework Agreement			15. NUMBER OF PAGES 117	
			16. PRICE CODE	
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT UU	

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EXAMINING TAIWAN'S RELATIONS WITH MAINLAND CHINA SINCE 2000**

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Submitted in partial fulfillment of the
requirements for the degree of

**MASTER OF ARTS IN SECURITY STUDIES
(FAR EAST, SOUTHEAST ASIA, THE PACIFIC)**

from the

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ABSTRACT

This thesis examines the impacts of national identity, cross-strait economic relations, and the security threat of the People's Liberation Army (PLA) on Taiwan's relationship with mainland China since 2000. Analyzing primary sources and academic analyses on both the Kuomintang (KMT) and the Democratic Progressive Party (DPP) administrations, this thesis argues that Taiwan's national identity has moderated its political elites to implement policies that would otherwise excessively challenge Taiwan's de facto sovereignty status. From an economic standpoint, Taiwan has shown to consistently establish close economic ties with the mainland to bolster its prospects in the global market. On the role of national security, the island has steadily refined its defense strategy and invested in its military to contest the expanding security threat from the PLA. In observation of these findings, this thesis predicts that in the near term, Taiwan's two main opposing political parties, the KMT and the DPP, will both increasingly adopt a centrist view toward its mainland policies, asserting its de facto sovereignty status and continuing to resist the mainland's pressure for unification. Based on past trends, Taiwan will likely continue to maintain its economic ties with the mainland and remain committed to its national defense in order to deter and defend against the PLA.

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LIST OF ACRONYMS AND ABBREVIATIONS

ARATS	Association for Relations Across the Taiwan Straits
ASCM	Anti-ship Cruise Missile
ASEAN	Association of Southeast Asian Nation
C4	Command, Control, Communications, and Computer
CCP	Chinese Communist Party
CSMTA	Cross-strait Merchandise Trade Agreement
CSSTA	Cross-strait Services Trade Agreement
DPP	Democratic Progressive Party
ECFA	Economic Cooperation Framework Agreement
ESC	Election Study Center
FMS	Foreign Military Sales
FTA	Free-Trade Agreement
GDP	Gross Domestic Product
IT	Information Technology
KMT	Nationalist Party (Kuomintang)
NCSIST	National Chung-Shan Institute of Science and Technology
OC2S	One Country, Two Systems
OCRI	One China, Respective Interpretations
ODC	Overall Defense Concept
PAC-3	PATRIOT Advanced Capability-3
PATRIOT	Phased Array Tracking to Intercept of Target
PAVE PAWS	Precision Acquisition Vehicle Entry Phased Array Warning System
PLA	People's Liberation Army
PRC	People's Republic of China
RCEP	Regional Comprehensive Economic Partnership
ROC	Republic of China
QDR	Quadrennial Defense Review
SEF	Straits Exchange Foundation
SSF	Strategic Support Force
TAO	Taiwan Affairs Office
TBA	Taiwanese Business Association
TPP	Trans-Pacific Partnership

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I. INTRODUCTION

The perpetual political tension across the Taiwan Strait between the People's Republic of China (PRC) and the Republic of China (ROC) has long been considered by scholars to be a flashpoint of full-fledged regional conflict in the Pacific involving the United States and its allied partners.¹ The Department of Defense's latest analysis concluded that the People's Liberation Army (PLA) continues to develop and deploy advanced military capabilities such as precision missile strike, maritime blockade, and full-fledged amphibious invasion, in preparation for a military contingency with Taiwan.² Taiwan, on the other hand, continues to procure advanced weapon systems from the United States to deter a potential armed conflict with the mainland; Taiwan is currently awaiting final congressional approval for its request to purchase 108 M1A2T Abrams battle tanks and 66 F-16V, the most recent and advanced variant of the F-16 multi-role fighter aircraft.³ Against a backdrop of a cross-strait arms race, the recent increase in PLA's military maneuvers around Taiwan, and intensifying policy statement exchanges between the two governments, opportunities for an inadvertent event escalating to a regional conflict seems to be on the rise.⁴ The purpose of this thesis is to evaluate the main driving factors in Taiwan's cross-strait relations with the PRC in the past two decades. Specifically, how has

¹ Scott Kastner, "Is the Taiwan Strait Still a Flash Point? Rethinking the Prospects for Armed Conflict between China and Taiwan," *International Security* 40, no. 3 (2016): 54-92, https://doi.org/10.1162/ISEC_a_00227; Nancy Bernkopf Tucker, "If Taiwan Chooses Unification, Should the United States Care?," *The Washington Quarterly* 25, no. 3 (2002): 15-28, <https://doi.org/10.1162/01636600260046208>.

² *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2019* (Washington, DC: Department of Defense, 2019), https://media.defense.gov/2019/May/02/2002127082/-1/-1/1/2019_CHINA_MILITARY_POWER_REPORT.pdf.

³ Edward Wong, "Trump Administration Approves F-16 Fighter Jet Sales to Taiwan," *The New York Times*, August 16, 2019, 16, <https://www.nytimes.com/2019/08/16/world/asia/taiwan-f16.html>.

⁴ "President Tsai Issues Statement on China's President Xi's 'Message to Compatriots in Taiwan'" (Taipei, Republic of China (Taiwan): Office of the President, January 2, 2019), <https://english.president.gov.tw/News/5621>; Chris Buckley and Chris Horton, "Xi Jinping Warns Taiwan That Unification Is the Goal and Force Is an Option," *The New York Times*, January 1, 2019, <https://www.nytimes.com/2019/01/01/world/asia/xi-jinping-taiwan-china.html>; "Highlights of Xi's Speech at Taiwan Message Anniversary Event" (Beijing, People's Republic of China: China Daily, January 2, 2019), <http://www.chinadaily.com.cn/a/201901/02/WS5c2c1ad2a310d91214052069.html>.

Taiwan's national identity, its economic relations with the mainland, and its national defense considerations impacted its overall relations toward the mainland?

This thesis has found that the development and sustainment of Taiwan's national security have demonstrated a substantial degree of restraint on its political elites, curtailing them from adopting excessively provocative and overly appeasing cross-strait policies. Additionally, in the current Tsai Ing-wen administration, Taiwan's national identity also demonstrated its susceptibility to external events pertaining to its political future and has prompted a new facet of national identity to develop based on anti-China sentiments. From an economics perspective, this thesis has found that Taiwan inclined to adopt closer economic ties with the mainland despite the development of Taiwanese national identity, and it has also done so from the standpoint of addressing its economic challenges such as the island's stagnating economy and the gradual decline of its competitiveness in the global market. Finally, in analyzing Taiwan's defense policies and activities, this thesis found that Taiwan, throughout the current and previous two administrations, has consistently dedicated a considerable amount of resources toward its national defense. Despite administration changes between opposing parties, Taiwan has also demonstrated a constant and collective effort in refining its overall defense strategy, while bolstering itself with a series of asymmetric defense capabilities to effectively deter and defend against the militarily superior PLA.

This chapter first provides a brief topic background on Sino-Taiwan relations and then expands on the significance of research on cross-strait relations, focusing on Taiwan's disputed sovereignty status, a flashpoint of regional conflict, and impacts to U.S. interests. In the next section, this chapter conducts a literature review of current Asia scholars and cross-strait experts, and summarize the major driving factors impacting Taiwan relations with the mainland from national identity, economic, and military security's perspective. Following the literature review, the hypothesis section examines the author's interpretation of the main driving forces impacting Sino-Taiwan relations, focusing primarily on the impact of economic interdependence, development of national identity, and Taiwan's risk assessment on the PLA. Finally, this chapter delivers a synopsis of the overall research design, which will primarily draw on scholarly assessments of cross-straits relations as well

as primary sources from the Chinese and Taiwanese press and government institutions, and an overall roadmap of the thesis.

A. TOPIC BACKGROUND

During the Chinese Civil War, Chiang Kai-shek's Nationalist Party, or Kuomintang (KMT) fought against Mao Zedong's Chinese Communist Party (CCP) to safeguard the KMT's position as the official ruling government of China. In 1949, Mao's CCP forces forced Chiang's ROC government to retreat to the island of Taiwan and on October 1, 1949, established the People's Republic of China (PRC).⁵ Since the retreat from the mainland, the ROC has governed itself independently from the PRC.⁶ The ROC government in Taiwan, previously a party-state under the direct control of the KMT, transitioned to democratic rule in the 1990s, and its two major political parties have differing views regarding Taiwan's relationship with the mainland. The Nationalists Party, or Kuomintang (KMT), for instance, believes there is only one China, that is, the ROC, and endorses an eventual reunification with the mainland under the right political and social conditions. The opposing Democratic Progressive Party (DPP) does not share the one-China view and believes Taiwan should be an independent nation when the political situation allows.⁷ Though Taiwan is a de facto independent state, political pressure from both the PRC and the United States prevented Taiwan's de jure independence, resulting in the continuation of Taiwan's autonomous and anomalous status.⁸

⁵ "The Chinese Revolution of 1949" (Washington, DC: Department of State), accessed November 1, 2019, <https://history.state.gov/milestones/1945-1952/chinese-rev>.

⁶ Dennis V. Hickey, *Foreign Policy Making in Taiwan from Principle to Pragmatism*, Politics in Asia Series (New York: Routledge, 2006), 3.

⁷ Eleanor Albert, "China-Taiwan Relations," *Council on Foreign Relations* (blog), June 27, 2019, <https://www.cfr.org/background/china-taiwan-relations>.

⁸ Richard C. Bush, "A One-China Policy Primer, Center for East Asia Policy Studies" (Brookings Institute, March 2017), 18-19, <https://www.brookings.edu/wp-content/uploads/2017/03/one-china-policy-primer.pdf>.

The PRC under the Chinese Communist Party (CCP) considers the unification of Taiwan under its rule a core task for the country.⁹ PRC takes an uncompromising stance on its One China Principle, which defines that “there [can] only be one China in the world, [that] Taiwan is a part of China, and [that] the PRC is the sole legal government representing the whole of China.”¹⁰ Under such a construct, the PRC considers Taiwan an inalienable part of China and has yet to renounce the use to force to impose reunification with the land.¹¹ In 2005, the PRC established the Anti-Secession Law, granting itself the legal authority to use other than peaceful means against Taiwan’s detachment from the mainland.¹²

B. SIGNIFICANCE OF RESEARCH

The study of cross-strait relations is worthy of research and analysis to identify new or changes to existing driving forces impacting Sino-Taiwan relations for several reasons. First, the sovereignty status of Taiwan remains an area of dispute between the United States and China. The United States’ One China Policy, for instance, is quite distinct from the PRC’s One China Principle. From the three U.S.-China communiques signed in 1972, 1978, and 1982, the United States officially switched its diplomatic recognition of the sole government of China from the ROC to the PRC and acknowledged that Taiwan is part of China.¹³ Surveying the three communiques, one might conclude that the United States’ Taiwan position is that Taiwan is a part of the PRC. Upon careful observation, the communiques’ delicate language reveals nuanced details. Per the third joint communique, the United States “acknowledges the Chinese position that there is but one China and

⁹ “Constitution of the People’s Republic of China: Preamble” (Beijing, People’s Republic of China: National People’s Congress), accessed September 25, 2019, http://www.npc.gov.cn/zgrdw/englishnpc/Constitution/2007-11/15/content_1372962.htm.

¹⁰ “The One-China Principle and the Taiwan Issue” (Beijing, People’s Republic of China: State Council, February 2000), http://www.gov.cn/english/official/2005-07/27/content_17613.htm.

¹¹ State Council.

¹² You Ji, “China’s Anti-Secession Law and the Risk of War in the Taiwan Strait,” *Contemporary Security Policy* 27, no. 2 (August 1, 2006): 237-57, <https://doi.org/10.1080/13523260600821376>.

¹³ Bush, *A One-China Policy Primer*, Center for East Asia Policy Studies, 12.

Taiwan is a part of China.”¹⁴ In other words, the United States only acknowledged the Chinese position, a vague terminology in itself, and does not consider it as its own policy. The language nuance was further clarified from the Reagan administration in 1982, proclaiming that the United States takes no position in the sovereignty status of Taiwan.¹⁵

Another source of disagreement between the United States and China centers around the United States’ continuous military arms sale to Taiwan. From the passage of Taiwan’s Relations Act of 1979, the United States agreed to provide Taiwan with the necessary military weapon systems to strengthen Taiwan’s defense against a possible unprovoked attack from the mainland. Upon diplomatic pressures from the PRC, which advocated for the termination of arms sales to Taiwan, the Reagan administration in 1982 agreed in the third joint communique that

the United States Government states that it does not seek to carry out a long-term policy of arms sales to Taiwan ... that its arms sales to Taiwan will not exceed, either in qualitative or in quantitative terms, the level of those supplied in recent years since the establishment of diplomatic relations between the United States and China, and that it intends gradually to reduce its sale of arms to Taiwan, leading, over a period of time, to a final resolution.¹⁶

Despite the language from the third communique, the United States has continued to provide arms sale to Taiwan with no indications of it tapering off, arguing that the provided defense articles to Taiwan were necessary to allow peaceful unification to take place across the Taiwan Strait.¹⁷

¹⁴ “US-PRC Joint Communique (1982)” (Taipei, Republic of China (Taiwan): American Institute in Taiwan, August 17, 1982), <https://www.ait.org.tw/our-relationship/policy-history/key-u-s-foreign-policy-documents-region/u-s-prc-joint-communique-1982/>.

¹⁵ Bush, *A One-China Policy Primer*, Center for East Asia Policy Studies, 13.

¹⁶ American Institute in Taiwan, “US-PRC Joint Communique (1982).”

¹⁷ Wong, “Trump Administration Approves F-16 Fighter Jet Sales to Taiwan”; Shirley A. Kan, “Taiwan: Major U.S. Arms Sales Since 1990” (U.S. Congressional Research Service, August 29, 2014), 56-59, <https://fas.org/spp/crs/weapons/RL30957.pdf>; Richard C. Bush and Shelley Rigger, “The Taiwan Issue and the Normalization of US-China Relations” (Brookings Institute, January 16, 2019), 4-5, <https://www.brookings.edu/wp-content/uploads/2019/01/The-Taiwan-Issue-and-the-Normalization-of-US-China-Relations-Bush-Rigger1.pdf>.

China's One China Principle also conflicts with the ROC's understanding of its sovereignty status and continues to be the central issue of cross-strait relations. With a fully democratically-elected government, the ROC can be classified as a de facto sovereign state in that it exercises authority over its borders, holds a population of twenty-three million people that owe their allegiance to the ROC government, and maintains close relationships with other sovereign states.¹⁸ Under Xi Jinping's vision, the PRC considers the unification with Taiwan a central component to China's "national rejuvenation."¹⁹ However, the PRC's rigid "One Country, Two Systems" unification approach has not been successful with Taiwan; this approach fundamentally contradicts Taiwan's claim of its sovereignty and has led to a grid-lock for the PRC's unification agenda.²⁰

Another aspect of the importance of studying cross-strait relations stems from the fact that the unresolved territorial dispute for the PRC in regard to Taiwan continues to pose a risk for a potential armed conflict in the Pacific region. Though the PRC has urged its preference for peaceful unification with Taiwan since the Deng Xiaoping era, it has consistently reminded Taiwan that it reserves the option to unify by force if necessary. In 2005, the PRC passed the Anti-Secession law, providing the PRC legal authority to exercise the use of force to unify with Taiwan if Taiwan chooses to detach itself from the mainland via claiming de jure independence.²¹ As evidenced by the Department of Defense's annual analysis of the PLA, China has continuously devoted resources to expand and improve its combat capabilities in preparation for an armed conflict scenario with Taiwan.²² Domestic politics in Taiwan also significantly shifted on January 16, 2016, when the pro-independence DPP won both the presidential election and, for the first time in party history, a majority in Taiwan's legislature, or the Legislative Yuan. Under the

¹⁸ Hickey, *Foreign Policy Making in Taiwan from Principle to Pragmatism*, 3.

¹⁹ Jing Huang, "Xi Jinping's Taiwan Policy:," in *Taiwan and China*, ed. Lowell Dittmer, 1st ed., Fitful Embrace (Berkeley, CA: University of California Press, 2017), 244, <http://www.jstor.org.libproxy.nps.edu/stable/10.1525/j.ctt1w76wpm.16>.

²⁰ Hickey, *Foreign Policy Making in Taiwan from Principle to Pragmatism*, 62-63.

²¹ Ji, "China's Anti-Secession Law and the Risk of War in the Taiwan Strait."

²² "Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2019," 83-86.

current administration, the United States took on several bold measures to enhance its non-diplomatic relations with Taiwan. These include the passing of the Taiwan Travel Act of 2018, previously mentioned foreign military sales, and the current most recent bill passed by the House of Representatives, the Taiwan Assurance Act of 2019, which calls for continued arms sale and transfer, U.S. advocacy of Taiwan's inclusion in international organizations, and Taiwan policy review by both the President and the Department of State.²³ These new developments in cross-strait relations, including the recent shift of the U.S. policies toward Taiwan, elevate the risks of a potential armed conflict in the region.

As Scott Kastner points out, a military conflict between Taiwan and China could occur when either side takes on a revisionist approach toward cross-strait relations and is faced with weakening deterrence across the Taiwan strait.²⁴ For example, a revisionist Taiwan may misinterpret the PRC's political tolerance regarding Taiwan and take drastic steps to change its sovereignty status, inadvertently crossing the PRC's redline that would lead to an armed response from the mainland. Similarly, a revisionist PRC may resort to military force to coerce Taiwan into unification when it determines that the benefits of such a move outweigh the political costs allowing Taiwan to operate in the current status quo. Factors such as Taiwan's geo-strategic advantages for China, China's rising nationalistic sentiment demanding for a more aggressive response towards Taiwan, and U.S.-Taiwan relations security assistance from the United States, for instance, could all impact China's cost-benefit calculation regarding its decision to forcefully reunite with the island.²⁵ Additionally, the recent increase in provocative military incursions by the PRC in both the Taiwan Strait and Miyako Strait highlights the elevated risk for an unintended military incident to occur and spontaneously lead to a cross-strait conflict.²⁶ These prospects

²³ Alan Hao Yang Yang and Jeremy Huai-Che Chiang, "Despite China's Tough Talk, U.S. Should Move Forward With Taiwan," *The Diplomat* (blog), June 6, 2019, <https://thediplomat.com/2019/06/despite-chinas-tough-talk-us-should-move-forward-with-taiwan/>.

²⁴ Scott Kastner, "Rethinking the Prospects for Conflict in the Taiwan Strait," in *Globalization and Security Relations across the Taiwan Strait in the Shadow of China*, Asian Security Studies (Oxford: Routledge, 2015), 46-49, <https://doi.org/10.4324/9781315761558>.

²⁵ Kastner, 48.

²⁶ David Brown and Kevin Scott, "China Increases Pressure, Tsai Holds the Line," *Comparative Connections* 19, no. 2 (2017): 64.

leading to an armed conflict across the Taiwan Strait and its impacts are severe. A conflict between the PRC and Taiwan over the latter's sovereignty status is not only detrimental to the people of Taiwan and its democratic institution but with the likelihood of military intervention by the United States and its allies in the Pacific, it can severely disrupt the peace and stability in the region and erupt into a full-blown, regional conflict involving multiple state actors.

Finally, a stable relationship between China and Taiwan in which Taiwan continues to operate as a de facto democratic sovereign state contributes to U.S. strategic interests for maintaining peace and stability in the Indo-Pacific region. Per the *National Security Strategy of 2017* and the recent release of the Department of Defense's *Indo-Pacific Strategy Report*, the United States' primary goal is to realize a free and open Indo-Pacific vision by which all nations in the region are able to freely exercise its sovereignty without fear of coercion and are able to openly promote an environment where collaboration for economic growth and peaceful settlement toward political disputes can occur.²⁷ Specifically, the United States wishes to construct a rule-based regional order in the Indo-Pacific to collectively counterbalance China's growing and destabilizing power by enhancing the security, economic, and diplomatic cooperation with its allies and partners in the region. According to the *Indo-Pacific Strategy Report*, the United States considers Taiwan a key partner along with Singapore, New Zealand, and Mongolia that contribute to the stability and peace in the Indo-Pacific and asserts its objective to keep Taiwan secure and resilient against coercion tactics from the PRC by means of increased defense engagements such as foreign military sales.²⁸

The current de facto independent Taiwan has provided the United States access to a sizeable market for trade. In 2018, Taiwan was the 11th largest trading partner for the

²⁷ "Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting a Networked Region" (Department of Defense, June 1, 2019), 2-3, <https://media.defense.gov/2019/Jul/01/2002152311/-1/-1/1/DEPARTMENT-OF-DEFENSE-INDO-PACIFIC-STRATEGY-REPORT-2019.PDF>; *National Security Strategy of the United States of America* (Washington, DC: White House, 2017), 46-47, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>.

²⁸ Department of Defense, "Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting a Networked Region," 30-31.

United States, accounting for total trade of \$76 billion.²⁹ Taiwan is a global producer in semiconductor and information communication technology products and has established facilities in China to manufacture electronic products such as the iPad and the iPhone for the United States market. Accounting for export orders received by Taiwanese manufacturing firms located in China, the total U.S.-Taiwan trade in 2018 amounted to \$176 billion, making Taiwan the sixth-largest trading partner just behind Japan and Germany.³⁰ Unstable cross-strait relations, therefore, can significantly disrupt the United States' economy and the global supply chain for information technology products.

Should the United States proceed to abandon its current Taiwan policy for the sake of strengthening its relations with China and allow Taiwan to be unified with the mainland, the United States' security posture in the Pacific would be drastically weakened. In a unification scenario, the PRC will be able to capitalize on Taiwan's geo-strategic advantages in the Pacific, significantly bolstering its abilities to project military power and contest against U.S. military presence in the region. For example, access to Taiwan could enable the PRC's navy to disrupt the critical oil and materials shipping lanes toward Japan and South Korea. Additionally, the PLA's existing military workforce and capabilities dedicated to the Taiwan contingency could be reprioritized to further the PRC's strategic objectives in the region.³¹ Perhaps most devastating for the United States in a Taiwan abandonment scenario, the United States' credibility with its major allies and partners on its security commitments in the Pacific would be impaired, possibly driving U.S. allies to take on measures that would further destabilize the region.³² For instance, facing a growing military projection of power from the PRC in Taiwan, Japan could undertake an arms race with the PRC. South Korea, on the other hand, could gradually align itself with the PRC to

²⁹ Wayne M. Morrison, *US-Taiwan Trade Relations* (Washington, DC: Congressional Research Service, 2019), <https://fas.org/sgp/crs/row/IF10256.pdf>.

³⁰ "Top Trading Partners - December 2018 (Year-to-Date)" (Washington, DC: Census Bureau), accessed August 31, 2019, <https://www.census.gov/foreign-trade/statistics/highlights/top/top1812yr.html>; Morrison, *US-Taiwan Trade Relations*, 2.

³¹ Tucker, "If Taiwan Chooses Unification, Should the United States Care?," 21-22.

³² Nancy Bernkopf Tucker and Bonnie Glaser, "Should the United States Abandon Taiwan?," *The Washington Quarterly* 34, no. 4 (2011): 32, <https://doi.org/10.1080/0163660X.2011.609128>.

bolster its security prospects.³³ Additionally, the United States losing its access to Taiwan would enable the PRC to breach the first island chain and strategically challenge its “Maritime Periphery”—a strategic defensive perimeter stretching from Alaska, through Japan and South Korea, and extending toward Taiwan and the Philippines—and improve its deterrence capacity against U.S. naval operations to disrupt its major oil import sea lanes through the Taiwan Strait.³⁴

C. LITERATURE REVIEW

1. Taiwan’s National Identity

The development and divergence of national identities in Taiwan have played an essential role in cross-strait relations. Some scholars claim that Taiwan’s gradual development of its unique identity and sense of nationalism provided another avenue to explain Taiwan’s stagnant political integration prospects with the mainland.³⁵ The 2-28 Incident in 1947, a brutal KMT crackdown of an uprising in Taiwan that murdered thousands of innocent Taiwanese citizens, marked the genesis of a Taiwanese identity separate from the Han ethnic Chinese identity often associated with the then-ruling KMT.³⁶ As C.L. Chiou notes, the 2-28 Incident and KMT’s subsequent autocratic rule of Taiwan added further tension between the KMT and the local Taiwanese, sparking Taiwan’s populist-nationalist movement.³⁷ In 1964, for instance, law professor Peng Ming-min defied martial law and secretly published the “Declaration on Taiwan’s Self-salvation Movement” (台灣自救運動宣言) to severely criticize KMT’s autocratic rule and

³³ Martin Mitchell, “Taiwan and China: A Geostrategic Reassessment of U.S. Policy,” *Comparative Strategy* 36, no. 5 (2017): 385, <https://doi.org/10.1080/01495933.2017.1379829>.

³⁴ Mitchell, 385; Russell Ong, “Taiwan’s Strategic Options and the US,” *Asia-Pacific Review* 17, no. 2 (2010): 60-61, <https://doi.org/10.1080/13439006.2010.531113>.

