Tipping the Scale: PRC’s Military Modernization and Cross-Taiwan Straits Relations

Alexander C. Tan*

Abstract
As long as China considers Taiwan as part of its sovereign territory, China will always be the primary security threat to Taiwan. The modernization of the People’s Liberation Army (PLA) over the last two decades is certainly a threat to Taiwan’s security. Yet, cross-Straits relation since 2008 has been relatively peaceful and less confrontational. In this article, I suggest that while Taiwan’s military establishment has warned of the dangers and threats of China’s increasingly modernized military capabilities, the dynamics of the Taiwanese domestic politics as well as the burgeoning economic and trade ties between China and Taiwan have jointly served to shift Taiwan’s focus from the military to the political and economic aspect of its security. Resulting from this shift away from the military dimension of cross-Straits relation, then, China–Taiwan relationship while contentious has been decidedly less confrontational and more predictable.

Keywords
China, Taiwan, cross-Taiwan Straits relations, PLA modernization, military modernization

Introduction
As China’s economy continues to grow at a brisk pace, its military has benefitted tremendously from a growing defence budget. As of 2012, China’s defence expenditure is second only to the United States. The rapid modernization of the People’s Liberation Army (PLA) provides China with military and defence capabilities that it previously did not possess. It is without a doubt that the growing

*Alexander C. Tan is a Professor of Political Science in the Department of Political Science at the University of Canterbury, New Zealand. He can be contacted at: alex.tan@canterbury.ac.nz
PLA capabilities have made China more assertive in territorial claims in the region (e.g., Spratleys, Diaoyutai/Senkaku).

The reverberations of these growing capabilities are felt both near and afar. Already, the United States has announced its ‘rebalancing’ to Asia and the uneasy neighbours of China are also upgrading their own defence capabilities in response. Of China’s neighbours, Taiwan is in the most precarious and most vulnerable position as it is directly claimed by China as an integral part of its national territory. Unlike other neighbours, Taiwan is not recognized by most states in the region. Apart from the Taiwan Relations Act of 1979, promulgated by the United States Congress, Taiwan does not have formal defence treaties with other countries and has limited ability to buy arms. In fact, while the Taiwan Relations Act commits the United States to the defence of Taiwan in the case of an attack from China, the United States has been strategically ambiguous on that commitment.

Although, recent cross-Straits relations has improved, the fact of the matter is the political issue of unification with the mainland is still on the table and the PRC has not renounced the use of force to unify Taiwan to the mainland. In recognition of these twin realities—China’s political aspirations for reunification and its military modernization—Taiwan’s 2013 National Defence Report warns that military threat from China is increasing and that by 2020 China’s combat capabilities will be at a point where it will be able to mount a full attack on Taiwan. As China improves militarily, the qualitative edge that Taiwan’s military had in the past has slowly diminished (Murray, 2013; Roy, 2003). How does the increasing tipping of the scale in favour of China impact on cross-Strait relations? In this article, I argue that the military modernization of the PLA, while being perceived as a security threat by Taiwan’s defence establishment (especially the military), has not been very prominent in the domestic politics of Taiwan as threat perception of the elites and the public is focuses more on the political and the economic.

In the next section, I present a brief discussion of the China’s military modernization and highlighting some of the changes in China’s navy and air force as the developments of these two forces is of direct importance to Taiwan. Following this discussion, I relate the modernization of the PLA to the recent assertiveness of China pertaining its sovereignty and territorial claims in the East and South China Seas. I suggest that while China has become more assertive, probably emboldened by its modernized military, China’s assertiveness is selective and since 2008 cross-Strait relations is more peaceful and significantly less confrontational. I, then, examine the reasons why China’s military modernization has not necessarily translated to a confrontational cross-Strait relation by suggesting that the dynamics of Taiwan’s domestic politics and public opinion as well as the burgeoning economic ties have served as a restraint and constraint creating a platform for a more predictable and less confrontational cross-Strait relations since 2008, despite significant modernization of the PLA and the increasing asymmetry of the military capabilities.

