

CROSS-STRAIT CALCULUS:
NAVIGATING TAIWANESE-PRC TENSIONS

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14. ABSTRACT A common narrative increasingly suggests a sense of urgency and inevitability regarding the forcible reunification of Taiwan by the People's Republic of China (PRC). This narrative over-simplifies the PRC's decision-making regarding the use of force to rudimentary arithmetic based on several months' activities. In reality, the PRC's decision-making is more akin to a multi-variable calculus problem based on decades (if not centuries) of complex history. A qualitative examination of historical vignettes reveals four possible PRC responses—armed attack, grey zone attacks (below the level of armed conflict), coercive ("bully") diplomacy, and diplomacy. Moreover, these vignettes suggest militarily, diplomatically, and economically constraining the PRC's relative power as the most effective approach to promote Cross-Strait peace.					
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Introduction

After 70-plus years of (largely) peaceful Cross-Strait relations, recent Chinese "warplanes buzzing [Taiwan's] buffer zone"¹ are generating an insatiable buzz among national defense professionals, academics, and the broader public about the likelihood of reunification by force. The common narrative stresses a growing sense of urgency and inevitability to the issue. In March 2021, Admiral Philip Davidson—America's top military commander in the Indo-Pacific—fused the People's Republic of China's (PRC) air defense identification zone (ADIZ) incursions with increasingly sophisticated and publicized amphibious assault training exercises² to starkly assess "that China will have the ability to successfully invade Taiwan in six years."³ Meanwhile, Dr. Oriana Mastro—a fellow at the Freeman Spogli Institute for International Studies at Stanford University—similarly portends a "palpable shift in Beijing's thinking."⁴ Underscored by a combination of President Xi's rhetoric, military modernization, and PRC public support, she argues that the risk of forcible reunification is greater than ever before. Specifically, she references a recent poll from the PRC's state-run *Global Times* that suggests "70 percent of Mainlanders strongly support unification by force"⁵ with "37 percent think[ing] it would be best ... in [the next] three to five years."⁶ While increasingly vocal, these arguments are simultaneously increasingly hollow. Rooted in anchoring and confirmation biases, these arguments over-simplify the PRC's decision to use force to rudimentary arithmetic based on several months' activities. In reality, the PRC's decision-making is more akin to a multi-variable calculus problem based on decades (if not centuries) of complex history.

The PRC's reunification calculus problem is an intersection between two competing and oscillating variables: (1) the PRC's perception of Taiwan's separatist tendencies and (2) the PRC's assessment of its relative power, both regionally and globally. When viewed in concert,

the intersection of these variables highlights four possible PRC responses—armed attack, grey zone attacks (below the level of armed conflict), coercive ("bully") diplomacy, and diplomacy.

Shown in Figure 1 is a visualization of these dynamics overlaid with historical examples.