³⁵ Yitan Li and Enyu Zhang, “Changing Taiwanese Identity and Cross-Strait Relations: A Post 2016 Taiwan Presidential Election Analysis,” *Journal of Chinese Political Science* 22, no. 1 (2017): 22, <https://doi.org/10.1007/s11366-016-9452-9>.

³⁶ Li and Zhang, 23.

³⁷ C. L. Chiou, “Taiwan’s Evolving Nationalism: Ideology for Independence,” in *Nationalism, Democracy and National Integration in China* (New York: RoutledgeCurzon, 2003).

assert Taiwan's democratic independence from China.³⁸ Recognized today as the father of Taiwan's independence movement, Peng's message at the time further enhanced the anti-authoritarian Taiwan nationalism and provided the foundation for the Democratic Progressive Party (DPP).³⁹

Yitan Li's analysis indicates that the distinctive Taiwanese identity was strengthened as Taiwan gradually transitioned from an authoritative rule under the KMT into a fully democratic state that allowed for political participation of opposition parties like the DPP and universal suffrage of local and national-level elections.⁴⁰ Taiwan's democratization also fostered a new sense of Taiwan nationalism based on the preservation of its democratic liberties, and the people of Taiwan increasingly considered themselves as a political and social group separate from the mainland. As such, despite their shared similar historical and cultural backgrounds, China's non-democratic political system have caused the Taiwanese people to increasingly identify themselves as Taiwanese than Chinese.⁴¹ According to annual poll data conducted by the National Chengchi University's Election Study Center (ESC), the percentage of those surveyed who identify themselves as Taiwanese grew from 17.6% in 1992 to 56.96% in 2019; meanwhile, those who self-identify as Chinese declined from 25.5% to 3.8% during the same period.⁴²

Other scholars point out that despite Taiwan increasingly identified themselves as Taiwanese, their strong preference for peace rather than an armed conflict with China from declaring de jure independence has helped shape Taiwan's relations toward China.⁴³

³⁸ Chiou, 112; Ming-min Peng, Tsung-min Hsieh, and Ting-chao Wei, "台灣人民自救宣言 [Declaration of Formosan Self-Salvation]," September 20, 1964, http://www.hi-on.org.tw/ad/peng_0707_z05.html.

³⁹ Chiou, "Taiwan's Evolving Nationalism: Ideology for Independence," 112-13.

⁴⁰ Yitan Li, "Constructing Peace in the Taiwan Strait: A Constructivist Analysis of the Changing Dynamics of Identities and Nationalisms," *Journal of Contemporary China* 23, no. 85 (2014): 132-33, <https://doi.org/10.1080/10670564.2013.809985>.

⁴¹ Li, 133-34.

⁴² "Changes in the Taiwanese/Chinese Identity of Taiwanese as Tracked in Surveys by the Election Study Center, NCCU (1992 ~ 2019.06)" (Taipei, Republic of China (Taiwan): National Chengchi University, July 10, 2019), <https://esc.nccu.edu.tw/course/news.php?Sn=166#>.

⁴³ Denny Roy, "Prospects for Taiwan Maintaining Its Autonomy under Chinese Pressure," *Asian Survey* 57, no. 6 (2017): 1141, <https://doi.org/10.1525/AS.2017.57.6.1135>.

ESC's annual poll from 1994 to 2019 on the public's preference for the future of Taiwan indicated that a vast majority of those surveyed support maintaining the current status quo for the time being.⁴⁴ Cal Clark demonstrates that the public consensus on the future status of Taiwan had led to Taiwanese political elites to adopt a moderated political stance in their respective parties to attract support from this mass constituency favoring the status quo.⁴⁵ During Taiwan's presidential election in 2000, for instance, both the KMT and the DPP avoided hardline positions on unification or independence and advocated for similar cross-strait policies focused on easing hostility with Beijing and asserting for Taiwan's de facto sovereignty.⁴⁶

Jean-Pierre Cabestan highlighted the Chen administration's successful domestic policies to strengthen the developing Taiwanese identity and how the subsequent Ma administration's unsuccessful attempt to counter those policies in order to foster a new sense of ROC nationalism and identity.⁴⁷ For instance, Chen's administration actively promoted Taiwan's identity and sense of nationalism by implementing various policies such as adding "Taiwan" to ROC passports, shifting national education curriculum to focus on Taiwan's distinct history on the island, and renaming of various public institutions to remove symbolic connections to or emphasis on ROC and its history. When Ma was elected in 2008, his attempts to promote a new sense of ROC nationalism and identity were unsuccessful and unpopular with the Taiwanese people. Ma's assertive policies to establish closer ties with Beijing have also caused the people of Taiwan to grow increasingly insecure.⁴⁸ In 2014, this culminated in Taiwan's largest-ever civil protest, the Sunflower

⁴⁴ "Changes in the Unification / Independence Stances of Taiwanese as Tracked in Surveys by the Election Study Center, NCCU (1994 ~ 2019.06)" (Taipei, Republic of China (Taiwan): National Chengchi University, July 10, 2019), <https://esc.nccu.edu.tw/course/news.php?Sn=167#>.

⁴⁵ Cal Clark, "Economic Integration between China and Taiwan: No Spillover into the Identity and Security Realms," in *Identity and Change in East Asian Conflicts The Cases of China, Taiwan, and the Koreas*, 1st ed. (New York: Palgrave Macmillan U.S., 2007), 71-90, <https://doi.org/10.1057/9780230603134>.

⁴⁶ Clark, 84.

⁴⁷ Jean-Pierre Cabestan, *Changing Identities in Taiwan under Ma Ying-Jeou*, ed. Lowell Dittmer (Oakland, California: University of California Press, 2017).

⁴⁸ Cabestan, 46-47.

Movement, which further dissolved KMT's popular support and resulted in a landslide defeat of the party in the subsequent local and presidential elections in 2014 and 2016, respectively.⁴⁹

2. Economic Influence on Cross-Strait Relations

A reoccurring theme in the current academic literature on cross-strait relations revolves around the various economic factors that impact such relations. During the 1992-2008 timeframe, cross-strait trade gradually increased from \$0.748 billion in 1992 to \$99.09 billion in 2008.⁵⁰ As Chien-Kai Chen suggests, the Taiwan business elites demonstrated a considerable amount of influence over Sino-Taiwan relations by lobbying to ease cross-strait trade regulations. The government of Taiwan during both the Lee Teng-hui and Chen Shui-bian administrations in 1988-2000 and 2000-2008, respectively, initially took on favorable economic policies toward China in order to boost Taiwan's international competitiveness via taking advantage of China's growing market and cost-effective labor.⁵¹ When more restrictive cross-strait economic policies were later enacted to curtail economic dependence on China, the Taiwan government increasingly faced criticism and pushback from the Taiwanese business community. The "No Haste, Be Patient" policy under Lee, for instance, limited any individual Taiwanese investment in China at \$50 million or less and capped any firm's total investment in China at 40% of its total net worth. These restrictive economic policies were not popular among the Taiwanese business community and the general public that have benefited from the growing economic ties with China and have begun to change Taiwanese domestic politics.⁵² Both Chen and President Ma Yin-jeou in their presidential election campaigns, for example, advocated for

⁴⁹ Cabestan, 50.

⁵⁰ "Taiwan-China Trade Statistics, 1990-2018" (Taipei, Republic of China (Taiwan): Ministry of Finance, September 9, 2019), <http://web02.mof.gov.tw/njswww/WebProxy.aspx?sys=220&ym=7900&yymt=10700&kind=21&type=1&funid=e9111&cycle=4&outmode=0&compmode=00&outkind=1&fld0=1&codspc0=2,2,&codlst1=110&rdm=neelWUWo>.

⁵¹ Chien-Kai Chen, "The Effect of International Relations on Cross-Border Economic Ties: A Case Study of Taiwan's Economic Policies toward China," *International Journal of China Studies* 7, no. 1 (2016): 63.

⁵² Chen, 69-70.

more liberal economic policies with China.⁵³ Upon assuming office, President Chen initiated the “Active Opening, Effective Management” policy, which removed the \$50 million investment limit and to facilitate Taiwanese firms to invest in China, granted automatic government approvals for all investments less than \$20 million.⁵⁴ In President Ma’s term, he carried out the Economic Cooperation Framework Agreement (ECFA) with China that removed existing cross-strait tariffs to further enhance cross-strait trade.⁵⁵

Shu Keng and Gunter Schubert hold a different view on the role of Taiwan business community, or *taishang* (臺商). They argue that *taishang* possesses a limited influence on cross-strait policies in both China and Taiwan.⁵⁶ In Taiwan’s case, for instance, *taishang*’s lack of official communication channels and central organization body to lobby on behalf of their collective interests in Taiwan prevents them from exerting a sufficient amount of influence over Taiwan’s cross-strait policies.⁵⁷ However, Keng and Schubert acknowledge that *taishang*’s economic foothold in China is not trivial. According to their estimate of China’s information technology (IT) sector in 2008, 70% of China’s export in the IT sector are produced by foreign firms. Of these foreign-owned IT firms in China, 70% of it is owned by Taiwanese firms. Additionally, Taiwan has consistently been the second or third most abundant source of foreign direct investment in China behind Hong Kong; in 2018, Taiwan’s FDI in China amounted to \$4.33 billion, accounting for 4% of all FDI in China.⁵⁸ Despite *taishang*’s role in driving Chinese economic growth, their growing partnership with local Chinese officials, and the formation of numerous institutional channels such as the National Association of Taiwan Investment Enterprises on the Mainland and local Taiwanese business associations (TBA), *taishang*’s ability to influence Chinese cross-strait

⁵³ Chen, 71.

⁵⁴ Chen, 70.

⁵⁵ Chen, 72.

⁵⁶ Shu Keng and Gunter Schubert, “Agents of Taiwan-China Unification? The Political Roles of Taiwanese Business People in the Process of Cross-Strait Integration,” *Asian Survey* 50, no. 2 (2010): 309, <https://doi.org/10.1525/as.2010.50.2.287>.

⁵⁷ Shu Keng and Schubert, 304-5.

⁵⁸ “News Release of National Assimilation of FDI From January to October 2018” (Beijing, People’s Republic of China: Ministry of Commerce, November 22, 2018), <http://english.mofcom.gov.cn/article/statistic/foreigninvestment/201812/20181202815485.shtml>.

policies are limited primarily due to the fact their representative institutions lacked organizational autonomy. TBAs, for instance, are mostly run by Chinese staff members in the local Taiwan Affairs Bureau to primarily address various legal issues and concerns faced by small and medium Taiwanese firms in China.⁵⁹

Benjamin Schreer asserts that despite increasing cross-strait economic and social ties, there are no indications of political integration between China and Taiwan.⁶⁰ For instance, the Ma administration's hasty push for the Cross-Strait Services Trade Agreement (CSSTA), a follow-on to EFCA, was met with tremendous backlash from the public over fears that further increased economic ties with the mainland could significantly disrupt Taiwan's democracy.⁶¹ The 2014 Sunflower Movement against CSSTA, the most massive public rally in Taiwan's history, successfully forced the Taiwanese government to suspend the legislation process and severely discredited the incumbent KMT administration, resulting in the party's worst electoral defeat in the combined mayoral elections in 2014 and subsequent significant losses in the presidential and parliamentary elections in 2016. As Schreer suggests, the DPP's election victories were an indication of the constituency's collective fear and distrust of KMT's political stance on expanding economic ties with the mainland.⁶²

3. Cross-Strait Security Tensions

In addition to economic relations and national identities, national security also plays a role in cross-strait relations. One viewpoint focuses on the effect of military tension on China and Taiwan relations. In observing various contentious periods of cross-strait relations, M. Taylor Fravel asserts that when China experiences a decline in its relative

⁵⁹ Shu Keng and Schubert, "Agents of Taiwan-China Unification? The Political Roles of Taiwanese Business People in the Process of Cross-Strait Integration," 307-8.

⁶⁰ Benjamin Schreer, "The Double-Edged Sword of Coercion: Cross-Strait Relations After the 2016 Taiwan Elections," *Asian Politics & Policy* 9, no. 1 (2017): 58-59, <https://doi.org/10.1111/aspp.12290>.

⁶¹ Ian Rowen, "Inside Taiwan's Sunflower Movement: Twenty-Four Days in a Student-Occupied Parliament, and the Future of the Region" 74, no. 1 (2015): 5-21, <https://doi.org/10.1017/S0021911814002174>.

⁶² Schreer, "The Double-Edged Sword of Coercion: Cross-Strait Relations After the 2016 Taiwan Elections," 59-60.

strength, or bargaining power, over its claim of Taiwan, it has often resorted to the use of military actions to bolster its resolve.⁶³ Analysis of the three cross-strait crises in 1954, 1958, and 1995-1996 and the heightened cross-strait tensions during 1999-2002 indicated that China's bargaining power over Taiwan was primarily driven by United States' active involvement with the two governments.⁶⁴

In the first two cross-strait crises, for instance, China initiated artillery diplomacy on Taiwan's coastal islands of Kinmen and Matsu when it was pressured by the United States' establishment of a mutual defense treaty with the KMT government of Taiwan and subsequent acts of diplomatic gestures and military assistance to strengthen its commitment to the island.⁶⁵ A relatively stable period of cross-strait relations during the 1960s to the early 1990s was the result of China's incremental gains in its bargaining power as the United States gradually tapered off its military support during the early 1960s and normalized its diplomatic relations with China in 1972.⁶⁶ China's armed response during the 1995-1996 missile crisis can also be explained by its relative decline in bargaining power from Taiwan's democratization and its interpretation of United States' increasing support for Taiwan, most notably from the United States' military arms sale of F-16 fighters, the most massive arms sale at the time, and its issuance of a travel visa to President Lee Teng-hui.⁶⁷ In 1999 and 2002, Taiwan's decision to issue provocative political statements to challenge the status quo quickly intensified cross-strait tensions. The United States' prompt assurance to China of its firm support for the One China Policy and its condemnation of Taiwan's actions helped China to realize its bargaining power over the island and averted potential crises across the Taiwan Strait.⁶⁸

⁶³ M. Taylor Fravel, "Power Shifts and Escalation: Explaining China's Use of Force in Territorial Disputes," *International Security* 32, no. 3 (2008): 44-83, <https://doi.org/10.1162/isec.2008.32.3.44>.

⁶⁴ Fravel, 58-68.

⁶⁵ Fravel, 58-63.

⁶⁶ Fravel, 63-65.

⁶⁷ Fravel, 65-66.

⁶⁸ Fravel, 66-68.

Cross-strait security certainly has shifted toward Beijing's favor. Between 2000 and 2014, the PLA's military growth in advanced weaponry such as ballistic missiles, advanced fighters, submarines, and surface ships have tremendously outpaced Taiwan's defensive capabilities. For instance, China's current deployment of nearly 1,100 short-range ballistic missiles and its total capacity of 600 modern aircraft fighters could, in short order, overpower Taiwan's limited Patriot missile defense systems and its aging aircraft fleet.⁶⁹ According to Hwang Ji-Jen's research, China's recent military modernization focusing on joint operations and the establishment of a Strategic Support Force (SSF) further shifted the military balance in favor of the mainland.⁷⁰ In addition to PLA's conventional forces, the SSF's newly acquired offensive capabilities in both cyberspace and space domains could synergize with conventional forces and severely disrupt Taiwan's defensive posture.⁷¹ Other scholars such as Shang-Su Wu concur with the notion that military power can be a powerful tool for Beijing to dictate the terms of Taiwan's political future.⁷² In Wu's assessment of Taiwan's security challenges, he suggests that China's success in its military modernization efforts have substantially superseded Taiwan's defensive capabilities and weakened Taiwan's position in cross-strait negotiations. Wu claims that despite Taiwan's recent pivot under President Tsai Ing-wen to increase defense spending on indigenous military projects as laid out in Taiwan's *2017 Quadrennial Defense Review* (QDR), the lengthy development schedule of these projects prevents Taiwan from establishing a firm defensive posture against the mainland.⁷³

⁶⁹ Kastner, "Is the Taiwan Strait Still a Flash Point? Rethinking the Prospects for Armed Conflict between China and Taiwan," 70.

⁷⁰ Ji-Jen Hwang, "China's Military Reform: The Strategic Support Force, Non-Traditional Warfare, and the Impact on Cross-Strait Security," *Issues and Studies* 53, no. 3 (2017): 1-24, <https://doi.org/10.1142/S1013251117500084>.

⁷¹ Hwang, 15-18.

⁷² Shang-Su Wu, "Taiwan's Defense under the Tsai Administration," *Asian Survey* 58, no. 4 (2018): 704.

⁷³ Wu, 725.

D. HYPOTHESIS

- (1) Hypothesis #1: Despite the development of Taiwan's national identity, the Taiwanese public's strong preference against independence and unification deters Taiwan from taking drastic steps to challenge the status quo.

This hypothesis explores the role of national identity in cross-strait relations. The people of Taiwan have increasingly identified themselves as Taiwanese and with the democratic liberties associated with the current political system in Taiwan. Having experienced China's military coercion firsthand during the Third Taiwan Strait Crisis, the Taiwanese public recognized that its path toward *de jure* independence is unrealistic and, if taken, would result in an armed response from the mainland. On the other hand, the Taiwanese public's preference for the island's democratic values and civil liberties have likely thwarted any attempts by the government moving toward unification with the mainland, serving as a gatekeeper to limit policymakers of Taiwan from taking drastic measures to unify with the mainland.

- (2) Hypothesis #2: Increased economic interdependency between China and Taiwan reinforces the status quo in cross-strait relations.

As observed by Cal Clark, increased economic integrations have minimal spillover effects toward political integration across the Taiwan Strait.⁷⁴ This hypothesis builds on Clark's view in stating that China and Taiwan's growing economic interdependency have served as a significant deterrence factor against any drastic changes to existing cross-strait relations. In other words, sustained economic relations between the two political entities have strengthened the cross-strait status quo, negating the prospects of unification or Taiwan's independence. From Taiwan's perspective, China's rising middle class and its substantial market complement Taiwan's export-oriented economy has incentivized the government of Taiwan to anchor its current political status quo and refrain from taking drastic measures to claim *de jure* independence.

⁷⁴ Clark, "Economic Integration between China and Taiwan: No Spillover into the Identity and Security Realms."

- (3) Hypothesis #3: A DPP administration in Taiwan will likely exercise a provocative military relationship with the mainland. Conversely, a KMT administration will likely experience less prioritization toward its national defense vis-à-vis the PRC.

This hypothesis suggests that Taiwan's military relations with China are dependent of the political party holding office. Considering the DPP's political views, which tends to favor a more provocative cross-strait policy and a strong supporter for Taiwan's independence, it is probable for a DPP administration to allocate more national resources toward the national defense of Taiwan. Likewise, with the KMT's long term political agenda of eventual unification with the mainland, it is equally likely that a KMT administration would reprioritize its resources away from national defense as a means to facilitate future unification negotiations with the mainland.

E. RESEARCH DESIGN

The thesis draws on major cross-strait events that have occurred since 2000 to capture the dynamic shifts of cross-strait relations between periods of tension and reconciliation during the past two decades. By observing Sino-Taiwan relations through the lenses of national identity, cross-strait economic relations, and national defense, this thesis aims to provide a complete understanding of the underlying drivers that have caused Taiwan to continue to pursue the political status quo vis-à-vis the mainland and have yet to sever its relationship with China by claiming *de jure* independence.

Based on a survey of existing academic scholarship on the impacts of economic relations, national identities, and national security toward Taiwan's relations with China, the author proposed three accompanying hypotheses based on these three factors and conducted relevant research to verify the validity of his propositions. This thesis utilized primary sources from the Taiwanese government and its corresponding news publications throughout the research process. These include official statements from relevant government institutions, official publications from government agencies, news articles, and applicable elections and local polling data. A portion of the primary sources analyzed in this thesis were written in Chinese Mandarin, as these sources have provided additional information that has yet to be considered by existing western literature. During the research

process, this thesis has also consulted a series of recently published secondary sources from major Western and Asian academic research institutions and have utilized existing academic findings as the foundation of the thesis.

F. THESIS OVERVIEW

This thesis primarily focuses on identifying how the driving factors of national identity, cross-strait economic relations, and national security have impacted Taiwan's relations with China in the Chen Shui-bian, Ma Ying-jeou, and Tsai Ing-wen administrations. The following chapter explores how the role of Taiwan's newly developed national identity served its role in moderating Taiwan's political elites from moving drastically away from the status quo political relationship vis-à-vis the PRC. Next, the third chapter observes Taiwan's economic policies in the past three administrations to demonstrate Taiwan public's willingness to take advantage of the market incentives in the PRC and the Taiwan government's calculation of its economic interests have resulted in the island to develop closer economic ties with the mainland. The fourth chapter captures how the military threat of the People's Liberation Army (PLA) has consistently influenced Taiwan to allocate its resources toward foreign military arms purchase and indigenous weapons development, across either administration, in a collective effort to deter an armed conflict across the Taiwan Strait. Finally, the chapter summarizes the findings and use the trends uncovered in the thesis as a basis to provide a brief synopsis of Taiwan's future relationship with the mainland.

II. TAIWAN'S NATIONAL IDENTITY

This chapter demonstrates how the development of a distinctive Taiwan national identity has served an important role in moderating Taiwan's relationship with the PRC. The section first provides a brief historical background on the genesis and the development of the Taiwanese identity. Then, the next section examines the cross-strait policies under Chen Shui-bian and Ma Ying-jeou administration to illustrate the role of the Taiwanese public's overwhelming preference on maintaining the status quo was able to restrain its political elites from adopting either an overly provocative anti-Beijing, pro-independence or an excessively pro-Beijing, pro-unification political stance vis-à-vis the PRC. Finally, in the last section of the chapter examines the impact of Taiwan's national identity on Tsai Ing-wen administration's policies toward the mainland, focusing on the recent developments such as the public's preference for economic growth and support for progressive policies, as well its heightened sensitivities to Beijing's political agenda and its unification formula of "One Country, Two Systems."

A. THE 2-28 INCIDENT, WHITE TERROR, AND DEMOCRATIZATION

The genesis of a distinct Taiwanese identity came from the aftermaths of the 2-28 Incident in 1947 and the subsequent "White Terror" period of Taiwan. Shortly after regaining control of the island from Japan in 1945, the Kuomintang's (KMT) corrupt rule and harsh treatment to the local Taiwanese caused widespread uprisings across the island known on February 28, 1947. In the weeks that followed, the KMT unleashed a ruthless crackdown that killed tens of thousands of local Taiwanese that drove a societal divide between the KMT's ethnic Han Chinese that retreated from the mainland and the local Taiwanese on the island.⁷⁵ When the KMT enacted martial law and established its authoritarian rule in 1949, the regime dedicated much of its resources to suppress the development of Taiwanese identity, placing Taiwan in a four-decade-long period known as the "White Terror." During this period, more than one hundred thousand alleged political

⁷⁵ Li, "Constructing Peace in the Taiwan Strait: A Constructivist Analysis of the Changing Dynamics of Identities and Nationalisms," 132.

dissidents, to include anyone the party deemed a threat to its rule, were imprisoned, tortured, or executed.⁷⁶ Other efforts of identity suppression conducted by the KMT included a series of state-sponsored public education policies to promote its Chinese origins and identity. For instance, Mandarin Chinese, a Beijing dialect, was promoted as the standard dialect and national language to be taught in schools, and students were frequently instructed on the importance for the nation to reclaim the mainland from the communist government.⁷⁷

Throughout the limited local and national elections for public office in the 1950s and 1960s, opposition, or *dangwai* (黨外), candidates began to use the Taiwanese dialect during their campaigns instead of Mandarin Chinese. And by the 1970s, Taiwanese intellectuals and the general public adopted the concept of sub-ethnic groups to further differentiate the majority ethnic Han people on the island into Hoklo, Hakka, mainlanders, and the aborigines. As a result, more Taiwanese distanced themselves from being identified as Chinese (中國人), a label often associated with the People's Republic of China.⁷⁸ Thus, despite the KMT's efforts to promote a Chinese identity, the aftermath of the 2-28 Incident and the oppressive "White Terror" period gradually gave rise to the development of a Taiwanese national identity on the island, contributing to the formation of the independence-leaning Democratic Progressive Party (DPP) in 1986 and Taiwan's subsequent democratization movement.⁷⁹

⁷⁶ Julie Wu, "Remembering Taiwan's White Terror," *The Diplomat*, March 8, 2014, <https://thediplomat.com/2014/03/remembering-taiwans-white-terror/>.

⁷⁷ Li and Zhang, "Changing Taiwanese Identity and Cross-Strait Relations: A Post 2016 Taiwan Presidential Election Analysis," 23.

⁷⁸ These ethnic subsets included the Hoklo (migrants from Fujian province), the Hakka (migrants from Guangdong province), the mainlanders (migrants that retreated from the mainland with the KMT), and the aborigines (indigenous, non-ethnic Han) and approximately accounted for 70%, 15%, 12%, and 2%, respectively, of Taiwan's total population during that timeframe. Cabestan, *Changing Identities in Taiwan under Ma Ying-Jeou*, 44; Overseas Chinese Affairs Commission, "The Hakka People" (Republic of China (Taiwan): Overseas Chinese Affairs Commission), accessed November 29, 2019, <http://edu.ocac.gov.tw/lang/hakka/english/a/a.htm>.