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China’s Military Modernization

While the overall modernization of the PLA erodes the qualitative advantage of Taiwan’s military and is therefore of utmost concern to Taiwan, it is the modernization of the PLA Navy (PLAN) and the PLA Air Force (PLAAF) that is of gravest concern as it most directly impacts on defence of the island of Taiwan. As stated in Taiwan’s 2011 National Defence Report (NDR, 2011, p. 20), the primary goal of Taiwan’s armed forces is to provide a ‘resolute defense and credible deterrence’. Taiwan’s military strategy in defending the island has always been predicated by the need to control the Taiwan Straits. The military doctrine is premised on offshore engagement away from the main island of Taiwan, which is, ‘preventing the enemy from landing and establishing lodgment’ (NDR, 2011, p. 95). The implication of this strategy is a reorientation of the armed forces and the growing emphasis on the Navy and the Air Force where traditionally the Army has dominated (Roy, 2003). Yet, despite this recognition, Taiwan’s international status and unique predicament coupled with the continued and sustained modernization of the PLA is slowly being eroding the ability of Taiwan’s armed forces to keep conflict offshore as China’s military enhances its ability to conduct anti-access/area denial (A2/AD) as well as to increase capability of actually controlling the Taiwan Strait. Let us turn to the modernization of the PLAN to gain some insights of why it actually impinges on Taiwan’s security. Figure 1 shows the force structure of the PLAN from 1990s and a projection of its likely structure in 2020.

Several observations can be inferred from the statistics in Figure 1. Looking at total surface ships, the PLAN has fewer surface ships today than in 1990. While
the forecast is that by 2020, China will have over 240 surface ships, it still pales in comparison to the 329 ships in 1990. However, the total number of surface ships in 1990–2000 is bolstered by the large number of coastal patrol vessels giving us a misleading picture of the strength and power projection capabilities of the PLAN. The force structure of the 1990s seems to corroborate the observation that during this period, China’s maritime defence strategy emphasizes near seas defence (Thayer, 2012).

Another observation from Table 1 is the increasing number of modern surface ships and larger surface ships that are capable of distant seas operations. In 1990, none of the larger surface ships (destroyers and frigates) are considered modern but by 2010, it is estimated that 50 per cent of Chinese destroyers and 45 per cent of frigates are considered modern. The prediction is that if PLAN modernization continues as planned then 85 per cent of its destroyers and frigates will be modern by 2020. Adding to this tally are plans to construct aircraft carriers. China’s modernization plan is not only upgrading but also in line with its ambition to project its power and establish a credible blue water naval force. Whether this force structure and the level of modernization is enough to have effective A2/AD capabilities is another issue but we can safely infer that despite the decline in the physical numbers of surface ships, the PLAN capabilities have improved and are of better quality.

In line with China’s near seas defence strategy, the force structure of China’s submarine also reflects emphasis on anti-access capability. Table 2 shows the submarine force structure of the PLAN. Juxtaposing Table 2 statistics with Table 1 shows that relatively dated diesel submarine were the mainstay of the PLAN’s submarine fleet. Like the earlier table, Table 2 also shows that the number of submarines have declined significantly. The glaring decline is in the number of diesel attack submarines with the retirement of the old and dated vessels but with the replacement of more capable and stealthy submarines (Murray et al., 2013).

Table 1. PLAN Surface Ships, Total Numbers (% Modern in Brackets)

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<tr>
<td>Aircraft carriers</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1–2</td>
<td></td>
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<tr>
<td>Destroyers</td>
<td>19</td>
<td>18</td>
<td>21</td>
<td>21</td>
<td>25</td>
<td>28–32</td>
<td>30–34</td>
</tr>
<tr>
<td></td>
<td>(20)</td>
<td>(40)</td>
<td>(50)</td>
<td>(70)</td>
<td>(85)</td>
<td></td>
<td></td>
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<tr>
<td>Frigates</td>
<td>37</td>
<td>37</td>
<td>37</td>
<td>43</td>
<td>49</td>
<td>52–56</td>
<td>54–58</td>
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<tr>
<td></td>
<td>(8)</td>
<td>(25)</td>
<td>(35)</td>
<td>(45)</td>
<td>(70)</td>
<td>(85)</td>
<td></td>
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<tr>
<td>Corvettes</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>20–25</td>
<td>24–30</td>
</tr>
<tr>
<td>Amphibious ships</td>
<td>58</td>
<td>50</td>
<td>60</td>
<td>43</td>
<td>55</td>
<td>53–55</td>
<td>50–55</td>
</tr>
<tr>
<td>Coastal patrol</td>
<td>215</td>
<td>217</td>
<td>100</td>
<td>51</td>
<td>85</td>
<td>85</td>
<td>85</td>
</tr>
<tr>
<td>Total</td>
<td>329</td>
<td>322</td>
<td>218</td>
<td>158</td>
<td>214</td>
<td>239–254</td>
<td>244–264</td>
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Source: Murray et al., 2013.
The decline in numbers is significant but military observers have noted the upgrade in quality as China acquires more locally developed and/or jointly developed conventional as well as nuclear submarines.