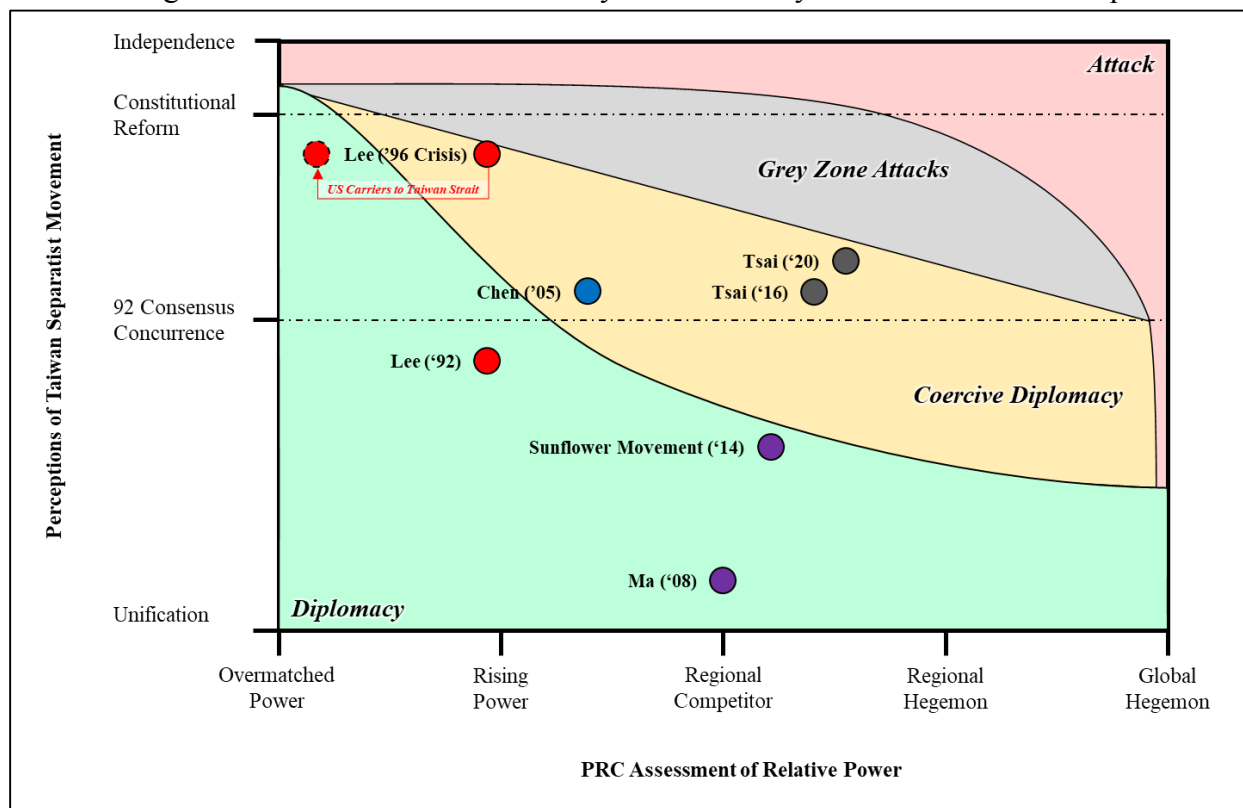


Figure 1. Visualizing the PRC's Cross-Strait Calculus: The intersection of PRC perceptions of Taiwanese "separatism" and the PRC's assessment of its relative power historically dictate their response method in Cross-Strait relations.

Although not rigidly defined, the PRC's assessment of its relative power within this construct better represents the independent variable or the factor most susceptible to manipulation. Thus, the United States (US), in conjunction with its Allies and Partners, must focus efforts across "all the instruments of national power"⁷ to constrain the PRC's relative power assessment and maintain peaceful Cross-Strait relations. Towards this end, militarily, the US must present a credible deterrent force to the PRC—both in its own posture and support for Taiwan's military capabilities. Second, diplomatically, the US must prioritize multi-lateral engagements to strengthen the Pacific coalition. Finally, economically, the US must combine

targeted decoupling from the PRC with increased foreign investments to simultaneously build resilience at home while pressuring the PRC's increasingly burdened economy.

Historical Applications of the Model

While admittedly not a quantitative model, the qualitative framework shown in Figure 1 inductively explains the PRC's Cross-Strait engagements across each of Taiwan's administrations since its democratization in the early 1990s. Working chronologically, Lee Teng-hui's administration (1992-2000, indicated in red) provides three crucial insights. First, despite an inherent distrust of Lee as the first Taiwanese-born President, his establishment of the National Unification Guidelines and acceptance of the 1992 Consensus established an unofficial, non-diplomatic *modus vivendi*—an avenue for bilateral engagement not previously possible—at the outset of his tenure. This dynamic changed in 1995. The PRC perceived Lee's speech at Cornell combined with the first direct presidential election "as a turning point in his decade-long mission pursuing 'creeping independence' for Taiwan."⁸ As a result, the PRC markedly escalated military shows of force to include missile testing in the East China Sea. Despite the PRC's fledgling relative power, this escalation highlights the potency of either variable to threaten Cross-Strait peace. Finally, and most powerfully, America's projection of two aircraft carriers to the region strategically signaled limits to the PRC for their aggression. This effective neutralization of the PRC's perceived power illustrates, in microcosm, a methodology of maintaining peace through PRC containment.