⁷⁹ Li and Zhang, "Changing Taiwanese Identity and Cross-Strait Relations: A Post 2016 Taiwan Presidential Election Analysis," 24.

B. DEVELOPMENT OF TAIWAN'S NATIONAL IDENTITY

Taiwan's extensive survey results clearly illustrate the island's shifting national identity from *Chinese* to *Taiwanese*. The earliest survey data published from *The United Daily* in 1989 indicated that 52% of those surveyed identify themselves as solely *Chinese*, 26% *Both Taiwanese and Chinese*, and 16% as solely *Taiwanese*.⁸⁰ By the end of the twentieth century, the demographics had drastically shifted according to the National Chengchi University's Election Study Center surveys, with 39.6% of those surveyed in identifying as solely *Taiwanese*, 42.5% identifying as *Both Taiwanese and Chinese*, and merely 12.1% identifying as solely *Chinese*.

As shown in Figure 1, during Chen Shui-bian's administration in 2000-2008, people who identify themselves as *Chinese* gradually declined (12.5% to 4.5%) as people who self-identify as *Taiwanese* increased (36.5% to 48.3%), while those identifying as *Both Taiwanese and Chinese* remained relatively stable during this timeframe. Ma Ying-jeou's administration in 2008-2016, on the other hand, saw a steady shift of national identity from *Both Taiwanese and Chinese* (48.3% to 58.2%) to *Taiwanese* (43.1% to 34.3%), while those who identify as solely *Chinese* remained stable between 3.4% to 4.0%.⁸¹

These national identity survey results, however, do not distinguish which aspects of the national identity were causing the general population to gradually associate themselves as solely *Taiwanese* rather than *Chinese* or *Both Taiwanese and Chinese*. In Yang Zhong's comprehensive survey conducted in 2014, he provided the additional fidelity into understanding the shifting national identity of Taiwan by demonstrating that the majority of those surveyed acknowledge their *Chinese* ethnic and cultural ties but are opposed to being identified as such due to differing political stance vis-à-vis China. In other words, Taiwan's national identity shift is primarily politically driven rather than ethnically and culturally driven. For instance, in response to the question "From the perspectives of

⁸⁰ Yang Zhong, "Explaining National Identity Shift in Taiwan," *Journal of Contemporary China* 25, no. 99 (2016): 340, <https://doi.org/10.1080/10670564.2015.1104866>.

⁸¹ Election Study Center, "Changes in the Taiwanese/Chinese Identity of Taiwanese as Tracked in Surveys by the Election Study Center, NCCU (1992 ~ 2019.06)."

blood and culture, whom do you think you are?” 53.8% of the 1,072 respondents identified themselves as *A member of the Chinese nation* (中華民族), 3.2% identified as *Chinese* (中國人), 25.2% identified as *Both*, and 17.9% responded with *Neither* or *Do not know*. The combined 82.2% of the respondents who self-identify as either *A member of the Chinese nation*, *Chinese*, or *Both*, therefore, reflect the Taiwanese population’s wide acceptance of Chinese ethnic and cultural ties.⁸²

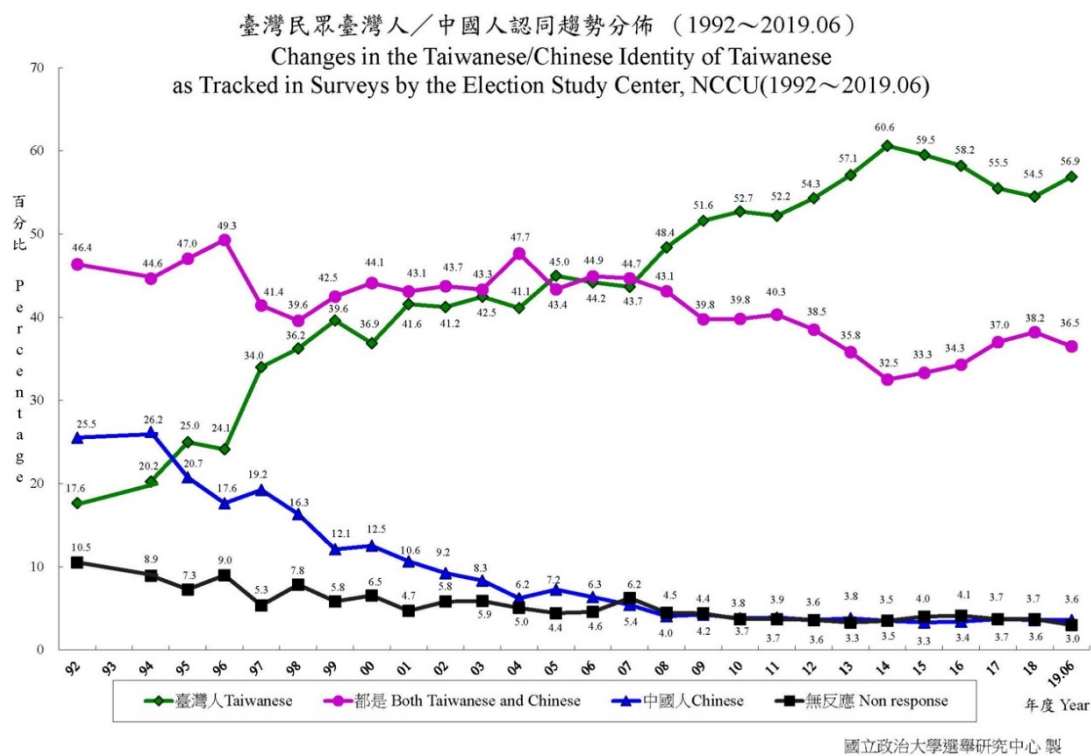


Figure 1. National Chengchi University Survey Results of Taiwan’s National Identity from 1992 to 2019⁸³

In Zhong’s account, the political reality of the People’s Republic of China (PRC) becoming the internationally-recognized Chinese government to represent China was one

⁸² Zhong, “Explaining National Identity Shift in Taiwan,” 341.

⁸³ Source: Election Study Center, “Changes in the Taiwanese/Chinese Identity of Taiwanese as Tracked in Surveys by the Election Study Center, NCCU (1992 ~ 2019.06).”

of the external political factors that gradually shifted Taiwan's national identity. For example, in response to the question, "Some people say that Taiwan's official name is the Republic of China and, therefore, people living in the Republic of China should be called Chinese. Do you agree with such a saying?," 61.4% of the respondents rejected such a notion, with only 28.2% accepting their association as a Chinese national. This survey result suggested that a majority of the Taiwanese have inherently accepted the PRC as the representative government of China, and therefore interpreted the terminology of *Chinese* (中國人) as nationals of the PRC (中華人民共和國) rather than nationals of the Republic of China (中華民國), which they would label as *Taiwanese* (臺灣人).⁸⁴ Zhong's multivariate logistical regression analysis of survey results from 1,072 respondents indeed demonstrated strong correlations between politically related factors vis-à-vis the PRC and respondents' self-identification of *Taiwanese*. Specifically, he concluded that individuals who: demonstrate support for the DPP, acknowledge the PRC as the representative government of China, prefer the use of Taiwan instead of ROC in the international arena, or display independence-leaning political preferences are statistically more likely to self-identify as solely *Taiwanese*.⁸⁵ In contrast, those who associate *Taiwanese* with people who identify with Taiwanese culture and history did not yield a statically significant correlation with respondents that self-identified as solely *Taiwanese*.⁸⁶

C. TAIWAN'S NATIONAL IDENTITY UNDER THE CHEN SHUI-BIAN ADMINISTRATION

President Chen Shui-bian's series of provocative cross-strait policies highlighted the nuance of Taiwan's national identity and its underlying risk-averse preferences on Taiwan's political relationship vis-à-vis the PRC. Despite his earlier promise of the "Five No's" in 2000 to uphold Taiwan's political status-quo, his administration increasingly imposed policies to challenge Beijing and Washington's tolerance on Taiwan's political

⁸⁴ Zhong, "Explaining National Identity Shift in Taiwan," 342.

⁸⁵ Zhong, 351.

⁸⁶ Zhong, 350.

status.⁸⁷ The Chen administration imposed a series of measures to actively promote Taiwanese identity and culture.⁸⁸ These measures included the addition of “Taiwan” to the island’s official passport covers, the inclusion and focus of Taiwanese history in its national education system, and a series of renaming existing state institutions to remove its affiliation with “China.” Taiwan’s postal system, the China Post (中華郵政), and the Chiang Kai-shek Memorial (中正紀念堂), for instance, were renamed to the Taiwan Post (臺灣郵政) and Liberty Square (臺灣民主紀念館), respectively.⁸⁹ In 2003-2004, Chen’s DPP administration successfully passed the Referendum Law with the KMT holding a majority in the Legislative Yuan (Taiwan’s parliament). The KMT’s legislative support for the referendum bill reflected its acknowledgment of the widespread public sentiment toward and affiliation with democracy, which is a unique aspect of Taiwan that has increasingly contributed to the island’s developing national identity since its democratization in the 1990s.⁹⁰ Indeed, Taiwan’s national identity polling during Chen’s administration suggests his “desinicization” policies and his push for the referendum law have appealed to the Taiwan electorate. During the 2000-2008 timeframe, people in Taiwan who self-identify as solely Taiwanese increased from 36.9% to 48.4%, and those who self-identify as solely Chinese decreased by a similar margin.⁹¹

While there were increasing amount of the Taiwanese population self-identifying as *Taiwanese*, this data trend did not correlate with the majority of the population’s

⁸⁷ Chen in his inaugural address in 2000 promised to not declare de jure independence, not change the national title away from the ROC, not revise the constitution to describe cross-strait relations as a “state-to-state” relationship, not promote national referendum to determine Taiwan’s status, and not abolish the National Unification Council or the National Reunification Guidelines; Hickey, *Foreign Policy Making in Taiwan from Principle to Pragmatism*, 100-101.

⁸⁸ Cabestan, *Changing Identities in Taiwan under Ma Ying-Jeou*, 46-47.

⁸⁹ Cabestan, 48; Li and Zhang, “Changing Taiwanese Identity and Cross-Strait Relations: A Post 2016 Taiwan Presidential Election Analysis,” 24.

⁹⁰ Li, “Constructing Peace in the Taiwan Strait: A Constructivist Analysis of the Changing Dynamics of Identities and Nationalisms,” 133; S. Philip Hsu, “Between Identity Quest and Risk Aversion: Lessons from the Chen Shui-Bian Presidency for Maintaining Cross-Strait Stability,” *Journal of Contemporary China* 19, no. 66 (September 1, 2010): 703-4, <https://doi.org/10.1080/10670564.2010.485405>.

⁹¹ Election Study Center, “Changes in the Taiwanese/Chinese Identity of Taiwanese as Tracked in Surveys by the Election Study Center, NCCU (1992 ~ 2019.06).”

preference regarding Taiwan's political relationship with the mainland. According to ESC's annual survey on the population's political preference from 1994 to 2008, for instance, at least 67.9% of the respondents acknowledged varying degrees of maintaining the status quo vis-à-vis the mainland (Figure 2). The political impact of the Taiwan population's strong and consistent preference to maintain its political status quo with the PRC began to surface during the latter half of the Chen administration. Leading up to Taiwan's legislative election in December 2004, Chen announced that should the DPP achieve a majority in the legislature, the administration will proceed to revise the National Emblem Law, terminate Taiwan's existing Constitution under the Republic of China framework, proceed to establish a new constitution through a referendum in 2006, and apply "Taiwan" in the official title of its state-owned firms and embassies and representative offices abroad.⁹² Such announcements posed a direct challenge to Taiwan's political status quo and implied a significant step toward de jure independence, which did not align with the Taiwanese population's overall consensus on Taiwan's political future vis-à-vis the PRC. And as the results of the 2004 legislative election has shown, the DPP was unable to achieve a majority in the Legislative Yuan, implying the Taiwan electorate disapproval of the party's excessively provocative stance on cross-strait policies.⁹³

⁹² Hsu, "Between Identity Quest and Risk Aversion: Lessons from the Chen Shui-Bian Presidency for Maintaining Cross-Strait Stability," 709-10.

⁹³ Kerry Dumbaugh, *Taiwan in 2004: Elections, Referenda, and Other Democratic Challenges* (Washington, DC: Congressional Research Service, 2005), <https://fas.org/sgp/crs/row/RS21770.pdf>.

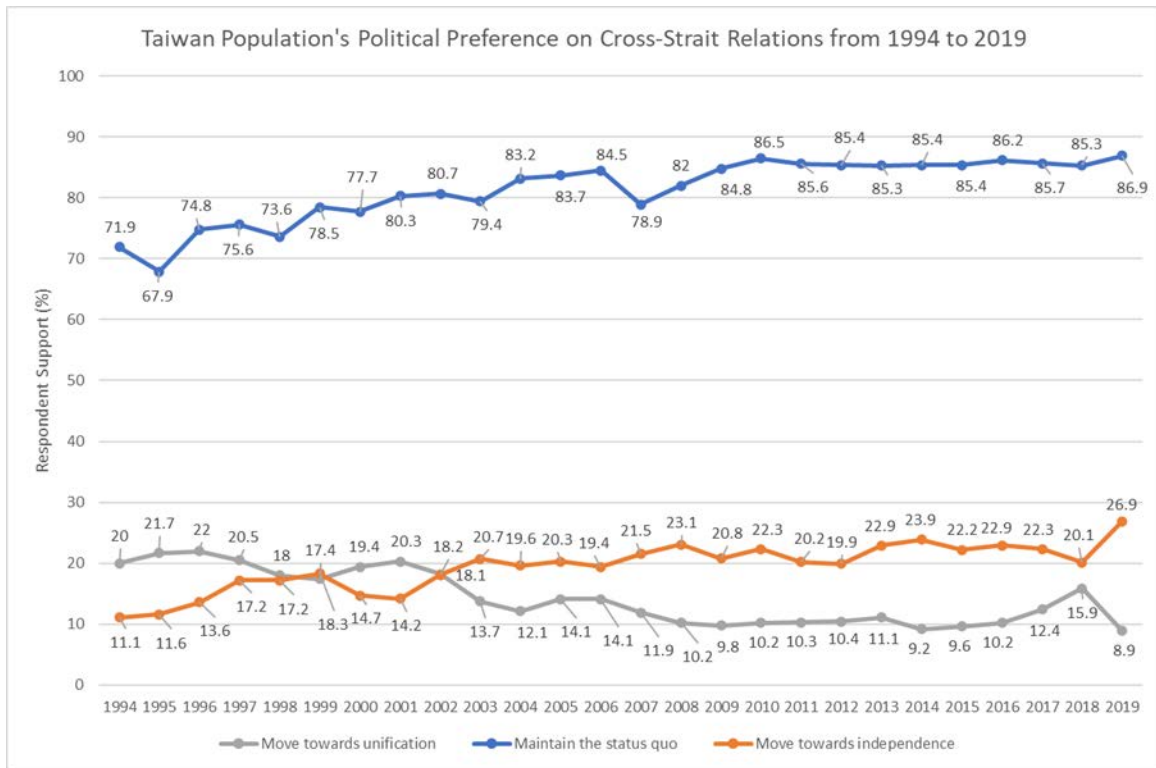


Figure 2. Taiwan Population's Political Preference on Cross-strait Relations from 1994 to 2019⁹⁴

The United States' harsh rhetoric in opposing Chen's provocative policies also highlighted the Taiwan population's overall risk-averse consensus with regard to its political future with the mainland. On December 9, 2003, President George Bush condemned the Chen administration's decision to proceed with the referendum in the 2004 presidential election: "We oppose any unilateral decision, by either China or Taiwan, to change the status quo. The comments and actions made by the leader of Taiwan indicate

⁹⁴ Adapted from Election Study Center, "Changes in the Unification / Independence Stances of Taiwanese as Tracked in Surveys by the Election Study Center, NCCU (1994 ~ 2019.06)." Note: The ESC survey on political preference allows respondents to identify themselves with one of the seven total possible choices: 1. Maintain status quo, decide later, 2. Maintain status quo, move towards independence, 3. Maintain status quo, move towards unification, 4. Maintain status quo indefinitely, 5. Independence as soon as possible, 6. Unification as soon as possible, or 7. Do not wish to answer. In this graph, the "Maintain the status quo" corresponds to all responses from 1, 2, 3, and 4; the "Move towards independence" corresponds to responses from 2 and 5; and the "Move towards unification" corresponds to the responses from 3 and 6.

that he may be willing to make decisions unilaterally that change the status quo, which we oppose.”⁹⁵

In response to Chen’s provocative campaign leading up to the legislative election in 2004, U.S. Secretary of State Colin Powell elevated Bush’s remarks, proclaiming, “Taiwan is not independent. It does not enjoy sovereignty as a nation, and that remains our policy, our firm policy.”⁹⁶ The U.S. Deputy Secretary of State Richard Armitage also criticized the Chen administration, describing Taiwan as a “land mine” in U.S.-China relations and commenting that the United States is not legally obligated by the Taiwan Relations Act to defend the island.⁹⁷ These official remarks highlighted the U.S. position and frustration with the Chen administration and generated considerable uncertainty to the Taiwan public regarding its security in the future.

Chen’s provocative policies peaked during his second term of office when he pushed to hold a referendum in the 2008 presidential election to have Taiwan petition for entry into the United Nations under the name of “Taiwan,” as opposed to “Republic of China” from prior petitions.⁹⁸ The United States responded firmly against Chen’s policies, with Deputy Assistant Secretary of State Thomas Christensen asserting that the proposed name change in the referendum was not only considered by the United States as an attempt to change to the status quo, but also an act that destabilizes cross-strait relations and threatens the stability of the Asia Pacific region.⁹⁹ Christensen urged that the security and the future of Taiwan “rest ultimately with the people of Taiwan” and requested the Taiwan public to “decide for themselves how to respond to the views expressed by their friends in the United States.”¹⁰⁰ The Taiwan electorate’s turnout rate for the referenda in 2004 and

⁹⁵ David Stout, “Bush Tells China Leader He Opposes Taiwan’s Referendum,” *The New York Times*, December 9, 2003, <https://www.nytimes.com/2003/12/09/international/asia/bush-tells-china-leader-he-opposes-taiwans-referendum.html>.

⁹⁶ Hsu, “Between Identity Quest and Risk Aversion: Lessons from the Chen Shui-Bian Presidency for Maintaining Cross-Strait Stability,” 712.

⁹⁷ Hsu, 713.

⁹⁸ Hsu, 707-8.

⁹⁹ Hsu, 714.

¹⁰⁰ Hsu, 714.

2008, as well as the election result from the presidential election, reflected the majority consensus of avoiding the security risks imposed by Chen's policies. The referenda turnout rate for 2004 and 2008, for instance, were approximately 40% and 35%, respectively, which were insufficient to meet the 50% threshold needed to proceed under Taiwan's Referendum Law.¹⁰¹ Similarly, in the accompanying presidential election, the DPP's Frank Hsieh suffered a significant defeat against KMT's presidential candidate Ma Ying-jeou, securing only 42% of the popular vote.¹⁰²

D. REACTIONS TO MA YING-JEOU'S RAPPROCHEMENT POLICIES

Taiwan's national identity, from the perspectives of its strong political preference on maintaining the status quo, continued to play an essential role in moderating and shaping the island's domestic politics and its policies toward the mainland during the Ma Ying-jeou administration. A major theme of Ma's presidential campaign in 2008 centered around a centrist mainland policy of "no independence, no unification, and no war" and this approach appealed to the electorate's predominant position of maintaining the status quo, as demonstrated by Ma receiving a substantial, 58% majority of the popular vote.¹⁰³

To ameliorate the strained cross-strait relations during the previous Chen administration, the Ma administration quickly announced its endorsement of the "1992 Consensus," referring to it as "the bedrock foundation for a sturdy cross-strait relationship."¹⁰⁴ The "1992 Consensus," or "One China, Respective Interpretation," was an unofficial agreement between the KMT and the Chinese Communist Party (CCP) in 1992-1993 that acknowledged there is one China, with the definition of China, either the

¹⁰¹ Maggie Lu, "Presidential Election 2008: Referendum: Referendums Fail to Meet Thresholds," *Taipei Times*, March 23, 2008, <http://www.taipeitimes.com/News/taiwan/archives/2008/03/23/2003406756>; Dumbaugh, *Taiwan in 2004: Elections, Referenda, and Other Democratic Challenges*.

¹⁰² Kerry Dumbaugh, *Taiwan's 2008 Presidential Election* (Washington, DC: Congressional Research Service, 2008), <https://fas.org/sgp/crs/row/RS22853.pdf>.

¹⁰³ Nathan F Batto, "Cleavage Structure and the Demise of a Dominant Party: The Role of National Identity in the Fall of the KMT in Taiwan," *Asian Journal of Comparative Politics* 4, no. 1 (2019): 91, <https://doi.org/10.1177/2057891118788202>; Dumbaugh, *Taiwan's 2008 Presidential Election*, 1.

¹⁰⁴ Dean P. Chen, "Security, Domestic Divisions, and the KMT's Post-2008 'One China' Policy: A Neoclassical Realist Analysis," *International Relations of the Asia-Pacific* 15, no. 2 (2015): 338, <https://doi.org/10.1093/irap/lcv001>.

PRC or the ROC, open to respective interpretation from either side of the Taiwan Strait.¹⁰⁵ Adopting this ambiguous political stance allowed the Ma administration to assure the PRC that Taiwan will eventually reunify with the mainland while simultaneously commit to the Taiwanese populace on maintaining the ROC's preexisting state sovereignty.¹⁰⁶

Under the framework of "One China"—the Republic of China—the Ma administration implemented a series of measures designed to reinvigorate republic-era Chinese nationalism and ROC legitimacy. This included the administration's policy for the return of the original, ROC-centric titles of the various public institutions such as the China Post and the Chang Kai-shek Memorial Hall previously mentioned, and the revision of Taiwan's textbooks to reflect the island's connection to the republic-era (pre-1949) ROC in order to promote a Chinese-centric identity in Taiwan.¹⁰⁷ In Ma's inaugural address, he referred to the people on both side of the Taiwan Strait as a part of an all-encompassing *zhonghua minzu* (中華民族), or members of a Chinese nation, in efforts to promote the shared cultural and racial background among the mainland Chinese and the Taiwanese populace.¹⁰⁸ Ma's vision of promoting the legacy Chinese nationalism that once ran rampant during the Chiang Kai-shek and Chiang Ching-kuo era, however, met with only limited success.¹⁰⁹ As national identity polls indicate, individuals who self-identify as solely Taiwanese rose from 48.4% to 54.3% during Ma's first term in office, while those who self-identify as both Taiwanese and Chinese decreased by a similar percentage from 43.1% to 38.5%.¹¹⁰ Ma's inability to restore the legacy Chinese identity centered around the ROC, therefore, suggests that Taiwan's national identity is resilient to state-led identity

¹⁰⁵ Chen, 335.

¹⁰⁶ Batto, "Cleavage Structure and the Demise of a Dominant Party: The Role of National Identity in the Fall of the KMT in Taiwan," 91-92.

¹⁰⁷ Cabestan, *Changing Identities in Taiwan under Ma Ying-Jeou*, 48.

¹⁰⁸ Chen, "Security, Domestic Divisions, and the KMT's Post-2008 'One China' Policy: A Neoclassical Realist Analysis," 339.

¹⁰⁹ Chen, 339.

¹¹⁰ Election Study Center, "Changes in the Taiwanese/Chinese Identity of Taiwanese as Tracked in Surveys by the Election Study Center, NCCU (1992 ~ 2019.06)."

policies, and appears to have more deeply rooted foundations stemming from its complex history with the mainland and its democratization movement in the late 1990s.

The ambiguity of the 1992 Consensus framework gradually became a double-edged sword for the Ma administration. Early on in his administration, Ma was able to garner domestic support to establish closer economic ties with the mainland, emphasizing on the importance of leveraging the PRC's market to improve Taiwan's economy.¹¹¹ Under this approach, the Ma administration in 2010 signed the Economic Cooperation Framework Agreement with the mainland, establishing a mechanism between the two governments for future economic agreements.¹¹² Beijing, however, grew concerned about the prospects of reunification with Taiwan and increasingly pressured Taipei during Ma's second term in office to demonstrate its commitments to the former's One China principle.¹¹³ As a result, the administration gradually downplayed the "respective interpretation" component of the 1992 Consensus in its subsequent policies, undermining the original intent of ambiguity in the 1992 Consensus. In 2012, for instance, the Ma administration described cross-strait relations as "one country, two areas" to assert the notion that the relations between Taiwan and the mainland are not of a state-to-state relation, emphasizing on the traditional belief that ROC's sovereignty encompassed both Taiwan and the mainland region.¹¹⁴ Such a description, however, was criticized for its similarity to Beijing's unpopular "One Country, Two Systems" reunification formula for Taiwan and received support from only 33% of Taiwanese public.¹¹⁵

Rather than pursuing a pragmatic, centrist approach to alleviate cross-strait tensions, the Ma administration's unpopular cross-strait policies were perceived to be

¹¹¹ Chen, "Security, Domestic Divisions, and the KMT's Post-2008 'One China' Policy: A Neoclassical Realist Analysis," 341; Batto, "Cleavage Structure and the Demise of a Dominant Party: The Role of National Identity in the Fall of the KMT in Taiwan," 91.