Besides the numbers of submarines, the proportion of vessels that are considered modern is projected to increase to 70 per cent of the total diesel and nuclear attack submarines in 2015. The replenishment of modern submarines to the PLAN fleet improves its access denial capability but also allows it to operate beyond near seas and the coastal areas. These statistics ring alarm bells to military analysts, particularly in the US, as the qualitative improvement in Chinese naval capabilities seem to be directed at the US Naval operations in the region and has implications to the US military’s ability to come to the assistance of Taiwan in the event of an attack from the PRC.

Besides the qualitative improvement and expansion of Chinese naval capabilities the pace of replacement is also significant. According to Erickson and Gabe (2013), China will be second in terms of large warships built and commissioned in the post-Cold War period by 2015 and the largest shipbuilder by 2020. Numbers aside, they also claim that the technical proficiency of the Chinese navy in 2020 will be at the level of Russia in 2013, and that by the year 2030, Chinese naval technical proficiency will be at the level of the US in 2013.1

Tables 1 and 2 show clearly that there has been a marked improvement in the modernization and strengthening of the PLAN in the past two decades. While to conclude that PLAN ships are completely modern would be wrong, there is no doubt that it has a much larger amount of modern ships and a much larger number of ships that can operate in distant seas and can possibly be more effective in anti-access and area denial operations. Modernization of the PLAN, however, is incomplete if the ‘software’ of military operations cannot support the ‘hardware’ that is at the disposal of the military. In this regards, one of the most critical elements of the modernization is the deployment of new systems of networks of communication. China is now deploying a new generation of these C4ISR2 systems, as they are referred to, which includes ‘communications networks, data links, intelligence collection system, navigation satellites, and information fusion systems’ (Murray et al., 2013, p. 4). By deploying these new C4ISR systems, the

Table 2. PLAN Submarine, Total Numbers (% Modern in Brackets)

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<tr>
<td>Diesel Attack</td>
<td>88</td>
<td>43</td>
<td>60</td>
<td>51</td>
<td>54</td>
<td>57–62</td>
<td>59–64</td>
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<tr>
<td></td>
<td>(7)</td>
<td>(40)</td>
<td>(50)</td>
<td>(70)</td>
<td>(75)</td>
<td></td>
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<tr>
<td>Nuclear Attack</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>6</td>
<td>6–8</td>
<td>6–9</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(33)</td>
<td>(33)</td>
<td>(70)</td>
<td>(100)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Nuclear Ballistic</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>3–5</td>
<td>4–5</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>93</td>
<td>49</td>
<td>66</td>
<td>59</td>
<td>63</td>
<td>66–75</td>
<td>69–78</td>
</tr>
</tbody>
</table>

Source: Murray et al., 2013.
PLA improves its ability to coordinate the effective operation of all forces and enhances its anti-access and area denial capabilities.

Besides the modernization of the PLAN, China has been modernizing the PLAAF as well. Table 3 shows the current and historical force structure of the PLAAF.

From Table 3, we can clearly notice that there is a substantial reduction in the force structure of the PLAAF. From a force of over 5,000 bombers, fighters and ground attack aircrafts in 1985, the PLAAF has reduced its fleet to less than 2000 of these types of aircraft. This is a significant adjustment in the capabilities of the PLAAF and seems to signal changes in the strategy of the PLA itself. Like the PLAN, what is clear is that the reduction in these numbers reflects the retirement of old aircraft and the replacement of more modern and capable aircrafts. In 2012, almost 20 per cent of PLAAF’s fighters are considered modern, while a significant 77 per cent of fighter ground attack aircrafts are modern. Though it is clear that there is still some way to go for both the PLAN and the PLAAF to be considered a fully modern fighting force, it is without doubt that if China is able to sustain its economic growth and development at current levels, the modernization efforts of the PLA is more than likely to be supported and sustained.