Cross-Strait relations during Chen Shui-bian's administration (2000-2008, indicated in blue) demonstrate the importance of the 1992 Consensus as a benchmark for the PRC's perceptions of Taiwanese separatism and a (re)introduction of coercive diplomacy. Chen, a member of the Democratic Progressive Party (DPP), "[did] not even want to recognize the

existence of the '1992 Consensus'.⁹ The PRC perceived Chen's lack of recognition as indicating a "hidden agenda of pushing for *de jure* independence."¹⁰ Combined with the PRC's limited relative power, this perception drove the PRC into the coercive diplomacy response range. This coercive diplomacy took two forms. First, the PRC passed the Anti-Secession Law in March 2005, threatening the use of non-peaceful means to resolve any Taiwanese attempts at independence under any name or by any means.¹¹ Second, the PRC initiated a policy of asymmetric engagement where they refused any direct diplomatic contact with the DPP. In this instance, the limits to the PRC's relative power still greatly constrained its options in responding to a perceived separatist threat.

Ma Ying-Jeou's administration (2008-2016, indicated in purple) reveals how shifts in the model's variables affect diplomacy even under tenuous conditions. During Ma's tenure, the PRC began to realize significant improvements in economic and military strength. Despite these gains, the PRC's Cross-Strait interactions remained diplomatic due to Ma's acceptance of the 1992 Consensus and emphasis on Cross-Strait economic and social integration. For illustration, during Ma's Presidency, the SEF and ARATS met a total of 11 times—as compared to zero under Chen. Most notable during this era is the PRC's response to the 2014 Sunflower Movement. Despite the Movement's objection to Cross-Strait ties, the PRC's faith in Ma stymied any PRC escalations to coercive diplomacy (or beyond).

Finally, the PRC's handling of the Tsai administration (2016-Present, indicated in gray) demonstrates the danger associated with the PRC's growing relative power. On the one hand, the Tsai administration is reminiscent of the Chen era due to her refusal to recognize the 1992 Consensus. On the other hand, when combined with the PRC's growing relative power—militarily *and* economically—one observes a PRC posture that appears much closer to the upper

bound of coercive diplomacy than was ever the case under Chen. While stopping short of grey zone attacks, the increased frequency and scale of ADIZ incursions, “the highest in nearly 25 years,”¹² illustrate this comparative escalation.

Leveraging the Model for Future Peace

The model's power is not in its historical explanatory nature; instead, in its utility to generate insights into maintaining future Cross-Strait peace. As Taiwan matures as a democracy, efforts to influence the ebbs and flows of separatism are increasingly challenging. Gone are the days where the US President could call Chiang Kai-shek to influence (or compel) restraint. Instead, Cross-Strait peace relies increasingly on constraining the PRC's relative power. Successfully constraining PRC relative power across military, diplomatic, and economic realms encourages peace by increasing the costs associated with forcible reunification. Considered more practically, just as the US “drove the dot to the left” in 1996, how can the international community similarly check Chinese power and drive future dots to the left... towards peace.

Militarily, the international community must seek to constrain the PRC's relative power by presenting a credible deterrent force capable of exacting an unacceptable cost should the PRC choose war. This credible deterrent requires a two-pronged approach. First and closest to the issue, Taiwan must bolster its organic defensive capabilities. This initiative is not just about expensive equipment; it is about establishing a mindset of preparedness. While America continued foreign military sales to Taiwan, their Armed Forces simultaneously decreased from nearly 400,000 to approximately 140,000 service members.¹³ However, President Tsai announced in October 2021 that Taiwan “will launch that All-Out Defense Mobilization Agency in 2022 ... intended to ensure... a well-trained and well-equipped military reserve force.”¹⁴ May 2021 polling suggests the Taiwanese public may be ready for this transformation. Of 1,000

respondents, 79 percent “recognized that the frequency of Chinese military action aimed at Taiwan had increased over the past six months”¹⁵ with “57 percent ... worry[ing] that war is a distinct possibility.”¹⁶ Taken to its completion, such an initiative could contribute to constraining PRC relative power assessments by increasing initial defensive capabilities and increasing the likelihood of an armed Taiwanese insurgency.