¹¹² Batto, "Cleavage Structure and the Demise of a Dominant Party: The Role of National Identity in the Fall of the KMT in Taiwan," 92.

¹¹³ Batto, 92.

¹¹⁴ Chen, "Security, Domestic Divisions, and the KMT's Post-2008 'One China' Policy: A Neoclassical Realist Analysis," 338.

¹¹⁵ Cabestan, *Changing Identities in Taiwan under Ma Ying-Jeou*, 50.

increasingly and excessively Beijing-leaning by its domestic constituents and began to conflict with the public's political identity and preferences regarding Taiwan. Public skepticism toward the Ma administration reached a breaking point in March 2014 when the administration attempted to forcefully ratify the Cross-Strait Service Trade Agreement (CSSTA), an agreement previously signed in June 2013 with Beijing to liberalize trade in the services sector.¹¹⁶ The KMT-majority legislature, led by speaker Wang Jin-pyng, insisted that the CSSTA should be subjected to proper legislature review and be ratified on a clause-by-clause basis to adequately protect the interests of the domestic service sector.¹¹⁷ When the Ma administration attempted to purge Wang and claimed that the CSSTA had passed parliamentary review in efforts to forcefully ratify the agreement in the legislature, the outraged Taiwan public unleashed into the island's largest-ever, twenty-three-day popular protest known as the Sunflower Movement.¹¹⁸ The widespread rally of at least 350,000 protesters was a reflection of the Taiwan public's increasing anxiety over Taiwan's political identity being influenced by a pro-Beijing, KMT government.¹¹⁹ Polling results from Taiwan's Mainland Affairs Council in July 2014 on the perception of cross-strait relations, for instance, showed that 36.8% of the respondents viewed that the pace of cross-strait relations was occurring "too fast" with 36.4% view the pace as "just right," which was a 7.3% increase and 4.2% decrease, respectively, from polling results in August 2008.¹²⁰ Public dissatisfaction over the Ma administration's cross-strait and domestic policies contributed to the disastrous defeat for the KMT during the "nine-in-

¹¹⁶ Cabestan, 50.

¹¹⁷ Batto, "Cleavage Structure and the Demise of a Dominant Party: The Role of National Identity in the Fall of the KMT in Taiwan," 93.

¹¹⁸ Cabestan, *Changing Identities in Taiwan under Ma Ying-Jeou*, 50.

¹¹⁹ Rowen, "Inside Taiwan's Sunflower Movement: Twenty-Four Days in a Student-Occupied Parliament, and the Future of the Region," 14.

¹²⁰ Chen, "Security, Domestic Divisions, and the KMT's Post-2008 'One China' Policy: A Neoclassical Realist Analysis," 348.

one” local election in November 2014.¹²¹ The results of the local election indicated a clear shift of Taiwan’s political support toward the DPP and the public’s lack of confidence in the KMT, in which the DPP won five out of the six municipalities elections, ten out of the sixteen city mayoral elections, and garnered 47.6% of the popular vote against KMT’s 40.7%.¹²²

The KMT’s historic defeat in 2014 would continue to the presidential election in 2016. The KMT’s internal rivalry resulted in the initial unintended nomination of an extreme Chinese nationalist Hung Hsiu-chu, whose endorsement of “One China, Same Interpretation” failed to resonate with the electorate, resulting in the KMT to swap candidacy to Eric Chu just three months prior to the election in hopes of reestablishing public support for the party.¹²³ The end result was yet another devastating defeat for the KMT, garnering just 31.04% of the popular vote against DPP’s Tsai Ing-wen at 56.12% and losing 68 of the 113 seats in the Legislative Yuan to the DPP.¹²⁴

E. THE EVOLVING NATIONAL IDENTITY UNDER THE TSAI ING-WEN ADMINISTRATION

Taiwan’s national identity, the predominant preference for maintaining the political status quo on cross-strait relations and the self-identification as “Taiwanese,” continued to serve as a significant contributing factor in the development of Taiwan’s mainland policies and its domestic politics under the Tsai Ing-wen administration. Having witnessed the provocative cross-strait policies in the Chen administration and recognizing the public’s consensus to maintain sufficient political space with the mainland from the Ma administration, Tsai’s adopted a more pragmatic and moderate approach to cross-strait

¹²¹ Rowen, “Inside Taiwan’s Sunflower Movement: Twenty-Four Days in a Student-Occupied Parliament, and the Future of the Region,” 14; Min-Hua Huang, “Taiwan’s Changing Political Landscape: The KMT’s Landslide Defeat in the Nine-in-One Elections,” *Brookings Institute*, December 8, 2014, <https://www.brookings.edu/opinions/taiwans-changing-political-landscape-the-kmts-landslide-defeat-in-the-nine-in-one-elections/>.

¹²² Huang, “Taiwan’s Changing Political Landscape: The KMT’s Landslide Defeat in the Nine-in-One Elections.”

¹²³ Li and Zhang, “Changing Taiwanese Identity and Cross-Strait Relations: A Post 2016 Taiwan Presidential Election Analysis,” 20.

¹²⁴ Li and Zhang, 19-20.

policies. Referencing the ESC polling data on political preference on pursuing unification, status quo, or independence (Figure 2), for instance, those surveyed in support of maintaining varying degrees of the political status quo consistently accounted between 77.7 to 85.4% from 2000 to 2015.¹²⁵ In her inaugural speech on May 20, 2016, Tsai implicitly conceded to Beijing's two prerequisites for cross-strait dialogue, the denunciation of Taiwan independence and acceptance of the 1992 Consensus and its "core connotations" that both the mainland and Taiwan regions belong to one China:

In 1992, the two institutions representing each side across the Strait (SEF & ARATS), through communication and negotiations, arrived at various joint acknowledgments and understandings. It was done in a spirit of mutual understanding and a political attitude of seeking common ground while setting aside differences. I respect this historical fact. Since 1992, over twenty years of interactions and negotiations across the Strait have enabled and accumulated outcomes which both sides must collectively cherish and sustain; and it is based on such existing realities and political foundations that the stable and peaceful development of the cross-Strait relationship must be continuously promoted.¹²⁶

In order to address Beijing's demands without neglecting the interests of her core DPP supporters, which strongly opposed the 1992 Consensus, Tsai acknowledged that she respected the "historical fact" of the agreements reached during the 1992 timeframe without officially accepting the 1992 Consensus.¹²⁷ While Tsai did not explicitly state her position on opposing the de jure independence of Taiwan, her remarks of her election as President "in accordance with the Constitution of the Republic of China" and her pledge to continue "existing mechanisms for dialogues and communication across the Taiwan

¹²⁵ Election Study Center, "Changes in the Unification / Independence Stances of Taiwanese as Tracked in Surveys by the Election Study Center, NCCU (1994 ~ 2019.06)."

¹²⁶ "Inaugural Address of ROC 14th-Term President Tsai Ing-Wen" (Taipei, Republic of China (Taiwan): Office of the President), accessed January 16, 2020, <https://english.president.gov.tw/NEWS/4893>; Kharis Templeman, "Taiwan's January 2020 Elections: Prospects and Implications for China and the United States" (Washington, DC: Brookings Institute, December 2019), 4, <https://www.brookings.edu/research/taiwans-january-2020-elections-prospects-and-implications-for-china-and-the-united-states/>; Richard Bush, "Decoding Xi Jinping's Latest Remarks on Taiwan," *Brookings Institute*, March 17, 2016, <https://www.brookings.edu/blog/order-from-chaos/2016/03/17/decoding-xi-jinpings-latest-remarks-on-taiwan/>.

¹²⁷ Templeman, "Taiwan's January 2020 Elections: Prospects and Implications for China and the United States," 4.

Strait” reflected her firm position on maintaining the political status quo.¹²⁸ Tsai’s moderate approach to cross-strait relations, however, was not reciprocated from the mainland. The Taiwan Affairs Office (TAO) of the PRC, for instance, criticized Tsai’s inaugural address as an “incomplete test answer,” directly critiquing her lack of explicit recognition of the 1992 Consensus and its “core connotations” and concluded that Tsai did not meet its requirement for continuing cross-strait dialogue.¹²⁹

The development of a robust Taiwanese national identity, however, did not mean that the public unconditionally supported the DPP administration that has historically been perceived as independence-leaning. The Tsai administration, for instance, saw a drastic reversal in approval rating since the new administration took office in May 2016, falling from 69.9% approving, 21.3% disapproving at time of inauguration to 29.8% approving, 50.0% disapproving in August 2017.¹³⁰ In addition, as witnessed in the 2018 municipal and legislative general election, for instance, the DPP suffered a staggering defeat against the KMT. The DPP lost 13 out of the 20 total municipal jurisdictions to the latter, with the most upsetting outcome being the loss of the Kaoshiung mayoral seat, which had been a DPP stronghold for the past twenty years, to Han Guo-yu from the KMT.¹³¹

These changes in public support for the Tsai administration and the DPP in the 2018 general reflected the dynamic nature of Taiwan’s national identity. Specifically, while evidence clearly indicated that the majority of the Taiwanese population increasingly identify themselves as solely Taiwanese and maintain a political preference of the status quo on cross-strait relations, recent studies suggest a new aspect Taiwanese national identity with a focus toward economic pragmatism and social progressivism. The younger generation of Taiwanese born in the 1980s, for instance, are likely to have a more flexible

¹²⁸ Templeman, 4.

¹²⁹ Templeman, 4-5.

¹³⁰ 游盈隆, “2020 年 1 月全國性民意調查摘要報告 [Summary of the Nation-Wide Polling Results, January 2020]” (Taipei, Republic of China (Taiwan): Taiwanese Public Opinion Foundation, January 20, 2020), 5, <https://www.tpof.org/wp-content/uploads/2015/10/2020年1月記者會書面資料V2.pdf>; Templeman, “Taiwan’s January 2020 Elections: Prospects and Implications for China and the United States,” 9.

¹³¹ Richard Bush, “Taiwan’s Local Elections, Explained,” *Brookings Institute* (blog), December 5, 2018, <https://www.brookings.edu/blog/order-from-chaos/2018/12/05/taiwans-local-elections-explained/>.

view toward the PRC because of a more competitively compensated labor market in the mainland and the sluggishness of the domestic economy in Taiwan.¹³² Recent social movements from 2008, such as the protest against the fourth nuclear power plant and the rising domestic support for the legalization of same-sex marriage, also highlighted the possible emergence of a new political cleavage among Taiwan's younger constituents centered on environmental protection and human rights.¹³³ Such newly developed traits of Taiwan's national identity can be used to explain the popularity decline of the DPP administration. From a cross-strait relations perspective, traditional DPP constituents perceived Tsai's implicit acceptance of the 1992 Consensus as signs of Tsai conceding to Beijing's demands and gradually withdrew their support, questioning Tsai's commitment and ability to establish a firm political stance vis-à-vis the PRC.¹³⁴ Likewise, the Tsai administration's divisive domestic reform policies and inability to promptly deliver the legalization of same-sex marriage drew critique from voters from both the conservative and the progressive side of the political spectrum. The Tsai administration, for instance, drew harsh criticism from both pro-business interest groups and labor reform supporters when it introduced its labor reform legislation and then subsequently backtracked from its initial proposal that mandated firms to provide over-time pay and place limits on work hours for the labor workforce.¹³⁵

An essential aspect of Taiwan's national identity in the Tsai administration has been the consolidation of anti-China sentiments in recent years leading up to Taiwan's 2020 presidential election. Analysts argue that such a growing resentment toward the mainland was one of the main reasons to explain Tsai's landslide reelection victory and DPP's success in maintaining the majority in the legislature. The growing negative view toward the mainland certainly can be attributed to Taiwan's preexisting anxiety toward Beijing. According to the Mainland Affairs Council's ongoing polling on public perception of the

¹³² Cabestan, *Changing Identities in Taiwan under Ma Ying-Jeou*, 53.

¹³³ Cabestan, 53.

¹³⁴ Templeman, "Taiwan's January 2020 Elections: Prospects and Implications for China and the United States," 9.

¹³⁵ Templeman, 8.

PRC's attitude toward the island from August 2016 to March 2020, an average of 64.7% of the survey participants categorized Beijing's approach to Taiwan's government as "unfriendly." However, the recent development on cross-strait relations regarding "One Country, Two Systems"—Beijing's unification formula initially designed for Taiwan and currently being implemented in Hong Kong—has illustrated a new, anti-China perspective of Taiwan's national identity.

The recent rhetoric exchange between Xi Jinping and Tsai Ing-wen reminded the Taiwanese public of Beijing's insistence on unifying with Taiwan under "One Country, Two Systems," agitating preexisting anxiety toward the mainland and priming the Taiwanese people to become increasingly repulsive against such a construct when the Hong Kong's anti-extradition protest movement erupted in June 2019. At the 40th anniversary of China's Message to Taiwan Compatriots, Xi Jinping on January 2, 2019, reinterpreted the "1992 Consensus" as "both sides of the Taiwan Straits belong to one China and will work together toward national reunification" and reiterated "One Country, Two Systems" as the only option for Taiwan's eventual unification with China.¹³⁶ Tsai responded within hours of Xi's statement with an explicit rejection of Xi's "1992 Consensus" and unification proposal:

I must solemnly emphasize that we have never accepted the '1992 Consensus'... I want to reiterate that Taiwan absolutely will not accept 'one country, two systems.' The vast majority of public opinion in Taiwan is also resolutely opposed to 'one country, two systems,' and this opposition is also a 'Taiwan Consensus.'¹³⁷

In comparison to her inauguration speech, Tsai's response to Xi's statement established a much firmer stance on cross-strait relations by rejecting Beijing's version of the "1992 Consensus" as eventual unification under "One Country, Two Systems." Tsai's "Taiwan Consensus" rebuttal was well received by the public and reflected the public's

¹³⁶ China Daily, "Highlights of Xi's Speech at Taiwan Message Anniversary Event."

¹³⁷ Office of the President, "President Tsai Issues Statement on China's President Xi's 'Message to Compatriots in Taiwan.'"

strong disapproval of “One Country, Two Systems.”¹³⁸ According to the Mainland Affairs Council’s polling on cross-strait relations conducted shortly after the exchange of statements between Xi and Tsai, 75.4% of those surveyed disapprove of Beijing’s “One Country, Two Systems” and 74.3% do not agree with Beijing’s interpretation of the “1992 Consensus.”¹³⁹

Hong Kong’s large-scale protest movements served as one of the main contributors to the unifying anti-China sentiment of the Taiwanese people. Since its return to the PRC from British authorities in 1997, Hong Kong has consistently struggled against its eroding civil liberties promised under China’s “One Country, Two Systems” policy.¹⁴⁰ In February 2019, when the Hong Kong leadership announced its intention to ratify extradition agreements with the PRC, it sparked a series of large scale anti-extraction protests across the city. Large scale movements began as early as June 2019, and as many as two million demonstrators, or nearly 20% of Hong Kong’s total population, marched to the streets at one point in protest against the extradition bill. Activists affirmed that such a law would further erode their civil liberties and allow Beijing to expand its capacity to persecute the people of Hong Kong for speaking out against the Chinese regime.¹⁴¹ For the people of Taiwan, the political background, intensity, and persistence of the Hong Kong protests allowed the Taiwanese public a gloomy preview of “One Country, Two Systems” and

¹³⁸ Templeman, “Taiwan’s January 2020 Elections: Prospects and Implications for China and the United States,” 12.

¹³⁹ “Summarized Results of the Public Opinion Survey on the ‘Public’s View on Current Cross-Strait Relations’ (11-13 January 2019)” (Taipei, Republic of China (Taiwan): Mainland Affairs Council, January 17, 2019), <https://ws.mac.gov.tw/001/Upload/297/refile/8010/5698/407e870f-02e3-4b09-ae32-f74d36335344.pdf>.

¹⁴⁰ Richard Bush, “China’s Decision on Universal Suffrage in Hong Kong,” *Brookings Institute*, September 2, 2014, <https://www.brookings.edu/blog/up-front/2014/09/02/chinas-decision-on-universal-suffrage-in-hong-kong/>.

¹⁴¹ Fion Li and Carol Zhong, “Everything You Need to Know About the Extradition Bill Rocking Hong Kong,” *Washington Post*, June 13, 2019, https://www.washingtonpost.com/business/everything-you-need-to-know-about-the-extradition-bill-rocking-hong-kong/2019/06/11/12a7907c-8c26-11e9-b6f4-033356502dce_story.html.

further strengthened their preexisting mistrust toward Beijing, giving rise to popular anti-China slogan such as “Today Hong Kong, Tomorrow Taiwan (今日香港, 明日台灣).”¹⁴²

The perception of a pro-Beijing KMT presidential candidate Han Kuo-yu, overshadowed by the news coverage of CCP’s alleged election tampering, also has contributed to the consolidation of Taiwan’s national identity based on anti-China sentiments. Despite his charisma and rise to fame with his 2018 election victory for the mayoral office of Kaoshiung, Han fell considerably in approval ratings in the months leading up to the presidential race due to a span of negative press coverage and his inability to convey in detail his cross-strait policies, causing the public to question his credibility to withstand Beijing’s political demands.¹⁴³ In February 2019, Han traveled to China to promote and establish produce trade between Kaoshiung and the mainland. During this official travel, Han held closed-door meetings with senior Chinese officials such as the director of China’s Taiwan Affairs Office and China’s liaison offices in Hong Kong and Macau, an act that created the perception of his inclination to adopt a Beijing-leaning approach to cross-strait relations.¹⁴⁴ On June 9, 2019, Han drew criticism when he was unprepared to respond to a press correspondent’s inquiry on his views toward the Hong Kong protests and was critiqued for his reluctance to challenge the mainland authorities.¹⁴⁵ To be sure, Han did take a firm position on June 12, 2019 to oppose “One Country, Two Systems,” touting to his supporters that it can only happen “over my dead body.” His overall campaign, however, has been focused on Taiwan’s economy rather than addressing the public’s anxiety toward the PRC and concerns on national sovereignty.¹⁴⁶

¹⁴² Chris Horton, “‘Today, Hong Kong; Tomorrow, Taiwan:’ Resistance to China Spreads,” *Nikkei Asian Review*, June 26, 2019, <https://asia.nikkei.com/Spotlight/The-Big-Story/Today-Hong-Kong-tomorrow-Taiwan-Resistance-to-China-spreads>.

¹⁴³ Templeman, “Taiwan’s January 2020 Elections: Prospects and Implications for China and the United States,” 13.

¹⁴⁴ Chris Horton, “The Taiwanese Populist Advancing China’s Interests,” *The Atlantic*, April 16, 2019, <https://www.theatlantic.com/international/archive/2019/04/taiwanese-populist-han-kuo-yu-china/587146/>.

¹⁴⁵ Keoni Everington, “‘I Don’t Know’ Says Kaohsiung Mayor Han When Asked about Hong Kong Protests,” *Taiwan News*, June 10, 2019, <https://www.taiwannews.com.tw/en/news/3720972>.

¹⁴⁶ Templeman, “Taiwan’s January 2020 Elections: Prospects and Implications for China and the United States,” 15.

Recent news media coverage on the CCP's propaganda efforts to meddle with Taiwan's elections also strengthened the public's bias that Han was Beijing's preferred candidate, further promoted the Taiwanese public mistrust toward Beijing, and ultimately drove the electorate to support the DPP that has consistently maintained a firm stance vis-à-vis the mainland. According to Taiwan's National Communications Commission in May 2019, Taiwan's CtiTV (中天電視)—a major television company under Taiwan's third-largest media conglomerate, the China News Media Group, which was purchased by a pro-unification business entrepreneur Tsai Eng-meng in 2008—has dedicated more than 70% of its air time toward the political coverage on Han Kuo-yu. In July 2019, the *Financial Times* revealed, albeit without concrete evidence, that three major pro-Beijing Taiwanese newsmedia—CtiTV, CTV (中國電視), and China Times (中國時報), all under China News Media Group—were receiving daily instructions from China's Taiwan Affairs Office on their political news coverage regarding cross-strait relations.¹⁴⁷ Reports of disinformation on social media channels aimed to discredit the Tsai administration was also widespread and were have found to be originated from the mainland. In September 2019, for instance, partially fabricated reports of the Chinese consulate's rescue efforts for Taiwanese citizens stranded in Kansai airport due to a typhoon were found to have been originated from Beijing. The coverage gained traction on national news media before it was later debunked, however, and attracted public criticism toward the Taiwan government's severe lack of evacuation assistance in Japan that ultimately led to the suicide of the senior Taiwanese diplomat in Japan responsible for such efforts.¹⁴⁸ Perhaps the most alarming revelation of Chinese interference was the outpouring of reports of an alleged Chinese spy, Wang Liquiang, who defected to Australian authorities in November 2019. According to the news media, Wang revealed that he was a Chinese operative tasked to disrupt democracy movements in Hong Kong and to allocate resources to fund large-scale

¹⁴⁷ Kathrin Hille, "Taiwan Primaries Highlight Fears over China's Political Influence," *Financial Times*, July 16, 2019, <https://www.ft.com/content/036b609a-a768-11e9-984c-fac8325aaa04>.

¹⁴⁸ Templeman, "Taiwan's January 2020 Elections: Prospects and Implications for China and the United States," 16; Keoni Everington, "Beijing-Based PTT Users Spread Fake Osaka Airport Bus Story," *Taiwan News*, September 17, 2018, <https://www.taiwannews.com.tw/en/news/3531772>.

disinformation campaigns on social media and Taiwanese news media outlets to promote the KMT candidate Han Kuo-yu.¹⁴⁹

In contrast to Han, Tsai has maintained her credibility by adopting a consistent and firm stance against Beijing's political agenda. In addition to taking a firm position denouncing "One Country, Two Systems" and the "1992 Consensus" in January 2019, for instance, the Tsai administration has also routinely used the democracy movements in Hong Kong to strengthen her position against the mainland and to rally support based on the safeguarding of Taiwan's democracy and sovereignty. At a presential campaign rally, for instance, she urged her supporters, "the whole world wants to see what Taiwanese will decide. [The international community is] concerned that what has been taking place in Hong Kong might happen in Taiwan as well."¹⁵⁰ In the 2020 presidential election, Tsai won by a landslide margin, garnering 57.1%, or 8.17 million, of the popular vote, the highest ever in Taiwan's presidential election history.¹⁵¹ In the months preceding the election, the drastic decline of approval rating for the KMT's Han Kuo-yu, from nearly a fifteen-point lead in May 2019 to a more than an eighteen-point lag in December 2019, showcased the public's wariness toward Han's China-leaning policy stance.¹⁵² Likewise, the reversal in poll ratings and the reflection for Tsai highlighted the public's support for her strong stance against Beijing and reflected the public's receptiveness toward her campaign centered on maintaining Taiwan's democracy and sovereignty.

F. SUMMARY

The KMT's earlier oppressive rule and its active role in instigating the infamous "White Terror" period of Taiwan's history provided the foundation for a Taiwan-centric

¹⁴⁹ "Taiwan Election: The Final Countdown," *Stanford Cyber Policy Center* (blog), December 12, 2019, <https://cyber.fsi.stanford.edu/news/taiwan-election-final-countdown>.

¹⁵⁰ Jason Pan, "2020 ELECTIONS: Whole World Watching Vote Due to HK Events: President," *Taipei Times*, December 9, 2019, <http://www.taipeitimes.com/News/front/archives/2019/12/09/2003727226>.

¹⁵¹ Chun Han Wong, William Kazer, and Joyu Wang, "Taiwanese President Who Challenged China Claims Re-Election Victory," *Wall Street Journal (Online)*, January 11, 2020, <https://www.wsj.com/articles/taiwans-president-incumbent-who-challenged-china-set-to-win-re-election-11578748281>.

¹⁵² "Taiwan 2020 Election Polls," *The News Lens International*, December 29, 2019, <https://international.thenewslens.com/interactive/125385>.

national identity to develop on the island. Despite a large majority of the population that increasingly identified themselves as solely Taiwanese since the late 1990s, the majority of the Taiwanese public preferred to maintain the status quo regarding its political relation vis-à-vis the PRC. As this chapter has shown, the strong political preference of the Taiwanese population during the Chen and Ma administrations has gradually influenced the two opposing parties to moderate their political views on cross-strait relations. Taiwan's political elites, therefore, were restrained from singlehandedly challenging the status quo and was prevented from implementing neither an overtly independent nor excessively unification political stance vis-à-vis the mainland. In addition, the identity preference of the Taiwanese population has also demonstrated a degree of resilience from state-driven identity policies, as evidenced in the Ma administration's futile efforts to revive Chinese-centric national identity on the island. Closer examination of the Tsai Ing-wen administration provided the dynamism aspect of Taiwan's national identity. In addition to maintaining its de facto independence status, for instance, the Taiwanese public in recent years have also demonstrated a preference for economic prosperity and support toward progressive policies, leading to some to adopt a less rigid view toward the PRC. Despite this development, as witnessed in the latest presidential campaign and the final results of the election, Taiwan's public during the Tsai administration also witnessed a consolidation of anti-China sentiment as a result of both internal and external factors. Internally, the people of Taiwan have consistently maintained a level of distrust toward the mainland, and such pessimism was exacerbated from external incidents like the Xi-Tsai exchange regarding "One Country, Two Systems" and the outburst of Hong Kong's democracy protests in June 2019. Finally, the revelation of the alleged disinformation and election tampering operations from the PRC, in combination with the KMT's Han Kuo-yu's inability to establish credibility from the public, further prompted the public to divert their support toward the Tsai administration, which in contrast, has consistently held a firm stance on cross-strait relations vis-à-vis Beijing.