Of course, the PLA’s modernization has not gone unnoticed by its neighbours and the United States. Taiwan’s 2013 National Defense Report (NDR, 2013) noted that the continued modernization of the PLA allows it to be capable of launching a full-scale assault by 2020. One directly observable consequence of the PLA’s modernization is an increase in the assertiveness of China with regards to its sovereignty and territorial claims in the East China Sea and the South China Sea that is briefly examined in the next section.

**China’s Assertiveness in East and South China Seas**

With the increase in PLA’s capabilities, China has become more assertive on its sovereignty claims in the South China Sea as well as the East China Sea. Naval and military exercises by the PLA have been conducted in the past few years in

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the South China Seas and most recently conducted a joint exercise of PLAN’s fleets (Song, 2013, p. 14). Yet, China’s assertiveness is not consistent in all cases and certainly not applied with a broad brush. In the South China Seas, maritime incidents between China and the Philippines and Vietnam in the disputed Spratley Islands have the effect of pushing these countries to seek support and improve cooperation with extra-regional actors, particularly the US. Thayer (2012) notes that, several Southeast Asian countries have sought out assurances from the United States, and the US in turn has step up its engagement with countries in the region.

In the East China Sea, the dispute over the Diaoyu/Senkaku Islands have seen the escalation of the war of words as well as incidents on the sea between China and Japan. While the animosity between China and Japan is historical, the conflict regarding the ownership of the islands was more muted in the past. It was not until Japan’s nationalization of the islands in 2012 that made the issue more prominent and has raised the level of conflict. Needless to say, it does not help that nationalism within China and Japan helped to stoke the increasingly bellicose rhetoric (Tan & Chen, 2013).

China’s assertiveness over issues of sovereignty can be attributed to the announcement on November 2013 of its air defence identification zone (ADIZ), much to the consternation of Japan and the United States. Figure 1 is a map of the ADIZ zone and the corresponding areas claimed by China and Japan. As can be seen from Figure 1, there is an area in the East China Sea where the Chinese and Japanese ADIZ overlaps. This overlap covers the disputed Diaoyu/Senkaku Islands.

In response to China’s announcement, the US military flew its bombers in the disputed area to ‘challenge’ China’s ADIZ claim. Yet, much to the chagrin of Japan, the US Vice President Joe Biden in a visit to East Asia in December 2013 protested the declaration of China’s ADIZ and called on China to show restraint and observe international laws but stop short of calling for the retraction and withdrawal of the ADIZ. Besides the declaration of ADIZ, China has also sent ships and planes close to the disputed area leading Japan to scramble its own coast guard vessels and planes in response.

China’s assertiveness thus far is directed towards territorial claims in the East China Sea as well as the South China Sea. As a claimant country in the Spratley issue, there is no conflict between Taiwan and China on those claims. Due to historical consequences, the claims of the PRC and Taiwan as the Republic of China are the same. As a case in point, the nine-dash line claiming the whole South China Sea made by the PRC is not an original claim as it is a claim made by the Republic of China and is the same line drawn pre-1949. Taiwan and China’s position on the status of the Diaoyu/Senkaku Islands are also the same and overlapping (International Crisis Group, 2012; Song, 2013).

But despite the overlapping territorial claims between Taiwan and China and the recent assertiveness of China towards its East Asian and Southeast Asian neighbours, since the administration of President Ma Ying-jeou from 2008 onwards cross-Strait relations have been relatively peaceful. China’s military
modernization, thus far, has not led to rising tension across the Taiwan Strait but can be attributed to rising tension with Japan and other Southeast Asian countries. This leads us to raise an obvious question: Why? As China holds steadfastly to its one-China vision claiming Taiwan to be a part of its sovereign territory, PLA’s modernization and the resultant assertiveness in its dealings with territorial issues should lead us to expect increasing tension and conflict in cross-Taiwan Strait relations. Yet, while these tensions may have been observed in from 1995 to 2008 beginning with the Third Taiwan Strait Crisis of 1995–1996 through the administration of President Chen Shui-bian, who Beijing regards as a Taiwanese independence advocate, from 2008 onwards the tension levels have dropped very noticeably.