Simultaneously, the US must improve its Pacific military capabilities as well. As early as 2019, Admiral Davidson declared, “[the US] had lost a quantitative advantage, and our qualitative advantage was shrinking”¹⁷ vis-à-vis the PRC. Seth Cropsey, Director of the Hudson Institute’s Center for American Seapower, seconds this notion asserting that “the US is in a strategic bind.”¹⁸ He paints a grim picture of warfare with the PRC, portending: “American planners would have to choose between deploying a carrier strike group [to] within 600 miles of the Chinese coastline while relying upon the carrier’s air defense destroyers to neutralize Chinese missiles, and holding the [ships] out of China’s missile range but forgoing their ability to affect the skies over Taiwan.”¹⁹ America’s Pacific Deterrence Initiative (PDI), totaling \$2.235 billion for Fiscal Year 2021,²⁰ is advancing initiatives to “regain the advantage”²¹ and further constrain the PRC’s calculus and drive future “dots” to the left.

At the same time, unlike European efforts to constrain Russian power, “there seems to be no emergent global anti-Chinese military coalition;”²² thus, diplomatic efforts to establish multi-lateral Pacific partnerships become increasingly important. In one sense, American military partnerships strengthen some of these diplomatic ties. Consider Australia’s recent multi-lateral defense partnership with the United Kingdom and the US. Known commonly as AUKUS, some contend it provides “a foundation for an Indo-Pacific version of the North Atlantic Treaty Organization.”²³ However, diplomatically constraining the PRC requires more than a three-

country partnership and a variety of bilateral agreements. Instead, the US must seek commonalities to nurture multi-lateral engagements across the Pacific capable of balancing against the PRC. Although an economic union, the Association of Southeast Asian Nations (ASEAN) may present opportunities for increased collaboration that could mature into broader diplomatic agreements. ASEAN, while traditionally lamented as more bark than bite, still accounts for “more than \$1.9 trillion in two-way trade”²⁴ with the US and consists of ten members on the PRC’s immediate periphery. Diplomatic efforts require more patience and flexibility than concrete PDI projects. However, they also offer a broader reach and appeal that provides a pivotal complement to constraining the PRC's relative power.

Finally, although the most complex for its second and third-order effects, economic measures to check the PRC’s power arguably offer the most significant leverage to constrain Chinese relative power. First, from a perspective of American competitive advantage, many argue that targeted economic decoupling helps “keep [the US] on the cutting edge ... [while] blunt[ing] China’s advance in the technological arms race.”²⁵ Second, from a perspective of resilience, “China currently produces two-thirds of the active ingredients in [US] generic drugs and 80 percent of rare-earth materials used in [US] electronics.”²⁶ While not "pain-free" for the US, targeted decoupling may prevent significant vulnerabilities should war begin. Finally, the PRC's economy seems perched on a debt precipice. Since the 2008 financial crisis, the PRC’s total debt to Gross Domestic Product percentage grew from 139 to 283 percent.²⁷ Accordingly, many suggest the economic pressure targeted decoupling could provide—especially if leveraged by a coalition of nations—may significantly change the PRC’s relative power calculus by requiring them to solve domestic economic issues before looking across the Strait.

Some would contend that this model fails to consider Xi's newfound temporal urgency. Dr. Mastro, for instance, highlights the PRC's acceleration of military modernization as indicative of increased aggression citing "Chinese analysts and officials ... [that] have recommended military action to senior Chinese leadership."²⁸ She further contends that "several retired military officials have argued publicly that the longer China waits, the harder it will be to take control of Taiwan."²⁹ Ultimately, there may be some truth to these contentions. However, it does not change the equation or the variables at play. Instead, an increased temporal urgency merely serves to redraw the division of the four PRC responses. For instance, the area for "diplomacy" may shrink in comparison to "grey zone attacks." As such, the recommended approach to check Chinese relative power and "drive the dots left" endures.