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III. CROSS-STRAIT ECONOMIC RELATIONS

Despite the growing sense and development of Taiwanese national identity, Taiwan nonetheless sought closer economic relations with the PRC. This chapter examines the development of Taiwan's economic relations with the mainland across the Chen Shui-bian, Ma Ying-jeou, and Tsai Ing-wen administrations and assert that Taiwan has been seeking to develop closer economic ties with the mainland largely driven by the global market trends as well as the government's persistent efforts to improve Taiwan's overall economic posture. In other words, despite administration changes between the KMT and the DPP, Taiwan has adopted pragmatic economic measures vis-à-vis the mainland for its own interests rather than attempting to incrementally fulfill its ruling political parties' perceived respective end goals of unification or de jure independence. In a review of the Chen Shui-bian administration's economic policies, for instance, the government took on a reactionary role to satisfy the growing demand of the Taiwanese public and business community to establish closer economic ties with the mainland, allowing Taiwan's export-oriented economy to capitalize on the mainland's cost-effective labor force and rising domestic market. Contrasting with the Chen administration, the Ma Ying-jeou administration witnessed the Taiwan government taking on an active role in promoting and implementing economic policies aimed to further liberalize cross-strait economic relations in efforts to prevent the island from being marginalized in the global economy and to address the island's mounting economic challenges. Finally, in the Tsai Ing-wen administration, Taiwan maintained its existing economic ties and cross-strait agreements with China while implementing domestic and foreign policies in efforts to reduce its economic vulnerabilities and dependence on the mainland.

A. CHEN SHUI-BIEN'S ECONOMIC OPENING AND MANAGEMENT

Facing pressure from the Taiwan business community and domestic economic downturn, President Chen Shui-bian implemented a series of cross-strait economic policies designed to liberalize economic and trade relations with the mainland during

his first term in office. Since the 1980s, Taiwan's export-oriented economy, as well as domestic economic factors such as the rise of labor cost, currency valuation, and increased environmental restrictions, have incentivized Taiwanese firms to transfer portions of their business operations to the mainland in order to reduce cost and improve operational efficiency. As a result, Taiwanese firms gradually inserted themselves into the global supply chain, outsourcing labor-intensive operations such as packaging and basic product assembly to the mainland to ensure it remains competitive in the global market.¹⁵³ Earlier successes from prior economic engagements with the mainland during the Lee Teng-hui administration (1988-2000) increasingly drove the public's perception of the economic benefits associated with closer economic relations with the mainland.¹⁵⁴ When President Lee introduced the "no haste, be patient" economic policy in attempts to curtail Taiwan's economic ties with the mainland, the public and Taiwan's business community became increasingly less supportive of the government's intervention in cross-strait economic relations.¹⁵⁵ Polling data from October 1997 to April 1999, for instance, showed that public support of the Lee's economic policy ranged from 13.8% to 22.6%, with 50.4 to 60.0% of respondents opposing to such policy.¹⁵⁶

Facing demands from the Taiwanese business community for broader access to the mainland market and a stagnating domestic economy, the Chen administration in August 2001 adopted the "active opening, effective management" policy in efforts to greatly liberalize trade and investment relations with the mainland.¹⁵⁷ Under this policy, the \$50 million investment limit implemented under the Lee administration was removed, and firms were authorized to conduct direct investments of up to 40% of its

¹⁵³ Richard C. Bush, *Uncharted Strait the Future of China-Taiwan Relations* (Washington, D.C: Brookings Institution Press, 2013), 46-47.

¹⁵⁴ Chen, "The Effect of International Relations on Cross-Border Economic Ties: A Case Study of Taiwan's Economic Policies toward China," 67.

¹⁵⁵ Chen, 68.

¹⁵⁶ Chen, 68.

¹⁵⁷ Douglas B. Fuller, "The Cross-Strait Economic Relationship's Impact on Development in Taiwan and China: Adversaries and Partners," *Asian Survey* 48, no. 2 (2008): 242, <https://doi.org/10.1525/as.2008.48.2.239>; Chen, "The Effect of International Relations on Cross-Border Economic Ties: A Case Study of Taiwan's Economic Policies toward China," 69.

net worth into the mainland. In addition, investments less than \$20 million no longer required administrative approval, and the list of restricted investment types was reduced.¹⁵⁸ Despite the Chen administration's liberalizing economic policies, the public and the Taiwan business sector continued to demand a more open and closer economic policy toward the mainland.¹⁵⁹

Fearing over-reliance on the mainland's economy that may result in the "hollowing" out of Taiwan's manufacturing sector, and considering the national security impacts with the PRC's ratification of the Anti-Secession Law in 2005, the Chen administration modified economic policies in 2006 with aims to restrict and discourage cross-strait economic ties.¹⁶⁰ Known as the "active management, effective opening," the new policy overhauled Taiwan's bureaucratic review process of investment applications and mandated government agencies to proactively search and prosecute firms for investment and trade violations. Although the new policy did not introduce new investment and trade restrictions, its emphasis on actively enforcing existing regulations was unpopular, garnering support from only 24% of the population according to public polling.¹⁶¹ Similar to the restrictive economic policy introduced in the Lee administration that proved to be widely unpopular with an economic growth-driven public, the Chen administration's lack of support for "active management, effective opening" demonstrated the public's desire for a more open and closer economic relationship with the mainland. The public's demand and focus on economic growth can also be observed from changes in domestic politics. In both the 2004 and 2008 presidential election campaigns, both the DPP and the KMT chose not to adopt a restrictive economic stance toward the mainland.¹⁶² Specifically, during the 2008

¹⁵⁸ Fuller, "The Cross-Strait Economic Relationship's Impact on Development in Taiwan and China: Adversaries and Partners," 242.

¹⁵⁹ Chen, "The Effect of International Relations on Cross-Border Economic Ties: A Case Study of Taiwan's Economic Policies toward China," 70.

¹⁶⁰ Chen, 71.

¹⁶¹ Zhao ; Fang Chen Tony;, "Chinese Returnees and High-Tech Sector Outward FDI: The Case of Changzhou *," *Asian Economic Papers* 15, no. 3 (2016): 71, https://doi.org/10.1162/ASEP_a_00470.

¹⁶² Chen, "The Effect of International Relations on Cross-Border Economic Ties: A Case Study of Taiwan's Economic Policies toward China," 68-69.

presidential election campaign, both sides of the political spectrum emphasized a more open economic policy toward the mainland, reflecting the degree of the public's favorable economic consideration of the mainland.¹⁶³

The astounding growth of cross-strait trade and Taiwan's investments in the mainland illustrated Taiwanese firms' determination to close the gap with the mainland in the economic realm. Despite both the Lee and Chen administration's earlier attempts to limit trade and investment with the mainland, Taiwan's total trade with the mainland flourished, growing at a staggering rate from \$10.4 billion in 2000 to \$98.3 billion in 2008, with exports expanding from \$4.2 billion to \$66 billion in the same period (Figure 3).¹⁶⁴ China's foreign direct investment inflows from Taiwan also soared despite investment restrictions, though actual numbers are difficult to determine since a sizeable portion of Taiwan's investments moved through Hong Kong and other offshore accounts to circumvent policies on prohibited investments. Between 1979 to 2005, estimates of Taiwan's investment outflow to the mainland ranged between 10% and 25% of China's total investment inflows, or around \$60 billion to \$150 billion, marking Taiwan the second-largest source of foreign investments during that timeframe.¹⁶⁵

¹⁶³ Chen, 72.

¹⁶⁴ "Trade Statistics" (Taipei, Republic of China (Taiwan): Ministry of Economic Affairs), accessed January 16, 2020, <https://cus93.trade.gov.tw/FSCE050F/FSCE050F>.

¹⁶⁵ Fuller, "The Cross-Strait Economic Relationship's Impact on Development in Taiwan and China: Adversaries and Partners," 245.

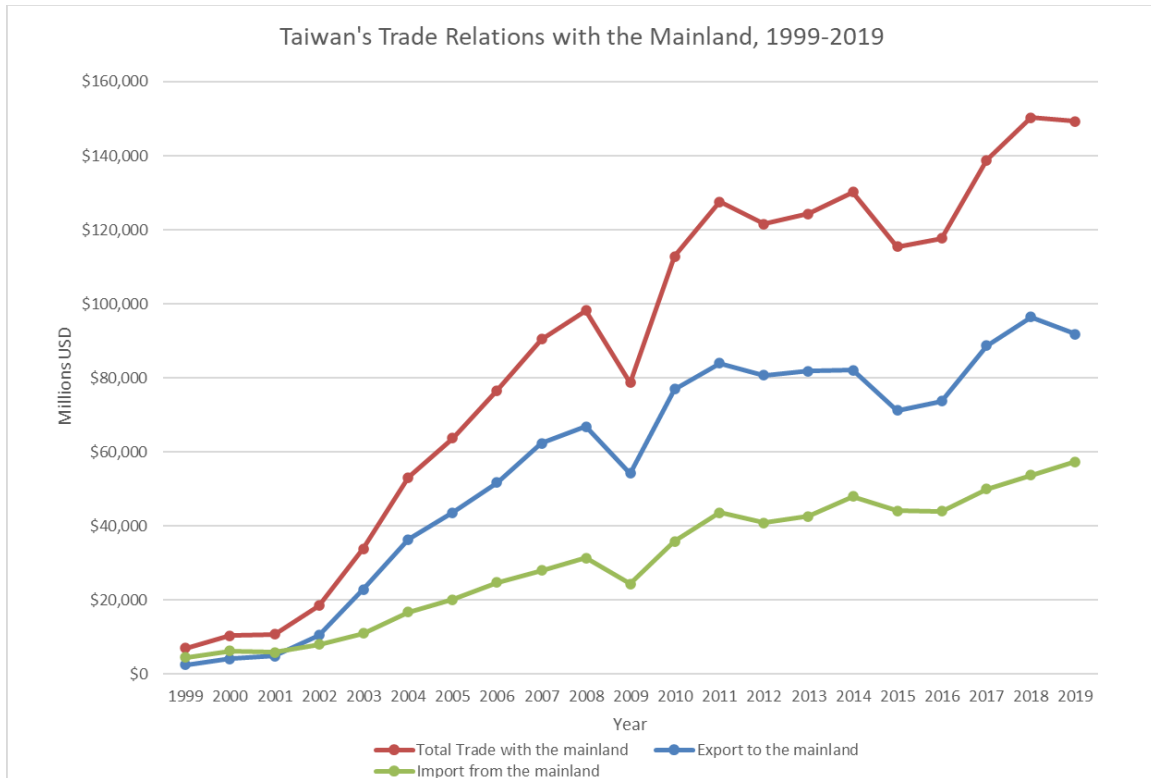


Figure 3. Taiwan's Trade Relations with the Mainland from 1999 to 2019¹⁶⁶

B. MA YING-JEOU'S ECONOMIC POLICIES

In contrast to the Chen administration, when the government served a reactive role to satisfy domestic pressure for closer economic ties with the mainland, the Ma administration witnessed the government taking on an active role to promote cross-strait economic integration in efforts to alleviate Taiwan's rising economic challenges. Preexisting domestic economic barriers and the economic impacts of the 2007-2008 Global Financial Crisis became the primary drivers for the administration to adopt a series of China-centric economic policies. Throughout the Chen administration, Taiwanese firms gradually lost their comparative advantage as wages and operating costs in the mainland increased and its excessive government regulations have caused Taiwan to consistently fall

¹⁶⁶ Adapted from Bureau of Foreign Trade, "Trade Statistics."

behind its major competitors such as South Korea.¹⁶⁷ The Global Financial Crisis has also severely weakened Taiwan's export-dependent economy, resulting in a 0.8% and -1.61% GDP growth in 2008 and 2009, respectively.¹⁶⁸ In a review of Taiwan's economic indicators, the island's economy indeed became stagnant. While Taiwan's per capita GDP saw a tremendous, 243% growth from \$2,389 in 1980 to \$8,216 in 1990, its economic growth plateaued in the subsequent years, accounting for average annual growth of merely 2.7% from \$14,941 in 2000 to \$17,814 in 2007.¹⁶⁹ Additionally, while Taiwan's labor productivity has increased over the years, its labor wages saw limited growth. According to Taiwan's National Development Council, the island saw an average annual growth rate of labor productivity of 5.5%, while its average annual growth rate in monthly labor compensation stagnated at 1.7% from 2000 to 2007.¹⁷⁰ Such data indicates that business owners were disproportionally reaping the economic benefits from Taiwan's productivity improvements, which directly contributed to the island's widening income inequality.¹⁷¹ The ratio of income share of the wealthiest top fifth to the poorest bottom fifth wage earners, for instance, increased from 5.55 in 2000 to 5.98 in 2007.¹⁷²

Against the backdrop of a stagnating economy and the impacts of the Global Financial Crisis, the Ma administration made clear of its intentions to improve cross-strait relations and further liberalize economic ties with the mainland. During his presidential campaign, Ma claimed that further economic integration with the mainland would lift

¹⁶⁷ Joshua Meltzer, "Taiwan's Economic Opportunities and Challenges and The Importance of the Trans-Pacific Partnership" (Brookings Institute, January 2014), 4-5, <https://www.brookings.edu/wp-content/uploads/2016/06/taiwan-trans-pacific-partnership-meltzer-012014.pdf>.

¹⁶⁸ "國民所得統計常用資料 [National Account Principal Figures]" (Taipei, Republic of China (Taiwan): National Statistical Bureau), accessed December 19, 2020, [https://www.stat.gov.tw/public/data/dgbas03/bs4/Statistical%20Tables/table\(034a\).xls](https://www.stat.gov.tw/public/data/dgbas03/bs4/Statistical%20Tables/table(034a).xls).

¹⁶⁹ National Statistical Bureau; "The World Bank in Middle Income Countries," World Bank, November 5, 2019, <https://www.worldbank.org/en/country/mic/overview>.

¹⁷⁰ *Taiwan Statistical Data Book 2019* (Taipei, Republic of China (Taiwan): National Development Council, 2019), 23, https://www.ndc.gov.tw/en/News_Content.aspx?n=607ED34345641980&sms=B8A915763E3684AC&s=EDDF6690A4EE6CCB.

¹⁷¹ Cal Clark, Alexander C. Tan, and Karl Ho, "Ending Taiwan's Economic Stagnation: The Implications of the Elections of Presidents Tsai and Trump," *Contemporary Chinese Political Economy and Strategic Relations: An International Journal* 4, no. 3 (2018): 877.

¹⁷² National Development Council, *Taiwan Statistical Data Book 2019*, 23.

Taiwan from its stagnating economy and enable Taiwan to achieve his goal of “6-3-3”—6% annual GDP growth, \$30,000 per-capita income, and less than 3% unemployment rate by 2012.¹⁷³ The Ma administration also believed that Taiwan must strengthen its relations with the PRC in order to “integrate economically into the growing networks of free-trade agreements across the Asian Pacific, or Taiwan could soon be marginalized.”¹⁷⁴

Taiwan was indeed becoming marginalized in the Asian Pacific region. Despite being one of the four “Asian tigers” with tremendous economic growth during the earlier decades prior to 2000, Taiwan faced difficulty in establishing significant trade agreements with any of the major economic powers due to its lack of international space and the reluctance of its trading partners in Asia to risk its relations with Beijing. By 2008, Taiwan managed to establish just four free trade agreements, of which all are with its few remaining diplomatic allies in Central America.¹⁷⁵ Additionally, negotiations of the Trans-Pacific Partnership (TPP), a high-profile economic agreement introduced by the United States in 2009, was occurring among major economic powers such as the United States, Japan, Australia, Canada, Singapore, and New Zealand.¹⁷⁶ Despite Taiwan’s interest to participate as a member of the TPP, the PRC’s political and economic influence, as well as domestic disagreement on the TPP’s impacts to Taiwan’s economy, prevented the island from asserting itself into the negotiations process.¹⁷⁷ By 2005, the Association of Southeast Asian Nation (ASEAN) Plus Three (ASEAN, China, Japan, and South Korea) expanded to include Australia, New Zealand, and India, which would continue to develop into a regional integration initiative known as the Regional Comprehensive Economic

¹⁷³ Adrian Chiu and Kam-Yee Law, “Comparing the Cross-Strait Economic Policies of KMT and DPP, 2008-2016: Implications for the Future Politics of Taiwan,” *Contemporary Chinese Political Economy and Strategic Relations* 3, no. 3 (2017): 1276; Syaru Shirley Lin, *Taiwan’s China Dilemma: Contested Identities and Multiple Intersects in Taiwan’s Cross-Strait Economic Policy* (Stanford, California: Stanford University Press, 2016), 168.

¹⁷⁴ Chen, “Security, Domestic Divisions, and the KMT’s Post-2008 ‘One China’ Policy: A Neoclassical Realist Analysis,” 341.

¹⁷⁵ Tung-Chieh Tsai and Tony Tai-Ting Liu, “Cross-Strait Relations and Regional Integration: A Review of the Ma Ying-Jeou Era (2008-2016),” ed. Sabrina Habich-Sobiegalla and Stefan Fleischauer, *Journal of Current Chinese Affairs* 46, no. 1 (2017): 17, <https://doi.org/10.1177/186810261704600102>.

¹⁷⁶ Tsai and Liu, 14.

¹⁷⁷ Tsai and Liu, 15.

Partnership (RCEP). RCEP negotiations began in 2012, but like Taiwan's fate with TPP, Beijing has yet to provide a position on allowing Taiwan to become part of the regional integration initiative.¹⁷⁸ The PRC's interest in establishing a free trade area with South Korea and Japan has also picked up momentum in 2004. Planning and negotiations for China-Japan-Korea Free Trade Area began in 2010, with Taiwan excluded throughout the entire process despite its vast trade and investment ties with the three countries.¹⁷⁹

The Ma administration's liberalizing economic policies certainly reflected its intention to develop closer economic ties with the mainland in efforts to alleviate Taiwan's challenges in domestic economic and its increasingly marginalized international status. Early economic liberalizing policies included the expansion of the investment limits imposed during the Chen administration by allowing Taiwanese firms to invest up to 60% of its net worth into the mainland.¹⁸⁰ Through acceptance of the 1992 Consensus, Ma's political rapprochement stabilized Taiwan's previous tense relations with the PRC under the Chen administration and enabled cross-strait negotiations between Taiwan's Straits Exchange Foundation (SEF) and China's Association for Relations across the Taiwan Strait (ARATS) to resume. One of the earlier agreements reached between SEF and ARATS was to abolish a series of legacy restrictions imposed on the "three direct links," or direct cross-strait trade, postal service, and air and sea transport. Fully implemented in November 2008, the "three direct links" allowed Taiwanese firms to efficiently and directly conduct business with the mainland without routing through a third-party location such as Hong Kong.¹⁸¹ The cross-strait agreement on mainland tourists signed in June 2008 significantly boosted Taiwan's tourism industry with a large inflow of Chinese tourists during the Ma administration.¹⁸² From 2009 to 2016, for instance, Taiwan saw an average of 2.69 million tourist visits per year from the mainland, comparing to the annual average

¹⁷⁸ Tsai and Liu, 15-16.

¹⁷⁹ Tsai and Liu, 17.

¹⁸⁰ Lin, *Taiwan's China Dilemma: Contested Identities and Multiple Intersects in Taiwan's Cross-Strait Economic Policy*, 168.

¹⁸¹ Bush, *Uncharted Strait the Future of China-Taiwan Relations*, 49.

¹⁸² Bush, 50, 54.

of 253,000 visits per year during the Chen administration from 2001 to 2008.¹⁸³ The improved cross-strait relations since 2008 also led to a series of additional cross-strait agreements; by the end of Ma's second term in office in 2016, the SEF and ARATS concluded eleven dialogue exchanges and completed negotiations on twenty-three cross-strait agreements covering a wide range of topics in areas such as financial operations, agriculture inspection process, and a variety of cooperation agreements in nuclear power safety, aviation safety, and food safety.¹⁸⁴ Of the twenty-three SEF-ARATS agreements, the Economic Cooperation Framework Agreement (ECFA) is considered one of the most essential cross-strait agreements and was a hallmark economic policy under the Ma administration.¹⁸⁵

The Ma administration's avid promotion of ECFA—a preferential trade agreement between Taiwan and the PRC designed to serve as the basis for four future cross-strait economic agreements in trade in merchandise goods, trade in services, investment protection, and dispute-settlement mechanism¹⁸⁶—demonstrated its determination to further integrate with the PRC's economy. Ma administration firmly believed ECFA was the key to maintain Taiwan's economic competitive edge and, more importantly, create opportunities for Taiwan to integrate economically with other countries in the Asian-Pacific region. Preliminary assessments, however, did not share such optimism.¹⁸⁷ Domestic thinktanks such as the Chung-Hua Institute for Economic Research and the National Policy Foundation in Taiwan, for instance, concluded that the services trade agreement within ECFA would yield limited positive benefits for Taiwan but questioned

¹⁸³ "Visitors Arriving by Residence (2001-Nov 2019)" (Taipei, Republic of China (Taiwan): Ministry of Transportation and Communications), accessed February 22, 2020, <https://stat.motc.gov.tw/mocdb/stmain.jsp?sys=100&funid=e7101>.

¹⁸⁴ "兩岸協議執行成效專區 [Implementation Status of Cross-Strait Agreements]" (Taipei, Republic of China (Taiwan): Mainland Affairs Council, January 8, 2020), <https://www.mac.gov.tw/cp.aspx?n=3788E6E04BC17563>.

¹⁸⁵ Bush, *Uncharted Strait the Future of China-Taiwan Relations*, 50.

¹⁸⁶ Lin, *Taiwan's China Dilemma: Contested Identities and Multiple Intersects in Taiwan's Cross-Strait Economic Policy*, 175.

¹⁸⁷ Christina Lai, "Dancing with the Wolf: Securitizing China-Taiwan Trade in the ECFA Debate and Beyond," *Asian Security* 15, no. 2 (May 4, 2019): 142, 146-47, <https://doi.org/10.1080/14799855.2018.1437145>.

the likelihood for Taiwan to continuously benefit from the mainland's trade concessions.¹⁸⁸ The Peterson Institute for International Economy concluded that while ECFA in itself has a net positive impact on Taiwan's economy, but it was not able to assess the impacts on Taiwan's service sector and cross-strait investment flow.¹⁸⁹

Through a series of public conferences and engagements with the public, the Ma administration asserted that ECFA is limited to address cross-strait economic problems and that ECFA implementation will not harm Taiwan's sovereignty or impact its political future.¹⁹⁰ During the televised, two-round debate in April 2010 with then-DPP chairwoman, Tsai Ing-wen, Ma warned of an imminent economic crisis in Taiwan should it become economically marginalized from the rapid regional integration efforts occurring in the Asia-Pacific.¹⁹¹ He argued that the island must proceed to enact ECFA with the mainland at the earliest opportunity to avert such a crisis.¹⁹² In addition, Ma optimistically claimed that ECFA would expand Taiwan's international space and allow Taiwan to potentially establish additional economic agreements with other countries in the Asia-Pacific.¹⁹³ During the debate, Ma aimed his message beyond the Taiwanese business community, claiming:

Signing ECFA is not for any personal interest. It's for our nation's interest and long-term consideration for Taiwan. If I don't do it, just like the DPP who keeps stalling, then I feel guilty not only to Taiwanese people whether they vote for me or not, but also to the next generation of Taiwan. It's Taiwan's future and not mine.¹⁹⁴

¹⁸⁸ Lai, 142.

¹⁸⁹ Lai, 142.

¹⁹⁰ Lin, *Taiwan's China Dilemma: Contested Identities and Multiple Intersects in Taiwan's Cross-Strait Economic Policy*, 178.

¹⁹¹ Lai, "Dancing with the Wolf: Securitizing China-Taiwan Trade in the ECFA Debate and Beyond," 147.

¹⁹² Lai, 147.

¹⁹³ Lai, 178.

¹⁹⁴ Lai, 147.

Ma's tactics to incite public anxiety in the debate, as well as other external factors such as Taiwan's economic impact from the Global Financial Crisis in 2008-2009 and rising media coverage of free trade agreements in the Asia-Pacific, were successful at rallying support from the public. Public polling conducted by Taiwan's Mainland Affairs Council in July 2010 showed that 61% of the respondents agreed that ECFA is beneficial to Taiwan, and 62.6% were confident that ECFA would lead Taiwan into establishing free trade agreements with other countries.¹⁹⁵

Signed in June 2010, ECFA was a milestone cross-strait economic agreement with the PRC that reduced the tariff for 531 "early harvest" Taiwanese export goods and established the framework for future agreements with the mainland in the trade of merchandise goods and services, investment protection, and trade-dispute settlement processes.¹⁹⁶ Although existing data demonstrate that ECFA generated a positive economic outlook for the "early harvest" export goods, Taiwan saw limited success in propelling itself to establish free trade agreements in the Asia-Pacific region. From 2011 to 2018, for instance, "early harvest" export goods to the mainland indeed saw a 6% annual average growth from \$17.97 billion to \$23.64 billion, generating more than \$5.73 billion in total tariff savings.¹⁹⁷ Moreover, while Taiwan in 2013 successfully established the New Zealand-Taiwan Economic Cooperation Agreement and the Singapore-Taiwan Economic Partnership Agreement, the island saw limited success in other regional integration efforts due to the mainland's political influence.¹⁹⁸ The PRC, for instance, leveraged its leadership role in the One Belt, One Road and Asian Infrastructure Investment Bank initiatives to marginalize and weaken Taiwan's international status, with the aim of imposing pressure onto the island to resolve its political difference with the mainland.¹⁹⁹

¹⁹⁵ Lai, 148.

¹⁹⁶ Bush, *Uncharted Strait the Future of China-Taiwan Relations*, 50.

¹⁹⁷ "海峽兩岸經濟合作架構協議(ECFA)執行情形 [ECFA Status Report]" (Taipei, Republic of China (Taiwan): Ministry of Economic Affairs, February 7, 2020), <https://www.ecfa.org.tw/ShowNews.aspx?nid=2&id=2200&year=all>.

¹⁹⁸ Tsai and Liu, "Cross-Strait Relations and Regional Integration: A Review of the Ma Ying-Jeou Era (2008-2016)," 23.

¹⁹⁹ Tsai and Liu, 26-27.

Furthermore, Taiwan has also yet to make progress on the Cross-Strait Service Trade (CSSTA) and Cross-Strait Merchandise Goods Trade Agreements (CSMTA), two primary components of ECFA. As mentioned in the previous section, the Ma administration's aggressive attempt to ratify the CSSTA without proper legislature review triggered the 2014 Sunflower Movement, which only dispersed after the government conceded to the student demonstrators' demand of proposing a legislation bill to formalize the ratification and review process of all future cross-strait agreements.²⁰⁰ However, due to KMT-held majority in the Legislature Yuan at the time, the supervisory bill on future cross-strait agreements stalled throughout Ma's remaining term in office and despite the DPP taking the majority in the legislature in 2016, the bill has yet to be signed into law and continues to inhibit the ratification and negotiation process of the CSSTA and the CSMTA.²⁰¹

C. TSAI ING-WEN'S PIVOT AWAY FROM THE MAINLAND

In contrast to Ma's assertive approach toward bridging the gap on economic ties with the mainland, Tsai Ing-wen's economic strategy focused on maintaining existing cross-strait economic relations while at the same time, diversifying Taiwan's economic focus toward Southeast Asia in efforts to alleviate economic dependence of the mainland. During her presidential campaigns in both 2012, for instance, Tsai's non-dismissal stance on ECFA and promise to maintain existing cross-strait cooperation agreements if elected into office were implicit recognition of the economic policies under the Ma administration.²⁰² Her election campaign in 2016 followed a similar trend of maintaining the existing economic relations with the mainland, though she primarily focused on policies aimed to improve Taiwan's domestic economy through government-led investments. To improve Taiwan's economic competitiveness, the Tsai administration introduced the Five Innovation Development Plan (五大創新研發計畫), as a way and jumpstart Taiwan's

²⁰⁰ Lin, *Taiwan's China Dilemma: Contested Identities and Multiple Intersects in Taiwan's Cross-Strait Economic Policy*, 200-201.

²⁰¹ Lai, "Dancing with the Wolf: Securitizing China-Taiwan Trade in the ECFA Debate and Beyond," 154; Lauly Li, "Cross-Strait Talks Pending Bill: Minister," *Taipei Times*, May 23, 2016, <http://www.taipeitimes.com/News/front/archives/2016/05/23/2003646903>.

²⁰² Chiu and Law, "Comparing the Cross-Strait Economic Policies of KMT and DPP, 2008-2016: Implications for the Future Politics of Taiwan," 1280.

advanced technology sectors in artificial intelligence, machinery, defense, and biotech medicine.²⁰³ In her first term in office, though her refusal to explicitly recognize the 1992 Consensus halted SEF-ARATS cross-strait negotiations, her administration certainly kept the campaign promises of maintaining the existing economic relations with the mainland and the twenty-three cross-strait cooperation agreements, to include ECFA, established during the Ma administration. Trade with the mainland, for instance, continued to flourish in Tsai's first term in office, with total trade with and export to the mainland in 2018 reaching an all-time high of \$150 billion and \$96 billion, respectively.²⁰⁴

While the Tsai administration did not adopt provocative policies to challenge the status quo, it has indeed implemented pragmatic measures to “reduce Taiwan’s strategic vulnerabilities [such as its] economic dependence on China.”²⁰⁵ Tsai’s proposal of the New Southbound Policy (新南向政策), for instance, aimed to expand Taiwan’s trade and investments in the greater Indo-Pacific region in an attempt to realize her vision in the 2012 presidential campaign of “walk [ing] toward China through the international community.”²⁰⁶ In addition to adopting closer economic and cultural ties in the Indo-Pacific region, the New Southbound Policy contained an implicit political agenda of promoting “Taiwan’s competenc [e] to act as a sovereign entity in state-to-state relationships,” thereby expanding its footprint in an international environment heavily constrained from the PRC’s political pressures.²⁰⁷

Based on current trade data, results from Tsai’s southward pivot thus far has been positive. From 2016 to 2019, Taiwan witnessed considerable growth in exports into the Indo-Pacific region while experiencing a slight decrease in its reliance on the PRC export

²⁰³ Chiu and Law, 1284.

²⁰⁴ National Statistical Bureau, “國民所得統計常用資料 [National Account Principal Figures].”

²⁰⁵ Andrew T. H Tan, “A New Era in Taiwan Politics and Its Implications,” *Asia-Pacific Review* 24, no. 1 (2017): 119, <https://doi.org/10.1080/13439006.2017.1320163>.

²⁰⁶ David Scott, “Taiwan’s Pivot to the Indo-Pacific,” *Asia-Pacific Review* 26, no. 1 (2019): 34, <https://doi.org/10.1080/13439006.2019.1618602>.

²⁰⁷ Richard Bush, “Taiwan’s Engagement with Southeast Asia Is Making Progress under the New Southbound Policy,” *Brookings Institute* (blog), July 30, 2018, <https://www.brookings.edu/opinions/taiwans-engagement-with-southeast-asia-is-making-progress-under-the-new-southbound-policy/>; Scott, “Taiwan’s Pivot to the Indo-Pacific,” 35.

market. Annual exports to the ten Association of Southeast Asian Nation (ASEAN) member states, for instance, saw a 14.2% growth from 2016 to \$58.6 billion in 2017 but followed a slight 0.6% decline to 58.52 billion in 2018 and a 7% decline to 53.92 billion in 2019.²⁰⁸ Exports to India, Australia, and New Zealand, on the other hand, fared better results, achieving a 7.8% growth from 2016 to \$6.68 billion in 2017, followed by a robust 14.5% growth to \$7.65 billion in 2018 before experiencing an 8.5% decline to \$7.00 billion in 2019.²⁰⁹ Despite an 18.03% growth in exports to the PRC from 2016 to 2019, Taiwan's share of exports to the PRC as a percentage of Taiwan's total export decreased from 48.9% to 46.3%, illuminating some early signs of success of its southern pivot.²¹⁰ By loosening visa restrictions, Taiwan managed to attenuate the economic impacts of the PRC's efforts to reduce Chinese visitors in Taiwan during the Tsai administration.²¹¹ In 2018, Taiwan attracted 2.42 million visitors, a 13.8% annual growth, from the New Southbound Policy's eighteen targeted countries, accounting for more than a fifth of Taiwan's total 11.1 million visitors and nearly reaching parity with the 2.66 million of Chinese visitors in the same year.²¹²

The Tsai administration also demonstrated its desire to economically balance against the mainland from its expanded efforts in joining the Trans-Pacific Partnership (TPP). Resurrected in March 2018, the TPP is one of the most extensive regional trade and investment agreements that did not include the PRC, accounting for 13% of the world's economy.²¹³ Through agreed-upon economic reforms and reduction of trade tariffs, the TPP aims to promote closer economic relations among its eleven signatories; this includes economically robust countries like Japan, Australia, Canada, New Zealand, and

²⁰⁸ Bureau of Foreign Trade, "Trade Statistics."

²⁰⁹ Bureau of Foreign Trade.

²¹⁰ Bureau of Foreign Trade.

²¹¹ Bush, "Taiwan's Engagement with Southeast Asia Is Making Progress under the New Southbound Policy."

²¹² "Tourism Statistics Database" (Republic of China (Taiwan): Tourism Bureau), accessed January 17, 2020, <https://stat.taiwan.net.tw/>.

²¹³ Noriyuki Suzuki, "At Long Last, 11-Member Pacific Trade Deal Takes Effect," *The Japan Times*, December 30, 2018, <https://www.japantimes.co.jp/news/2018/12/30/business/long-last-11-member-pacific-trade-deal-takes-effect/#.XiPnSRdKjFx>.

Singapore.²¹⁴ Similar to the political implications of the New Southbound Policy, successful accession into TPP will strengthen Taiwan's sovereignty in the international stage by further "cement [ing] Taiwan's independence of economic action" and bolstering its geopolitical ties with the region.²¹⁵ Although Taiwan under the Ma administration had similarly expressed interest in joining the TPP, Taiwan expanded its efforts to join the TPP under the Tsai administration. In August 2018, for instance, Taiwan established a team of negotiators to facilitate Taiwan's accession in TPP's second round of membership talks.²¹⁶ Taiwan's continuing lobbying efforts with Japan, including a high-profile discussion between Taiwan's envoy to Japan, Morris Chang, and Shinzo Abe in November 2018, have demonstrated some early signs of success.²¹⁷ In October 2019, for instance, Japanese parliamentarian Keiji Furuya publicly endorsed support for Taiwan's bid for TPP membership.²¹⁸

D. SUMMARY

As the majority of Taiwan's population increasingly identified themselves as solely Taiwanese, the island nonetheless sought to engage with the mainland economically in efforts to mitigate its waning comparative advantages abroad and improve its export-oriented economy in the global market. In the review of the development of cross-strait economic relations across the Chen, Ma, and Tsai administrations, this chapter illustrated that Taiwan's mainland economic policies from 2000 were primarily driven in response to the various macroeconomic factors rather than by each respective administration's partisan beliefs. Chen Shui-bian's DPP administration, for instance, implemented economic

²¹⁴ James McBride and Andrew Chatzky, "What Is the Trans-Pacific Partnership (TPP)?," *Council on Foreign Relations* (blog), January 4, 2019, <https://www.cfr.org/backgrounder/what-trans-pacific-partnership-tpp>.

²¹⁵ Scott, "Taiwan's Pivot to the Indo-Pacific," 38.

²¹⁶ Scott, 38.

²¹⁷ Scott, 38-39; "Japan Welcomes Taiwan's Bid to Join Trade Pact," February 15, 2019, <http://www.taipeitimes.com/News/taiwan/archives/2019/02/15/2003709764>; "Taiwan Looks for Japanese Support for CPTPP Bid: President," *Focus Taiwan*, April 30, 2019, <https://focustaiwan.tw/politics/201904300014>.

²¹⁸ William Yen, "Japan Will Seek Support for Taiwan's CPTPP Bid: Parliamentarian," *Focus Taiwan*, October 9, 2019, <https://focustaiwan.tw/politics/201910090017>.

policies to facilitate economic engagement with the mainland in response to growing demands for such an approach from Taiwanese firms. Subsequently, when the KMT administration took office in 2008 under Ma Ying-jeou, Taiwan's stagnating economic performance motivated the government to actively pursue economic liberalization with the mainland through the ratification of ECFA, with hopes that such an approach could improve its economy and expand its international space via free trade agreements with other major economies in the Asia Pacific region. Moreover, while the DPP strongly opposed ECFA during the Ma administration, the DPP administration under Tsai Ing-wen nonetheless continued to uphold the cross-strait economic agreements while implementing specific measures to alleviate its economic dependence on the mainland.

IV. TAIWAN'S SECURITY CONSIDERATIONS

Similar to the economic realm, there are overarching commonalities in how Taiwan relates militarily to China. As this chapter shows, Taiwan since 2000 has demonstrated a constant effort toward its national defense despite administration changes between the KMT and the DPP. First, this chapter identifies Taiwan's primary security threat by examining China's growing military advantage and its intent to exercise military force against the island. Next, the chapter delivers an overview of Taiwan's deterrence-based defense strategy against the militarily superior mainland and demonstrate that despite an overall decrease in defense spending compared to the late 1990s, Taiwan has steadily invested into defense across both the KMT and DPP administrations. Finally, this chapter examines Taiwan's defense policies and activities across the Chen Shui-bian, Ma Ying-jeou, and Tsai Ing-wen administrations to illustrate the island's steadfast efforts to bolster its defense vis-à-vis the mainland.

A. THE MILITARY THREAT OF THE PRC

Since the early 1990s, when Taiwan officially renounced its Chiang Kai-shek-era goal of reclaiming the mainland, Taiwan has consistently identified the PRC as its primary security threat.²¹⁹ The PRC considers Taiwan an inalienable part of itself and has consistently considered the reunification with the island a paramount national goal. Historically, China has explicitly demonstrated its offensive intentions with the launching of missiles near the Taiwan coast during the 1995-1996 Third Taiwan Strait Crisis.²²⁰ The PRC has yet to renounce the use of military force to achieve its goal of reunification and in 2005, passed the Anti-Secession Law to demonstrate its long-standing resolve to unify Taiwan by force should Taiwan seek to claim formal independence.²²¹ Taiwan's security

²¹⁹ Brendan Taylor, "A Complex Balance of Power," *Adelphi Series* 57, no. 470-471 (2017): 44-45, <https://doi.org/10.1080/19445571.2019.1663641>; "National Defense Report (2017)" (Ministry of National Defense, Republic of China, 2017), 36, <https://www.mnd.gov.tw/PublishForReport.aspx?a=1&title=軍事刊物&SelectStyle=歷年國防報告書專區>.

²²⁰ Andrew T. H Tan, "The Implications of Taiwan's Declining Defense," *Asia-Pacific Review* 21, no. 1 (2014): 45, <https://doi.org/10.1080/13439006.2014.921135>.

²²¹ Tan, 45.

concerns for the mainland also stems from its lopsided military imbalance vis-à-vis the mainland. Although China has consistently spent on average, a modest 2% of its GDP on defense, its sustained high GDP growth has amassed an aggregate total in defense spending outweighing all of its neighboring states since 2001.²²² In total defense spending from 2001 to 2018, for instance, China has spent nearly 12.4 times the amount of Taiwan's defense spending in the same period, creating a cumulative defense spending gap of \$2.26 trillion against the island.²²³ China's defense spending over the years greatly enhanced its offensive military capabilities vis-à-vis Taiwan. In comparison to its air force arsenal in 2000, China by 2016 had expanded its airborne warning and command systems and acquired 810 fourth-generation fighters, outnumbering Taiwan's fourth-generation fighters nearly 2.5 to 1.²²⁴ China's navy made similar strides in capabilities improvement vis-à-vis Taiwan, acquiring a fleet of modern surface warships and submarines capable of launching anti-ship cruise missiles, enhancing its ability to establish sea control and expanding its anti-access, area-denial capabilities in efforts to severely complicate the United States' capacity to intervene militarily in a Taiwan Strait conflict.²²⁵ Since 2015, China has also demonstrated its offensive intentions vis-à-vis Taiwan with its continuous efforts in expanding its amphibious invasion capabilities through large-scale military exercises and growing procurement of amphibious landing vessels.²²⁶ Combined with its current arsenal of approximately two thousand ballistic and cruise missiles capable of destroying the island's core infrastructure, China since 2016 has expanded its military capabilities in

²²² Center for Strategic and International Studies, "What Does China Really Spend on Its Military?," *China Power* (blog), accessed January 1, 2020, <https://chinapower.csis.org/military-spending/>.

²²³ "Military Expenditure Database (1949-2018)" (Stockholm, Sweden: Stockholm International Peace Research Institute), accessed January 5, 2020, <https://www.sipri.org/databases/milex>.

²²⁴ Wu, "Taiwan's Defense under the Tsai Administration," 707-8.

²²⁵ Wu, 709; Tan, "The Implications of Taiwan's Declining Defense," 46-47.

²²⁶ Peter Wood, "Exercises Highlight PLA Amphibious Capability," *The Jamestown Foundation* (blog), August 4, 2015, <https://jamestown.org/program/exercises-highlight-pla-amphibious-capability/#!>; "Amphibious Operations, China" (VA: GlobalSecurity.org), accessed January 6, 2020, <https://www.globalsecurity.org/military/world/china/amphibious.htm>.

cyber, electronic warfare, and counter-space operations that could severely disrupt Taiwan's counter-invasion operations.²²⁷

B. TAIWAN'S DEFENSE POSTURE VIS-À-VIS THE PRC

Acknowledging the PRC's military capabilities and growing cross-strait military imbalance, Taiwan has consistently adopted a deterrence-based defense posture vis-à-vis the mainland throughout the past three administrations. Since the Chen administration, Taiwan's defense strategy against the People's Liberation Army (PLA) is mainly comprised of utilizing both defensive-based conventional forces and offensive-based asymmetrical weapon capabilities to establish deterrence.²²⁸ Acknowledging the PLA's military and numerical superiority, therefore, Taiwan's primary objective is not to seek operational victory against a full-on conflict with the PLA. Instead, Taiwan's strategy centered on utilizing its military capabilities to complicate PLA's invasion efforts and to be able to withhold an invasion long enough for U.S. military intervention, thereby imposing an armed conflict scenario so costly that Beijing would be dissuaded from exercising its military option.²²⁹

Taiwan relied on foreign military sales (FMS) and domestic weapons development to acquire the necessary military capabilities to realize its deterrence-based defense posture against the mainland. In its past three administrations, Taiwan has consistently acquired a considerable amount of defense articles from the United States to bolster its defense through the Taiwan Relations Act of 1979. Taiwan, for instance, has consistently been a top recipient of U.S. arms sales, ranking four worldwide by total value delivered in the 2004-2007 and fifth in the 2008-2011 period, just behind Israel, Egypt, Saudi Arabia, and Australia.²³⁰ From 2000 to 2019, U.S. administrations have notified Congress of FMS

²²⁷ "Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2019" (Office of the Secretary of Defense, May 2, 2019), 47-50, https://media.defense.gov/2019/May/02/2002127082/-1/-1/1/2019_CHINA_MILITARY_POWER_REPORT.pdf.

²²⁸ Jean-Pierre Cabestan, "Recent Changes in Taiwan's Defense Policy and Taiwan-USA Relations," *East Asia* 31, no. 4 (2014): 344, <https://doi.org/10.1007/s12140-014-9221-3>.

²²⁹ Cabestan, 344.

²³⁰ Kan, "Taiwan: Major U.S. Arms Sales Since 1990," 1-2.

programs to Taiwan totaling \$43.86 billion, accounting for 21.4% of the island's total defense spending of \$204.8 billion in the same period.²³¹ Some of the major U.S. military arms sales Taiwan has established an agreement to purchase in the last two decades include the AH-64E Apache attack helicopters, Phased Array Tracking to Intercept of Target (PATRIOT) air defense systems, retrofit of the F-16A/B fighter aircraft, the Precision Acquisition Vehicle Entry Phased Array Warning System (PAVE PAWS) early warning radar, and more recently, the M1A2T Abrams main battle tanks and F-16C/D Viper fighter aircraft.²³²

Facing geopolitical and economic barriers associated with acquiring foreign weapons, Taiwan's National Chung-Shan Institute of Science and Technology (NCSIST) during the late 1970s began to research, develop, and produce a series of air, sea, and surface-launched missiles to enhance its deterrence capacity.²³³ As the next section of this chapter illustrates in more detail, Taiwan's efforts in indigenous weapons development continued throughout the Chen, Ma, and Tsai administrations. Taiwan over the past two decades, for instance, has successfully developed offense-based asymmetric weapons such as its Hsiung Feng (雄風, or Brave Wind) series of sea-launched anti-ship cruise missiles and land-launched cruise missiles and most recently, the Yun Feng (雲峰, or Snow Peak) medium-range land-launched cruise missiles that reportedly could reach ground targets as

²³¹ Stockholm International Peace Research Institute, "Military Expenditure Database (1949-2018)"; "Notified Taiwan Arms Sales 1990-2019 (US\$ Billions, FMS)," *US-Taiwan Business Council*, August 21, 2019, <https://www.ustaiwandefense.com/tags/fms/>.

²³² Susan V. Lawrence and Wayne M. Morrison, *Taiwan: Issues for Congress* (Washington, DC: Congressional Research Service, 2017), 29, 75-77; "Taipei Economic and Cultural Representative Office in the United States (TECRO) - F-16C/D Block 70 Aircraft and Related Equipment and Support" (Washington, DC: Defense Security Cooperation Agency, August 20, 2019), <https://www.dsca.mil/major-arms-sales/taipei-economic-and-cultural-representative-office-united-states-tecro-f-16cd-block>; "Taipei Economic and Cultural Representative Office in the United States (TECRO) - M1A2T Abrams Tanks and Related Equipment and Support" (Washington, DC: Defense Security Cooperation Agency, July 8, 2019), <https://www.dsca.mil/major-arms-sales/taipei-economic-and-cultural-representative-office-united-states-tecro-m1a2t-abrams>.

²³³ Wu, "Taiwan's Defense under the Tsai Administration," 714-15.

far as Beijing.²³⁴ Other significant efforts to expand its asymmetric warfare capabilities include Taiwan's series of domestic naval programs focused on improving its sea-denial capabilities against the mainland.²³⁵ Current Taiwanese news media reports indicate that Taiwan is currently engaged in eight domestic naval programs, aiming to develop and produce up to seventy-one advanced surface ships by 2029 and a prototype of its indigenous submarine by 2025.²³⁶

Indeed, scholars and security experts have often critiqued Taiwan's lackluster focus toward its defense, often referencing the island's inability to adopt a defense budget of at least 3% of its gross domestic product (GDP) despite Ma Ying-jeou's promises during his 2008 presidential campaign and the island's 2009 *Quadrennial Defense Review* (QDR).²³⁷ Others often point to the political gridlock experienced during the Chen administration in which the KMT-held majority legislature politically challenged the DPP administration from pursuing its defense agenda. The KMT-majority legislature in 2004, for instance, prevented the passing of Taiwan's Special Budget (out-of-cycle budget request in addition to existing defense budget) on the then-approved sale of diesel-electric submarines from the United States.²³⁸ Party rivalry also created difficulty in passing Taiwan's Special Budget in May 2004 and its Supplement Defense Budget in March of 2006 on the procurement and upgrade of its PATRIOT missile defense systems, resulting in nearly three years of delay.²³⁹ Furthermore, according to the Stockholm International Peace

²³⁴ Cabestan, "Recent Changes in Taiwan's Defense Policy and Taiwan-USA Relations," 347; Wu, "Taiwan's Defense under the Tsai Administration," 715; 朱明, "【獨家】中科院「擎天計畫室」成立 啟動射程 1500 公里雲峰中程飛彈量產 [Exclusive: NCSIST Establishes the Optimus Program Office, Initiates Mass Production of the YF-Class Medium Range Missile with an Effective Range of 1500 Kilometers]," *Up Media*, August 4, 2019, https://www.upmedia.mg/news_info.php?SerialNo=68446.

²³⁵ Cabestan, "Recent Changes in Taiwan's Defense Policy and Taiwan-USA Relations," 346; Wu, "Taiwan's Defense under the Tsai Administration," 714.

²³⁶ 涂鉅旻, "國艦國造 軍方投入 1368 億餘元 2029 年造 71 新艦 [National Shipbuilding Program: Ministry of Defense to Allocate \$136.8B NT for the Construction of 71 Ships by 2029]," *Liberty Times*, June 2, 2019, <https://news.ltn.com.tw/news/politics/breakingnews/2809848>.

²³⁷ Cabestan, "Recent Changes in Taiwan's Defense Policy and Taiwan-USA Relations," 348; Lawrence and Morrison, *Taiwan: Issues for Congress*, 63.

²³⁸ Wu, "Taiwan's Defense under the Tsai Administration," 707; Kan, *Taiwan: Major U.S. Arms Sales Since 1990*, Summary.

²³⁹ Kan, *Taiwan: Major U.S. Arms Sales Since 1990*, 17.