In sum, the likelihood of forcible reunification in Cross-Strait relations is not the ticking time-bomb media pundits seem to suggest. Instead, the PRC remains a rational actor required to balance the perceived threat of Taiwanese separatism with an assessment of the PRC's relative power. This decision calculus not only restrains PRC responses—as demonstrated across four Taiwanese administrations from 1992 to the present day—but it provides a framework for the US, alongside its Allies and Partners, to compel future peace as well. Specifically, simultaneous efforts to present a credible military deterrent, strengthen multi-lateral diplomatic partnerships, and leverage targeted policies to retain/regain comparative economic advantages will continue to constrain the PRC's relative power assessment. A constrained PRC is a peaceful PRC. A peaceful PRC, in turn, promises Taiwanese democracy for generations to come.

¹ James Palmer, "What Do China's Taiwan Intrusions Mean?", *Foreign Policy*, October 6, 2021.

² Philip Davidson, US INDOPACOM Posture Statement, March 2021, 34.

³ Oriana Mastro, "The Taiwan Temptation", 3

⁴ Mastro, "The Taiwan Temptation", 4.

⁵ Mastro, "The Taiwan Temptation", 3

⁶ Mastro, “The Taiwan Temptation”, 3

⁷ Department of Defense, Joint Publication (JP) 1-0, *Doctrine of the Armed Forces of the United States*, I-1.

⁸ Xiaobo Hu and Gang Lin, "The PRC View of Taiwan Under Lee Teng-Hui," *The American Asian Review* 20, no. 1 (Apr 1, 2002), 133.

⁹ Jianwei Wang, “Hu Jintao’s ‘New Thinking’ on Cross-Strait Relations”, *American Foreign Policy Interests*, 2007, 26.

¹⁰ Wang, “Hu Jintao’s ‘New Thinking’ on Cross-Strait Relations”, 26.

¹¹ Anti-Succession Law, 10th National People’s Congress of the PRC, 3rd Sess., Article 8, March, 14, 2005.

¹² Davidson, US INDOPACOM Posture Statement, March 2021, 34.

¹³ “Cross-Strait Relations: Crucible of China’s Great Power Future”, (expert panel, Naval War College, October 18, 2021).

¹⁴ Tsai Ing-wen, “Taiwan and the Fight for Democracy”, *Foreign Affairs*, October 2022, 4.

¹⁵ Shelly Rigger, et al., “How Are People Feeling in the ‘Most Dangerous Place on Earth’”, October 13, 2021, 5.

¹⁶ Rigger et al., “How Are People Feeling”, 2.

¹⁷ Davidson, US INDOPACOM Posture Statement, March 2021, 3.

¹⁸ Seth Cropsey, “The War We Might Lose”, *National Review*, August 2, 2021, 30.

¹⁹ Cropsey, “The War We Might Lose”, 30.

²⁰ Congressional Research Service, “Renewed Great Power Competition: Implications for Defense – Issues for Congress”, October 7, 2021, 11.

²¹ Davidson, US INDOPACOM Posture Statement, March 2021, 3.

²² Cropsey, “The War We Might Lose”, 29.

²³ Craig Hooper, “The New ‘Three Amigos’ AUKUS Alliance Sets The Stage for Pacific NATO”, September 19, 2021, 1.

²⁴ Davidson, US INDOPACOM Posture Statement, March 2021, 2.

²⁵ Tom Cotton, “How to Win In This Cold War”, *National Review*, August 2, 2021, 34.

²⁶ Cotton, “How to Win In This Cold War”, 34.

²⁷ Dan Blumenthal, “Beijing’s Grand Strategy”, *National Review*, August 2, 2021, 15.

²⁸ Mastro, “The Taiwan Temptation”, 3.

²⁹ Mastro, “The Taiwan Temptation”, 3.