Research Institute database, it is clear that Taiwan's defense expenditure as a share of GDP gradually decreased during the 2000-2018 period, from 2.7% of GDP in 2000 to approximately 1.8% to 2% of GDP during the 2008-2018 period.²⁴⁰ Furthermore, despite Taiwan's average annual GDP growth of 3.78% during the 2000-2018 period, Taiwan's defense spending in real terms remained constant.²⁴¹ In constant 2017 dollars, for instance, Taiwan's annual defense spending in 2018 of \$10.7 billion remained relatively at the same level as its defense spending in 2000 of \$10.67 billion.²⁴²

The metrics of defense expenditure by a percentage of GDP and absolute defense spending alone, however, do not adequately describe Taiwan's consistent emphasis on national defense. Reviewing Taiwan's annual government budget, for instance, revealed that Taiwan has consistently allocated an annual average of nearly 17% of its annual government budget toward national defense throughout the 2000-2020 period, regardless of which political party was in power.²⁴³ The United States budget in the fiscal year 2019, to include costs associated with ongoing overseas operations, in comparison, allocated 15.57% of its total budget toward national defense.²⁴⁴ Furthermore, while there exists an absolute growth in its government budget from 2000 to 2020, Taiwan's government budget as a percentage of its GDP declined considerably during the current and past two administrations, suggesting the government's difficulty in translating its GDP growth into fiscal revenue. For instance, Taiwan's annual government budget averaged 14.14% of its GDP during the Chen administration and continued to decline to 12.56% and 10.83% of GDP during the Ma and the current Tsai administrations, respectively.²⁴⁵

²⁴⁰ Stockholm International Peace Research Institute, "Military Expenditure Database (1949-2018)."

²⁴¹ National Statistical Bureau, "國民所得統計常用資料 [National Account Principal Figures]."

²⁴² Stockholm International Peace Research Institute, "Military Expenditure Database (1949-2018)."

²⁴³ "中央政府預算 (1998~2020) [Budget of the Central Government]" (Taipei, Republic of China (Taiwan): Executive Yuan, May 6, 2020), <https://www.dgbas.gov.tw/ct.asp?xItem=26269&CtNode=5389&mp=1>; National Statistical Bureau, "國民所得統計常用資料 [National Account Principal Figures]."

²⁴⁴ Christine Bogusz et al., *The Federal Budget in 2019* (Congressional Budget Office, 2020), <https://www.cbo.gov/system/files/2020-04/56324-CBO-2019-budget-infographic.pdf>.

²⁴⁵ Executive Yuan, "中央政府預算 (1998~2020) [Budget of the Central Government]"; National Statistical Bureau, "國民所得統計常用資料 [National Account Principal Figures]."

C. OFFENSE-BASED DETERRENCE UNDER THE CHEN SHUI-BIAN ADMINISTRATION

Across the current and previous two administrations, Taiwan has consistently adopted a deterrence-based defense policy vis-à-vis the PRC. Under the Chen administration, Taiwan's defense policy saw a significant shift from its traditional defense-focused deterrence strategy that primarily focused on resisting an amphibious invasion on the main island of Taiwan. Instead of focusing purely on defending the main island, Taiwan envisioned an offensive-based deterrence strategy aimed to improve its security posture, aiming to expand its deterrence capacity against other forms of coercive actions from the PLA such as missile strike, naval blockade, or an invasion on Taiwan's outskirt Kinmen, Matsu, or the Penghu islands.²⁴⁶ Under "Effective Deterrence, Resolute Defense," the defense policy introduced in 2002, the Chen administration's active defense posture was focused on utilizing its offensive-based capabilities to "effectively disintegrate or stagnate [PLA] forces [and deterring it to] forego all military options after rational battle damage and casualty estimation."²⁴⁷ Chen captured his vision for Taiwan's defense in a speaking engagement at Taiwan's military academy in June 2000, urging the island to develop "high precision strikes, early warning capability, and information superiority" in order to engage in a "decisive battle outside [of Taiwan's] territory."²⁴⁸

To realize its active defense, offense-based deterrence strategy vis-à-vis the mainland, the Chen administration prioritized funding toward anti-sea operations, command and control, and offensive strike. In efforts to improve its anti-sea capabilities and its ability to contest a naval blockade, Taiwan's Legislative Yuan in 2003 approved the purchase of four decommissioned Kidd-class destroyers from the United States for

²⁴⁶ Mathieu Duchâtel, "Taiwan: The Security Policy of the Chen Government Since 2000," *China Perspectives* 64 March-April 2006 (December 21, 2006): 8, <http://journals.openedition.org/chinaperspectives/610>.

²⁴⁷ "National Defense Report (2006)" (Taipei, Republic of China (Taiwan): Ministry of National Defense, 2006), 99, <https://www.mnd.gov.tw/NewUpload/歷年國防報告書網頁專區/歷年國防報告書專區.files/國防報告書-95/國防報告書-95-英文.pdf>.

²⁴⁸ Damon Bristow, "Preempting the PLA," *Taiwan Today*, January 1, 2001, <https://taiwantoday.tw/news.php?unit=4,29,31,45&post=4075>.

\$875 million and received the final delivery in 2006.²⁴⁹ In April 2001, the United States approved Taiwan's request to purchase a fleet of twelve P-3C Orion anti-submarine aircraft to augment its anti-sea capabilities, though due to initial cost concerns and follow-on budgetary disagreements, the Legislative Yuan did not approve the funding for the \$1.96 billion program until September 2007.²⁵⁰

With the aim of building a joint command center capable of “detecting, reacting, and surviving a Chinese offensive,” the Chen administration continued Taiwan's previous acquisition efforts of the Po Sheng (博勝) program from the United States to upgrade the island's joint operation and command, control, communications, and computer (C4) capabilities.²⁵¹ In 2003, Taiwan proceeded with the acquisition of a \$1.4 billion C4 system from the United States and achieved the full operational capability of the Po Sheng system toward the end of 2009.²⁵² To enhance its early warning capabilities against missile and other threats from the air, Taiwan began negotiations with the United States in 2003 for the acquisition of the PAVE PAWS ultra-long-range ground radar system and reached a \$752 million contract with Raytheon in June 2005 for the construction of the radar site.²⁵³

To acquire offensive strike capabilities, Taiwan saw successful development and procurement of its Hsiung Feng (雄風) class cruise missiles during the Chen administration. The NCSIST's development efforts for the Hsiung Feng IIE land-launched cruise missile, for instance, started approximately in 2001 and entered initial production in 2008.²⁵⁴ With an effective range of six hundred kilometers, the land-launched Hsiung Feng IIE enabled Taiwan to improve its counter-strike capabilities against ground targets on the coastal mainland.²⁵⁵ The successful development of a sea-launched, anti-ship cruise

²⁴⁹ Kan, “Taiwan: Major U.S. Arms Sales Since 1990,” 10-11.

²⁵⁰ Kan, 16.

²⁵¹ Kan, 19; Duchâtel, “Taiwan: The Security Policy of the Chen Government Since 2000,” 10.

²⁵² Kan, *Taiwan: Major U.S. Arms Sales Since 1990*, 19.

²⁵³ Kan, 18.

²⁵⁴ “Missile Defense Project, Missiles of Taiwan” (Washington, DC: Center for Strategic and International Studies, June 15, 2018), <https://missilethreat.csis.org/country/taiwan/>.

²⁵⁵ Center for Strategic and International Studies.

missile (ASCM), the Hsiung Feng III, also materialized during the Chen administration; the Taiwan Navy completed its operational evaluation in 2005 and began its procurement process in 2007.²⁵⁶ With the ability to travel at supersonic speeds through its ramjet engine and an effective range of 120-150 kilometers, the Hsiung Feng III, often referred to as “aircraft carrier killer,” provided Taiwan the ability to contest and deter the PLA in the maritime domain.²⁵⁷

D. THE “HARD ROC” UNDER THE MA YING-JEOU ADMINISTRATION

Despite the administration change to the KMT in 2008, Taiwan’s overall defense strategy—to achieve effective deterrence against a militarily superior PLA—and its offense-based deterrence principle initiated under the Chen administration continued to make progress under the Ma administration. Indeed, under the Ma administration, Taiwan officially adopted a relatively passive and less provocative defense strategy against the PRC’s military threat; however, it also continued to develop and procure offense-based defense capabilities such as domestically-produced cruise missiles and stealth corvettes.

Taiwan’s *2009 Quadrennial Defense Review* (QDR) introduced the defense concept of “Resolute Defense, Effective Deterrence,” also known as the “Hard ROC” (固若磐石) strategy, that prioritized defensive-based military capabilities to achieve effective deterrence and to “reject, repel, and eliminate enemy forces” should deterrence measures fail.²⁵⁸ In comparison to Chen’s offense-oriented vision of “fighting the decisive military campaign beyond the border,” the Ma’s “Hard ROC” strategy focused on resisting the PLA invasion force in the air and maritime domains while ensuring its ground, air, and maritime military assets are capable of jointly engaging the PLA in a major defense campaign on the

²⁵⁶ “Hsiung Feng III Supersonic Anti-Ship Cruise Missile” (Republic of China (Taiwan): National Chung-Shan Institute of Science and Technology, March 3, 2020), http://www.ncsist.org.tw/csistdup/products/product.aspx?product_Id=274&catalog=41.

²⁵⁷ Center for Strategic and International Studies, “Missile Defense Project, Missiles of Taiwan”; Duchâtel, “Taiwan: The Security Policy of the Chen Government Since 2000,” 13.

²⁵⁸ Arthur Ding and Paul Huang, “Taiwan’s Paradoxical Perceptions of the Chinese Military: More Capable but Less Threatening?,” ed. Arthur Ding, *China Perspectives*, no. 4 (2011): 48.

island's coastlines.²⁵⁹ Certainly, Taiwan's defense policies under the Ma administration did not completely abandon the offense-oriented operational doctrine introduced during the Chen administration. To achieve "Resolute Defense," for instance, Taiwan's QDR in 2013 promoted the use of "innovative and asymmetrical capabilities targeting the enemy's COG [center of gravity] and critical vulnerabilities to ... block or paralyze enemy attacks."²⁶⁰ As the following sections illustrate, despite the Ma administration's relatively passive defense strategy compared to the offense-based defense under the Chen administration, Taiwan's overall defense posture under the Ma administration also saw continued efforts in expanding its offense-based deterrence against the mainland.

Taiwan's defense procurement activities under the Ma administration surely demonstrated its commitment to establishing a defense-oriented, "Hard ROC" defense posture against the PLA. Taiwan's Air Force in November 2013, for instance, began to operationalize its first batch of U.S. AH-64E "Apache" attack helicopters purchased toward the end of the Chen administration.²⁶¹ Augmenting Taiwan's existing fleet of sixty-three AH-1A Super Cobra attack helicopter, the AH-64Es' survivability in low altitudes and immense lethality against surface units provides Taiwan another layer of coastal defense against a possible amphibious invasion from the mainland.²⁶² To defend against the mainland's ballistic missile threat, Taiwan in 2008 initiated the \$5.91 billion Swift Precision (疾鋒) program to purchase seven additional PATRIOT Advanced Capability-3

²⁵⁹ Ding and Huang, 48.

²⁶⁰ "National Quadrennial Defense Review (2013)" (Taipei, Republic of China (Taiwan): Ministry of National Defense, 2013), 41, [https://www.mnd.gov.tw/PublishForQDR.aspx?a=1&title=軍事刊物&SelectStyle=歷年國防總檢討\(QDR\)](https://www.mnd.gov.tw/PublishForQDR.aspx?a=1&title=軍事刊物&SelectStyle=歷年國防總檢討(QDR)); Cabestan, "Recent Changes in Taiwan's Defense Policy and Taiwan-USA Relations," 345.

²⁶¹ Kan, "Taiwan: Major U.S. Arms Sales Since 1990," 9-10.

²⁶² Mike Yeo, "Taiwan's Apache Guardian Helicopters Reach Major Milestone," *DefenseNews*, July 18, 2018, <https://www.defensenews.com/land/2018/07/18/taiwans-apache-guardian-helicopters-reach-major-milestone/>; William Murray, "Revisiting Taiwan's Defense Strategy," ed. William Murray, *Naval War College Review* 61, no. 3 (2008): 16.

(PAC-3) missile defense systems from the United States.²⁶³ Combined with Taiwan's prior program in 2007 to upgrade its existing three PAC-2 units to PAC-3 specifications, the island is scheduled to obtain a total of ten PAC-3 batteries by 2021, equating to eighty mobile launchers each capable of carrying four longer-range, fragmentation blast-based PAC-2 or sixteen shorter-range, hit-to-kill PAC-3 missiles.²⁶⁴ In addition to PAC-2 and PAC-3 systems, Taiwan in 2014 allocated \$2.5 billion for a nine-year procurement plan of its indigenously developed Tien Kung-3 (天弓, or Sky Bow), the third-generation variant of Taiwan's surface-to-air missile defense system capable of intercepting tactical ballistic missiles and air targets at an effective range of 200 kilometers.²⁶⁵ Taiwan successfully completed Tien Kung-3's operational test and evaluation in 2011 and is scheduled to receive a total of twelve of such systems by 2024, with each system likely consist of eight mobile launchers and each launcher capable of carrying four Tien Kung-3 missiles.²⁶⁶ To deter the mainland in the air domain, the Ma administration successfully reached an agreement with the United States in 2011 to upgrade its existing fleet of aging F-16A/B fighter aircraft acquired in 1992. By August 2011, the Legislative Yuan authorized the \$3.8 billion Phoenix Rising (鳳展) program to incrementally upgrade all of Taiwan's 142 F-16A/B aircraft to the more advanced, "Viper" variant of the F-16 by 2023.²⁶⁷ Equipped

²⁶³ Kan, "Taiwan: Major U.S. Arms Sales Since 1990," 17-18; 洪哲政, "長達 12 年的愛三採購將結案 美在我選前大舉加價 [The End of the 12-Year Patriot III Procurement Program; U.S. to Raise the Program Cost Ahead of Taiwan Elections]," *United Daily News*, December 8, 2019, <https://udn.com/news/story/10930/4213163>.

²⁶⁴ 洪哲政, "長達 12 年的愛三採購將結案 美在我選前大舉加價 [The End of the 12-Year Patriot III Procurement Program; U.S. to Raise the Program Cost Ahead of Taiwan Elections]"; Ed Ross, "Taiwan's Ballistic-Missile Deterrence and Defense Capabilities," *China Brief* 11, no. 3 (February 10, 2011), <https://jamestown.org/program/taiwans-ballistic-missile-deterrence-and-defense-capabilities/>.

²⁶⁵ Cabestan, "Recent Changes in Taiwan's Defense Policy and Taiwan-USA Relations"; Missile Defense Advocacy Alliance, "Tien-Kung (Sky Bow)" (Alexandria, VA: Missile Defense Advocacy Alliance, July 18, 2018), <https://missiledefenseadvocacy.org/defense-systems/tien-kung-sky-bow/>.

²⁶⁶ 張國威, "國防自主 弓三、雄三零件多自製 [Self-Reliant National Defense: Domestic Production of TK-III and HF-III Replacement Parts]," *China Times*, December 3, 2014, <https://www.chinatimes.com/newspapers/20141203000862-260309?chdtv>; "TK III Surface to Air Missile" (Republic of China (Taiwan): National Chung-Shan Institute of Science and Technology), accessed April 3, 2020, http://www.ncsist.org.tw/eng/csistdup/products/product.aspx?product_Id=282&catalog=41.

²⁶⁷ Lawrence and Morrison, *Taiwan: Issues for Congress*, 76; 程嘉文, "先忙「勇鷹」? F-16 升級嚴重延宕 四分之一躺在廠房 [Prioritizing towards Brave Eagle Jet Trainer Program? Major Delays in F-16 Upgrade Program, One-Fourth of the Fleet Remain Grounded]," *World Journal*, October 16, 2019, <https://www.worldjournal.com/6565671/article-先忙「勇鷹」? f-16 升級嚴重延宕-四分之一躺在廠房/>.

with an Active Electronically Scanned Array radar system and the ability to engage targets at ninety degrees off its “boresight,” the newly upgraded F-16V will have improved combat engagement range, lethality, and survivability against Chinese air assets.²⁶⁸

While the acquisition of attack helicopters, advanced fighters, and missile defense systems aligned with the defense-oriented, “Hard ROC” strategy, the Ma administration also continued to build upon the offense-based defense capabilities introduced during the Chen administration. Taiwan’s Naval Shipbuilding Center in 2012, for instance, began construction of its first-ever, 500-ton Tuo Jiang-class (沱江, or Tuo River) stealth missile corvette.²⁶⁹ Utilizing its reduced radar cross-section design, 45-knot top speed, and onboard weaponry such as the II and III-variant of the Hsiung Feng ASCMs, the Tuo Jiang corvette augments Taiwan’s fleet of Kidd-class destroyers and frigates to provide an effective asymmetrical and cost-effective counter to the PLA’s naval and amphibious invasion threat.²⁷⁰ In 2013, Taiwan began prototyping efforts to integrate Hsiung Feng III, a sea-launched ASCM, with mobile, land-based launchers in efforts to expand on its ability to conduct anti-ship operation and mitigate against the PLA’s precision strike capabilities.²⁷¹ Additionally, Taiwan in January 2014 introduced the Wan Chien (萬劍, or Ten-thousand Swords) air-launched cruise missile for its fleet of 127 F-CK-1 Indigenous Defense Fighters.²⁷² With a range of 200 kilometers, the Wan Chien is a GPS-guided cluster-bomb that adds another delivery method for Taiwan to conduct precision strikes

²⁶⁸ Minnie Chan and Lawrence Chung, “American Viper Jets a Boost to Taiwan’s Defenses ‘but No Game Changer’ with China,” *South China Morning Post*, August 19, 2019, <https://www.scmp.com/news/china/military/article/3023466/american-viper-jets-boost-taiwans-defences-no-game-changer>; Sebastien Roblin, “Taiwan Wants American F-16V Fighters but Will Washington Sell Them?,” *The National Interest*, November 12, 2019, <https://nationalinterest.org/blog/buzz/taiwan-wants-american-f-16v-fighters-will-washington-sell-them-95111>.

²⁶⁹ “Hsun Hai (Swift Sea) Tuo Jiang - Missile Corvette” (VA: GlobalSecurity.org), accessed January 23, 2020, <https://www.globalsecurity.org/military/world/taiwan/tuo-jiang.htm>.

²⁷⁰ *Carrier Killer: Taiwan’s Tuo Jiang-Class Missile Corvette* (UK: Jane’s International Defence Review), accessed January 23, 2020, https://www.janes.com/images/assets/163/66163/Carrier_killer_Taiwans_Tuo_Jiang-class_missile_corvette.pdf.

²⁷¹ Cabestan, “Recent Changes in Taiwan’s Defense Policy and Taiwan-USA Relations,” 347.

²⁷² Cabestan, 347.

against key coastal military infrastructure in the mainland such as airstrips, radar sites, and missile systems.²⁷³ Perhaps the most offense-oriented weapons development activities under the Ma administration is the Yun Feng (雲峰, or Snow Peak) surface-to-surface supersonic cruise missile. As a classified missile program that began shortly after the Taiwan Strait Crisis in 1995-1996, Taiwan continued the development efforts of the Yun Feng missile program throughout each administration and, according to news media reports, officially completed its operational test and evaluation in 2014.²⁷⁴ The Yun Feng missile, with a reported effective range of 1,200 kilometers, provides Taiwan a far-reaching, offense-based capability that directly contributes to the island's deterrence-based defense strategy against the mainland.²⁷⁵

E. TSAI ING-WEN ADMINISTRATION'S MULTI-DOMAIN DETERRENCE

In the current Tsai Ing-wen administration, Taiwan continued to refine its deterrence-based defense strategy against the PLA, with an added emphasis on the development of asymmetric warfare capabilities and reliance on its domestic defense industry. Taiwan's *2017 Quadrennial Defense Review* (QDR) redefined its overall defense strategy as "Resolute Defense, Multi-domain Deterrence." However, the core of its defense strategy remained the same as previous administrations—to deter the PLA and should deterrence fail, utilize its geographic advantage and existing military capabilities to "resist the enemy on the other shore, attack the enemy on the sea, destroy the enemy in the littoral area, and annihilate the enemy on the beachhead."²⁷⁶ The revised "Multi-domain Deterrence," as revealed from Taiwan's official defense publications, reflected its prioritization toward joint operations and the capacity to synergize its defense capabilities

²⁷³ Cabestan, 347.

²⁷⁴ 朱明, "【獨家】中科院「擎天計畫室」成立 啟動射程 1500 公里雲峰中程飛彈量產 [Exclusive: NCSIST Establishes the Optimus Program Office, Initiates Mass Production of the YF-Class Medium Range Missile with an Effective Range of 1500 Kilometers]"; Center for Strategic and International Studies, "Missile Defense Project, Missiles of Taiwan."

²⁷⁵ Center for Strategic and International Studies, "Missile Defense Project, Missiles of Taiwan."

²⁷⁶ *National Quadrennial Defense Review (2017)* (Taipei, Republic of China (Taiwan): Ministry of National Defense, 2017), 39, [https://www.mnd.gov.tw/PublishForQDR.aspx?a=1&title=軍事刊物&SelectStyle=歷年國防總檢討\(QDR\)](https://www.mnd.gov.tw/PublishForQDR.aspx?a=1&title=軍事刊物&SelectStyle=歷年國防總檢討(QDR);); Ministry of National Defense, *National Defense Report (2017)*, 65-67.

across the land, sea, and air domains in order to “create multiple dilemmas for the [PLA], thus deterring it from imprudently starting a war.”²⁷⁷

In addition to a new focus toward building up a layered defense and deterrence across the three major battle domains, Taiwan’s defense strategy under the Tsai administration redirected its focus toward asymmetric warfare as a means to mitigate the security risks imposed by the PLA’s military superiority and quantitative advantages. Taiwan’s *2019 National Defense Report*, for instance, officially adopted the Overall Defense Concept (ODC) as its central defense guideline. Introduced in 2017 by Taiwan’s then Chief of General Staff, Admiral Lee Hsi-ming, the ODC is an over-arching defense framework that “seek [ed] to emphasize the development of asymmetric capabilities and tactics to capitalize on Taiwan’s defensive advantages, enhance resilience, and exploit the PLA’s weaknesses.”²⁷⁸ While specifics of the ODC are not readily available for public access, current published information on ODC suggests Taiwan’s defense strategy centered on adopting asymmetric and cost-effective means such as counter precision strikes and sea-denial tactics to complicate PLA’s invasion planning, raise its cost of a cross-strait armed conflict, and ultimately strengthen Taiwan’s deterrence-based defense posture vis-à-vis the mainland.²⁷⁹

In order to advance its asymmetric capabilities while confronting its political and financial barriers in acquiring foreign weapon systems, Taiwan under the Tsai administration also sought to further develop and capitalize on its existing aerospace, shipbuilding, and information security industries in order to establish a “self-reliant”

²⁷⁷ Ministry of National Defense, *National Defense Report (2017)*, 67.

²⁷⁸ Michael Mazza, *Taiwan’s High-End and Low-End Defense Capabilities Balance* (Washington, DC: Global Taiwan Institute, 2019), <http://globaltaiwan.org/wp-content/uploads/2020/03/4.20-PDF-GTB.pdf>; *2019 Report to Congress* (Washington, DC: US-China Economic and Security Review Commission, 2019), 456, <https://www.uscc.gov/annual-report/2019-annual-report>.

²⁷⁹ Drew Thompson, “Hope on the Horizon: Taiwan’s Radical New Defense Concept,” *War on the Rocks* (blog), October 2, 2018, <https://warontherocks.com/2018/10/hope-on-the-horizon-taiwans-radical-new-defense-concept/>; US-China Economic and Security Review Commission, *2019 Report to Congress*, 456.

defense industry.²⁸⁰ In June 2019, Taiwan enacted the National Defense Industry Development Act to expand its domestic defense sector. The law aims to facilitate public-private partnerships by establishing formal mechanisms for Taiwan's existing robust industrial base to become certified suppliers to assist with the development and production of the island's various domestic defense programs.²⁸¹

As the following section show, Taiwan's defense procurement activities indeed demonstrated a clear shift of focus toward asymmetric warfare and its domestic defense industry. The Tsai administration, for instance, announced in 2016 a comprehensive national shipbuilding program (國艦國造) that encompasses seven indigenous naval projects with a reported total value of \$4.6 billion, or nearly half of Taiwan's annual defense budget, to acquire 71 naval ships by 2029.²⁸² Several of these new domestic naval programs resemble Taiwan's shift toward asymmetric warfare. To improve its asymmetric stance and sea denial capabilities, for example, Taiwan in 2017 reportedly funded \$1.8 billion across the period of eight years to construct eleven additional Tuo Jiang-class "carrier killer" stealth corvettes and four highspeed minelayer patrol vessels to provide a cost-effective deterrence against the PLA.²⁸³ In addition, Taiwan's Ministry of Defense in its 2019 defense budget allocated an eleven-year, \$1.05 billion program to domestically procure sixty micro-class (40 to 50 tons in displacement) missile boats. Augmenting with Taiwan's existing fleet of 31 Kuang Hua VI-class fast attack missile boats, each armed with Taiwan's domestic Hisung Feng-class ASCMs, Taiwan's projected fleet of missile

²⁸⁰ Derek Grossman and Michael Chase, "Taiwan's 2017 Quadrennial Defense Review in Context," *RAND Corporation* (blog), June 14, 2017, <https://www.rand.org/blog/2017/06/taiwans-2017-quadrennial-defense-review-in-context.html>.

²⁸¹ 王揚宇, "國防自主邁大步 國防產業發展條例三讀通過 [Self-Reliant National Defense: The National Defense Industry Development Act Passes All Three Legislation Reviews]," *Central News Agency*, May 31, 2019, <https://www.cna.com.tw/news/aip/201905310240.aspx>.

²⁸² 涂鉅旻, "國艦國造 軍方投入 1368 億餘元 2029 年造 71 新艦 [National Shipbuilding Program: Ministry of Defense to Allocate \$136.8B NT for the Construction of 71 Ships by 2029]," *National Defense Report* (2019) (Taipei, Republic of China (Taiwan): Ministry of National Defense, 2019), 107, <https://www.mnd.gov.tw/PublishForReport.aspx?a=1&title=軍事刊物&SelectStyle=歷年國防報告書專區>.

²⁸³ Wendell Minnick, "Taiwan Moves on \$14.7B Indigenous Shipbuilding, Upgrade Projects," *DefenseNews*, June 23, 2016, <https://www.defensenews.com/naval/2016/06/23/taiwan-moves-on-14-7b-indigenous-shipbuilding-upgrade-projects/>.

launch capable naval platforms are postured to vastly improve its capacity to conduct anti-access and area denial operations and raise the cost of invasion for the mainland.²⁸⁴ In the underwater domain, Taiwan, in December 2017, also committed \$1.6 billion toward the initial design phase of its Indigenous Defense Submarine program.²⁸⁵ This eight-year program aims to domestically design and produce eight diesel-electric submarines to enhance the island's undersea warfare capabilities and its ability to deter against the PLA's amphibious and naval blockade operations.²⁸⁶

Taiwan's successful development of cruise missiles in 2008 allowed the island to pursue a cost-effective method to bolster its deterrence against the mainland, as such weapons can inflict precision strikes against PLA's critical infrastructure during times of conflict and are technologically costly to defend.²⁸⁷ During the Tsai administration, Taiwan saw continued efforts to expand its precision strike capability. The 600-kilometer range Hsiung Feng IIE surface-to-surface cruise missile program, for instance, is scheduled to complete the mass production of 240 missiles by the end of 2020. The latest newsmedia also indicated that Taiwan's NCSIST was able to expand the effective range of the Hsiung Feng IIE to more than one thousand kilometers through incremental technological improvement and weight-saving modifications implemented during the production process, and is scheduled to initiate production on the extended-range variant of the Hsiung Feng IIE in 2021.²⁸⁸ In August 2019, the NCSIST established the Optimus Program Office

²⁸⁴ 紀永添, "從微型飛彈突擊艇看台灣的刺蝟戰術 [Exploring Taiwan's Porcupine Strategy through Micro-Class Missile Boats]," *Up Media*, January 18, 2019, https://www.upmedia.mg/news_info.php?SerialNo=55900.

²⁸⁵ Taylor, "A Complex Balance of Power," 46.

²⁸⁶ Yawen Tsao, "Taiwan's Difficult-Yet-Viable Indigenous Submarine Project Needs Cross-Party Support," *The Diplomat* (blog), November 20, 2019, <https://thediplomat.com/2019/11/taiwans-difficult-yet-viable-indigenous-submarine-project-needs-cross-party-support/>; Thompson, "Hope on the Horizon: Taiwan's Radical New Defense Concept."

²⁸⁷ Michael Mazza, *Taiwanese Hard Power: Between a ROC and a Hard Place*, National Security Outlook (Washington, DC: American Enterprise Institute for Public Policy Research, 2014), 7, https://www.aei.org/wp-content/uploads/2014/04/-taiwanese-hard-power-between-a-roc-and-a-hard-place_092826925958.pdf.

²⁸⁸ 朱明, "雄二 E 巡弋飛彈完成 240 多枚量產佈署 下半年將首度實彈射擊驗證 [Initial Deployment Planning of 240 HF-IIE Cruise Missiles Completes, Live-Fire Testing to Commence by Year End]," *Up Media*, July 25, 2019, https://www.upmedia.mg/news_info.php?SerialNo=67949.

(擎天計畫室) to oversee the initial production of twenty Yun Feng-class surface-to-surface cruise missiles and ten accompanying mobile launchers, with reports of a two-thousand-kilometer range variant of the Yun Feng cruise missile currently in development.²⁸⁹ Under the Coiling Dragon program (磐龍專案), Taiwan since 2016 has reportedly begun development and testing efforts to double the Hsiung Feng III's effective range to three hundred kilometers and is scheduled to begin production on the extended-range variant of the ASCM in 2021.²⁹⁰ Other missile development efforts include the Hai Kung-III (海弓, or Sea Bow), which is a modified Tien Kung-III air defense system adapted for naval platforms, and a missile upgrade program to improve the lethality and accuracy of Taiwan's 500-kilometer Tien Chien-IIB (天劍, or Sky Sword) surface-to-surface cruise missile.²⁹¹

F. SUMMARY

From a military security perspective, Taiwan demonstrated a persistent effort on its national defense, primarily focusing on deterring and resisting possible acts of aggression from the PLA, which it considers as its primary security threat. Despite administration changes between the DPP and the KMT parties, this chapter demonstrated Taiwan's steadfast implementation of various defense policies and initiatives to mitigate the security risk from the mainland. While the core of Taiwan's defense centered on deterring an armed conflict with the mainland, Taiwan, as this chapter has shown, continued to iteratively

²⁸⁹ 朱明, “【獨家】中科院「擎天計畫室」成立 啟動射程 1500 公里雲峰中程飛彈量產 [Exclusive: NCSIST Establishes the Optimus Program Office, Initiates Mass Production of the YF-Class Medium Range Missile with an Effective Range of 1500 Kilometers]”; 朱明, “【獨家】「麒麟專案」升級「雲峰」中程飛彈 射程達 2000 公里直搗北京 [Exclusive: Project Qilin to Upgrade YF Medium-Range Missile with a Beijing-Reaching Effective Range of 2,000 Kilometers],” *Up Media*, January 24, 2018, https://www.upmedia.mg/news_info.php?SerialNo=34007.

²⁹⁰ 朱明, “2021 年雄三增程型超音速反艦飛彈量產及部署 射程北到中國浙江、南到廣東外海 [The Supersonic HF-III Extended Range to Enter Mass Production and Deployment in 2021 with an Effective Range Covering from Zhejiang to Guangdong],” *Up Media*, December 28, 2019, https://www.upmedia.mg/news_info.php?SerialNo=78346.

²⁹¹ 朱明, “【獨家】天弓二 B 短程地對地飛彈性能提升 中科院啟動代號「天鵝計畫」 [Exclusive: TK-IIB Short-Range Surface-to-Air Missile Capability Upgrade],” March 6, 2019, https://www.upmedia.mg/news_info.php?SerialNo=58713; 程嘉文, “嚴德發：海弓三飛彈 明年初高雄艦試射 [Defense Minister Yen Teh-Fa: Sea-Variant TK-III to Enter Initial Testing on ROCS Kao Hsiung Early Next Year],” *United Daily News*, September 25, 2019, <https://udn.com/news/story/10930/4067475>.

refine its defense strategies across the Chen, Ma, and Tsai administrations to achieve its national defense objectives. During the Chen administration, for instance, Taiwan began to adopt an offense-based deterrence strategy by developing its own precision strike capabilities, allowing the island to engage the mainland away from the island during an armed conflict. While the Ma administration's "Hard ROC" defense strategy was relatively more defense-focused in principle, Taiwan continued to expand its offense-based capabilities, demonstrating minimal deviation from the Chen administration's overall defense approach vis-à-vis the mainland. Taiwan's defense under the Tsai administration saw continued efforts to bolster its deterrence stance vis-à-vis the mainland, with a renewed focus toward asymmetric warfare and reliance on its domestic defense industry, as witnessed by the development of the Overall Defense Concept and the introduction of series of domestic weapons programs to improve its overall security posture against the militarily superior mainland.

V. CONCLUSION

The primary purpose of this thesis was to evaluate the impact of various driving factors on Taiwan's relations with the PRC in the past two decades. Specifically, this thesis seeks to answer how has Taiwan's national identity, its economic relations with the mainland, and its national defense considerations impacted its overall policy toward the mainland. In analyzing the role of national identity, cross-strait economic relations, and the impact of Taiwan's national security, this thesis has found that Taiwan's national security demonstrated a substantial degree of restraint on its political elites from both the KMT and the DPP. The political will of the people in maintaining the existing cross-strait status quo vis-à-vis the mainland has shown to curtail Chen Shui-bian's excessively provocative cross-strait policies and, likewise, withheld the Ma Ying-jeou administration from stepping over bounds with its economic policies deemed by the public as overly Beijing-leaning. Additionally, in the Tsai administration, Taiwan's national identity demonstrated its potential to be influenced by external events pertaining to its political future, prompting a new facet of national identity to develop based on anti-China sentiments, which directly contributed to Tsai's successful reelection in January 2020 and may provide useful data points to analyze the future development of cross-strait relations.

From an economics perspective, this thesis has found that not only has Taiwan inclined to adopt closer economic ties with the mainland throughout both the Chen and Ma administrations, but it has also done from the standpoint of addressing its economic challenges such as the island's stagnating economy and the gradual decline of its competitiveness in the global market. Though Taiwan has not taken on additional steps to integrate economically with the mainland during the Tsai administration, the administration's continuation of all existing economic relations with the mainland was an implicit approval of the Ma administration's economic policies. Though again, out of consideration of its economic interests, Taiwan under the Tsai administration has sought to expand itself economically through the New Southbound Policy as a means to avoid becoming over-reliant on the mainland's economy.

Finally, in analyzing Taiwan's defense policies and activities, this thesis found that Taiwan, throughout all three administrations, has consistently dedicated a considerable amount of resources toward its national defense. Despite administration changes between the KMT and the DPP, Taiwan has demonstrated a constant and collective effort in refining its overall defense strategy, while bolstering itself with a series of asymmetric defense capabilities to effectively deter and defend against the security risks posed by the militarily superior PLA.

A. IMPACTS TO TAIWAN'S RELATIONS WITH THE MAINLAND

1. The Chen Shui-bian Administration (2000-2008)

A large percentage of the Taiwanese public increasingly self-identified as solely Taiwanese or both Chinese and Taiwanese at the beginning of the Chen Shui-bian administration, though such identification based on ethnic background alone did not equate to support for de jure independence for Taiwan. The predominant Taiwanese population wished to maintain the political status quo vis-à-vis Beijing, signifying their clear understanding that trespassing over the mainland's political redlines regarding its One China Policy would likely result in a full-fledged armed conflict with the PLA. Thus, proceeding into the second term of the Chen administration, the people began to distance themselves from the administration's overly provocative domestic policies that could have had drastic impacts on cross-strait relations. For instance, when the DPP adopted a firm stance toward independence during the 2004 legislative election, evidenced by the party's announcement of its plans to terminate the existing constitution under the ROC framework and to establish a new constitution through a referendum, the public swayed their support to the KMT. Similarly, when the administration proceeded to take on an even more radical stance toward independence by holding a referendum to petition for entry into the United Nations under the name of "Taiwan," it only received 35% of the voter turnout from the electorate and was deemed invalid due to not meeting the referendum's 50% minimal voter turnout requirement.

While the majority of the Taiwanese population identified themselves as more Taiwanese than Chinese, this had minimal effect on the island's perceptions toward

establishing closer economic ties with the mainland. Taiwanese firms, for instance, were increasingly incentivized to transfer portions of their production operations to the mainland in order to maintain their profit margin as they begin to face domestic economic barriers such as the rise of labor cost and increased environmental restrictions. As a result, the Taiwanese business sector increasingly demanded domestic policies that could liberalize cross-strait economic ties. Liberalization of economic restrictions with the mainland became a salient topic in Taiwan's domestic politics; in both the 2004 and 2008 presidential elections, for instance, both parties supported a more open cross-strait economic policy, reflecting the overall public preference for closer cross-strait economic ties. In policy-making, the Chen administration, despite its intentions to separate itself politically from the mainland, responded to the demands of the business sector and adopted the "active opening, effective management" policy to facilitate cross-strait trade and encourage Taiwanese firms to invest in the mainland, paving the path for tremendous growth in both cross-strait trade and Taiwan's foreign direct investments in the mainland.

From a national security standpoint, Taiwan has always considered the PLA as its top security threat and has focused on deterrence, rather than head-to-head confrontation, to achieve its objectives in national defense. It was during the Chen administration, however, that Taiwan began to adopt an offense-based, rather than purely defense-based, deterrence strategy against the PLA collectively known as "Effective Deterrence, Resolute Defense." This new defense strategy aimed to utilize its offensive capabilities to engage in decisive battles away from the main island of Taiwan. As a result of this overall strategic guidance, Taiwan during the Chen administration sought on multiple avenues to improve its naval and precision strike capabilities, this included, but was not limited to, the procurement of Kidd-class destroyers, Po Sheng command and control system, and the development of offensive-strike weapons such as the Hsiung Feng class anti-ship cruise missiles and ground-launched cruise missiles.

2. The Ma Ying-jeou Administration (2008-2016)

As witnessed in the Ma administration, the Taiwanese public also illustrated an aspect of tolerance regarding their political preferences on cross-strait relations. For

instance, when the Ma administration upheld the “1992 Consensus” as “One China, Respective Interpretations” in order to mediate its relations with Beijing, such an approach, despite its apparent appeasement toward Beijing, was deemed acceptable because of its implied commitment on maintaining the ROC’s existing state sovereignty. On the other hand, when the Ma administration overstepped its bounds by not following proper legislative review process on the Cross-strait Service Trade Agreement, it sparked the widespread Sunflower Movement. Such a reaction showcased the public’s pushback against the government’s disregard of Taiwan’s democratic values and to what they perceived, mistakenly or not, as the government’s attempt to gradually strongarm the island into submission into unifying with the mainland. Therefore, whether the Taiwanese government is gradually taking steps toward *de jure* independence or initiating incremental phases toward unification, the Taiwanese public’s strong preference for maintaining the status quo vis-à-vis the mainland had profound moderating effects on the government’s approach on cross-strait relations.

From an economics standpoint, this thesis has found that the Ma administration implemented policies to align itself closer to the mainland to address its economic challenges, such as the island’s stagnating economy and more concerningly, the risk of its economy becoming marginalized in the global market. In other words, the administration’s approach and the policies it enacted on its economy were driven by its national interest of maintaining economic stability, rather than a perceived long-term political agenda of pursuing unification with the mainland. The administration, for instance, considered opening its economy to the mainland as an essential first step that would maximize the prospects of establishing formal trade agreements with other major economic powers, in which the lack of ability to do so has gradually discounted Taiwan’s economic competitiveness against its neighboring peers in the Asia Pacific. Moreover, similar to the Chen administration, Taiwan’s robust national identity did not prevent itself from acknowledging the economic incentives of the mainland and, conversely, understanding the severe consequences from distancing itself economically from the mainland, paving the path for the opening of the “three direct links,” a series of twenty-three various cross-strait agreements, and culminating in the establishment of ECFA with the mainland.

While the Ma administration focused on aligning itself economically with the mainland, from the standpoint of national security, the island continued to allocate its resources toward national defense. From its procurement and weapons development activities, Taiwan during the Ma administration has steadily allocated funding toward more defense-based weapon systems like the PATRIOT missile defense systems and other defense-based assets such as the P-3C anti-submarine aircraft and the block upgrade of its aging fleet of F-16A/B fighter aircraft. Although its official defense strategy of establishing a “Hard ROC” was focused on acquiring defensive capabilities, Taiwan under the Ma administration nonetheless continued to develop offensive capabilities in an effort to expand its deterrence capacity vis-à-vis the mainland. For instance, the administration in its annual defense reports in 2013 began to reveal early signs of its defense strategy shift toward adopting asymmetric capabilities as a means to deter the PLA. And as this thesis has shown, Taiwan under the Ma administration indeed pursued the procurement and development of offensive strike capabilities to achieve its defense objectives through asymmetric means, such as the development of the Tuo River-class stealth corvette, prototyping efforts to integrate the sea-launched Hsiung Feng-III ASCMs with mobile, ground launchers, and the continuation on the development of the then-highly classified, Yun Feng-class medium-range cruise missile.

3. The Tsai Ing-wen Administration (2016-Present)

In examining Taiwan’s relations with the mainland during the Tsai administration, the core of Taiwan’s national identity, based on strong political preference to uphold the status quo, has indeed influenced the administration to initially adopt a more centrist stance on cross-strait policies. Tsai’s carefully crafted inaugural speech in 2016, for instance, reflected her firm stance on maintaining Taiwan’s existing relationship with the mainland, which implicitly signaled her opposition toward Taiwan’s *de jure* independence. In reviewing Taiwan’s latest presidential election campaigns, this thesis has also discovered the Taiwan public’s susceptibility to external events, such as Beijing’s assertive political demands for unification and the recent Hong Kong democracy protests, which in turn have consolidated its preexisting distrust toward the mainland into a new facet of its national identity based on anti-China sentiments. As evidenced from Tsai’s firm rebuttal in January

2019 against Beijing's demands for Taiwan's acceptance of Beijing's "1992 Consensus" and eventual unification under "One Country, Two Systems," for instance, her actions resonated with and was widely accepted by the majority of the people. The events of Hong Kong's anti-extradition protests, combined with media coverage on CCP's alleged tampering with the island's politics, and the perception of Han Kuo-yu as Beijing's preferred candidate, further instigated the public to rally in support toward the DPP in efforts to address their internal insecurities about Taiwan's political future and confront their growing mistrust toward the mainland.

For the DPP administration, safeguarding ROC's sovereignty did not require the island to sever economic relations with the mainland. Even as the public increasingly developed anti-China sentiments, the public continued to desire to maintain economic ties with the mainland. As a result, Taiwan's economic relations with the mainland continued to flourish, reaching record highs in cross-strait trade value in 2018. Although the administration did not officially endorse the Ma administration's hallmark ECFA, its decision to continue its cross-strait economic relations under ECFA, as well as all preexisting economic agreements with the mainland, was an implicit recognition of the significance for Taiwan to align with the mainland's economy in order to mitigate its economic challenges in the global economy. Moreover, similar to the Ma administration's push for ECFA in hopes of better integrating Taiwan's economy with the rest of the world, Taiwan's economic policies under the Tsai administration was also driven by similar motives. The Tsai administration's implementation of the New Southbound Policy and its active petition to be included in the Trans-Pacific Partnership, for instance, was initiated to lessen its economic dependence on the mainland with the hopes of expanding its international space and economic performance through establishing free trade agreements with other countries.

The PLA's expansion of its military capabilities have continued to serve as the chief security risk for Taiwan and has dictated the island's military relations with the mainland. Taiwan's national defense strategy, likewise, has steadily been refined throughout each administration to mitigate such security risks. In the Tsai administration, Taiwan has formally adopted asymmetric warfare in its newly developed defense doctrine, the Overall

Defense Concept, as a means to contest against a militarily superior PLA. While the past two administrations have indeed relied on Taiwan's domestic defense industry to develop and produce a series of indigenous weapon systems, the Tsai administration saw an increased emphasis on such an approach. Under its national shipbuilding program, for instance, Taiwan is scheduled to produce 71 naval ships, to include a fleet of eight diesel-electric submarines, by 2029 to bolster its defense posture in the sea domain. Additionally, Taiwan has also ramped up acquisition activities in a series of its domestic missile programs to improve the survivability of its precision strike capabilities during times of crisis, ranging from programs extending the effective range of its existing missiles systems to programs responsible for the mass production of its missile inventory and missile delivery mechanisms.

B. THE FUTURE OF TAIWAN'S RELATIONS WITH THE MAINLAND

This thesis has identified a few developing traits and trends that may provide insight into the future of cross-strait relations. First, Taiwan's national identity has shown a degree of restraint against political elites from implementing policies that directly challenge the status quo. This trait has prompted both sides of the political spectrum to adopt more centrist views on cross-strait policies. While the Chen administration overstepped its bounds with its UN referendum proposals, the DPP administration under Tsai proceeded with caution regarding cross-strait policies and have yet to demonstrate any imminent signs of overtly challenging the status quo. The KMT also inadvertently crossed the redline and provoked the public's existing mistrust toward the mainland when the Ma administration attempted to forcefully ratify the Cross-strait Services Trade Agreement, which contributed to its defeat during the 2014 general and 2016 presidential elections. Having witnessed yet another defeat in the 2020 presidential election, the KMT began to adopt a more neutral position regarding cross-strait relations, as evidenced by the party's decision to elect moderate KMT lawmaker Johnny Chiang as its chairperson, who has publicly stated his opposition against the CCP and not the mainland (反共不反中).²⁹²

²⁹² Jo Kim, "Friend or Foe? Beijing Sizes up the KMT's New Chair," *The Diplomat*, March 17, 2020, <https://thediplomat.com/2020/03/friend-or-foe-beijing-sizes-up-the-kmts-new-chair/>.

Second, from an economic standpoint, Taiwan's relations to the mainland have remained relatively stable with no immediate signs that suggest Taiwan is gradually distancing itself from China economically. While the New Southbound Policy has indeed shown positive results, China continues to be Taiwan's top export destination and, in the short term, will continue to remain the island's top trading partner. Third, similar to Taiwan's economic relations with China, Taiwan has consistently invested into its national defense for the sole purpose of deterring and, if needed, to confront in a military conflict against the mainland. Over the three administrations analyzed in this thesis, Taiwan has continued to refine its defense strategy and has successfully acquired, either through foreign military sales or indigenous weapons development, a series of both conventional and asymmetrical defense capabilities to deter and resist against the militarily superior PLA.

In consideration of the aforementioned traits and trends, Taiwan, in the near and medium-term, will most likely continue to distance itself politically with the mainland and will actively assert itself as a *de facto* sovereign state, though not the point of claiming formal independence. Recent events such as Beijing's call for unification under "One Country, Two Systems," the outbreak of Hong Kong's democracy protests, and the negative news coverage on the CCP's alleged political operations on the island, have instigated the public's preexisting mistrust and opposition toward Beijing's political demands. Beijing's recent announcement to challenge Hong Kong's autonomy through the National Security Law suggest that further development regarding this legislation or any other external incidents in the future that bring to question on Taiwan's political future will likely continue to provoke the Taiwan public's growing pessimism toward the mainland. As a result, the electorate of Taiwan will likely become less susceptible to any cross-strait policies that may be perceived as appeasing to the mainland's unification demands, which could cause political parties in Taiwan also to moderate their positions in efforts to solicit public support. Having faced a series of election defeats and recognizing the public's sensitivities toward a Beijing-leaning cross-strait policy, the KMT under Johnny Chiang may seek to adopt a more centrist position on its cross-strait policies to maximize voter support in upcoming elections. In other words, political differences based on cross-strait policy stance in Taiwan could gradually converge in the future, with both parties seeking

to maintain a safe distance politically vis-à-vis Beijing, while party competition gradually transpires into one based on differing domestic social and economic policies instead of being defined by diverging approaches to cross-strait relations.

From an economic perspective, cross-strait economic ties will likely continue to grow, and the mainland in the foreseeable future will continue to be the island's largest export destination. Decision-makers in Taipei, regardless of party affiliation, most likely will not endorse any cross-strait policies that may rescind existing cross-strait agreements such as ECFA with the mainland, as such actions can severely disrupt the ongoing business operations of Taiwanese firms and may severely impact Taiwan's export-dominant economy. Driven by an incentive to expand and safeguard Taiwan's economy, both political parties in Taiwan will likely continue to support the DPP's current New Southbound Policy as a way to reduce its economic dependence on the mainland and to expand its export-oriented economy.

Considering the PLA's omnipresent threat toward Taiwan's national security, the island will continue to exercise vigilance militarily vis-à-vis the mainland. As a result, future administrations, regardless of party affiliation, will most likely continue its current consistency in allocating a sizeable portion of its government budget toward national defense. To balance against the PLA's numerical and technology advantage, Taiwan will almost certainly continue to refine and implement its "Overall Defense Concept," with an increased priority of defense spending in the future dedicated toward asymmetric warfare. Additionally, the Tsai administration's pivot toward its domestic defense industry has demonstrated signs of optimism on the prospects of the island's vision toward the establishment of a self-sufficient defense industry as a means to avoid the political and monetary hurdles associated with procuring foreign military weapons. As the island proceed to prioritize asymmetric warfare in the foreseeable future, it is highly probable for Taiwan to continue to develop new and upgrade existing weapon systems, such as Taiwan's wide-ranging arsenal of missile systems, in order to bolster its deterrence capacity against the PLA.

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