Indeed with regards to China’s declaration of its ADIZ in the East China Sea in November 2013, neighbouring countries voice their protest but Japan’s opposition was most vocal. Taiwan, too, has voiced concerns but Taiwanese protest is significantly muted (Chen, 2013). In fact, Taiwan’s Transportation Minister stated that Taiwan will submit plans according to International Civil Aviation Organization practice while President Ma’s national security team will handle the China ADIZ issue by following ‘international regulations and accepted practice’ (Chen, 2013, p. 8). One further observation can be noted in China’s declaration of the ADIZ, referring to Figure 1, as one will notice that China’s ADIZ while encompassing the disputed Diaoyu/Senkaku Islands does not include the island of Taiwan. If China is being broadly assertive and provocative, why was Taiwan not simply drawn into in its ADIZ?

Why, then, is cross-Strait relation relatively peaceful and less tense despite the PLA’s continual modernization and the dire warnings, stated in the Taiwan National Defence Report of 2013, of the PLA’s ability to launch a full-scale offensive on Taiwan by 2020? I suggest that to answer this question, we have to look at the role of domestic politics and public opinion within Taiwan and the role of increasing economic integration of China and Taiwan.

Taiwan’s Domestic Politics

Taiwan’s international status is a huge problem for its ability to purchase latest military technology to keep up with the qualitative equilibrium. No country in the world, except for the United States, would risk antagonizing China by selling weapons to Taiwan. Since the administration of President Chen Shui-bian in 2000, military procurement has been enmeshed in domestic partisan politics (Roy, 2003). For example, purchase of military equipment and defensive weapons from the United States was blocked by an opposition-dominated legislature. With the economic slowdown since the 2008 Global Financial Crisis biting hard on the domestic economy, arms procurement by the military has to compete for available budget with other competing items with large domestic lobbies such as health care. Murray (2013) notes that the share of defence budget on Taiwan’s total
government budget has significantly dropped from 24.3 per cent in 1994 to 16.2 per cent in 2013. As a percentage of gross domestic product (GDP) Taiwan’s defence expenditure has also decreased from 3.8 per cent of GDP in 1994 to 2.1 per cent of GDP in 2013. Furthermore, arms procurement is also increasingly becoming very contentious and embroiled in the partisan politics of Taiwan as well as being affected by the level of threat perception amongst the public (Murray 2013; Roy, 2003).

As a democratic state with elected politicians and where politicians are influenced by public opinion, Taiwanese public opinion is important in gauging how politicians will react in key issues such as cross-Strait relations and in this case arms procurement. In a survey by Emerson Niou and conducted by the Election Study Center of the National Chengchi University in Taipei in 2011, respondents were asked ‘If Taiwan maintains the status quo and does not declare independence, do you think the Mainland will attack Taiwan?’ an overwhelming 88.8 per cent of respondents answered that it is unlikely that the PRC will attack Taiwan in this case. Likewise in answering the question ‘if Taiwan does not declare independence but the Mainland attacks Taiwan anyway, do you think the US will send troops to help Taiwan?’ over 73 per cent of respondents answered that the US is likely to send troops to help defend Taiwan. Even more interesting is the respondents answer to the question ‘if Taiwan declares independence and the Mainland attacks Taiwan, do you think the US will send troops to defend Taiwan?’ over 56 per cent of respondents believed the US will do so. What do these public opinion figures imply? What does it tell us about public opinion regarding Taiwan’s threat perception and national security concerns?

The distribution of public opinion on the first questions is revealing, a huge majority of the Taiwanese public believes that if Taiwan does not attempt to change the status quo there is no reason that the PRC will launch an attack on Taiwan. This view in many ways colours the Taiwanese public’s preferences regarding Taiwan’s international status. It is essential, then, to view this opinion on how it affects the Taiwanese preference for its own international status.

As Table 4 shows, the support for the status quo regarding Taiwan’s international status continues to be a large majority of the Taiwanese public. The support level has been consistent since 1994 and has not fluctuated drastically despite administration of different governing parties. Although the support levels of ‘independence’ and ‘unification’ have changed in favour of independence, the preference for status quo still commands a significant majority. While the support for the status quo is predicated on the assumption that China will not launch an attack in this scenario, the overwhelming perception by the public that China will not attack if Taiwan does not attempt to change the status quo makes the Taiwanese electorate risk averse in their preference. The risk averseness of the Taiwanese electorate in turn serves to constrain the position of the political parties and political elites on the issue of international status. Consequently, both the ruling KMT and the opposition DPP have been more circumspect about their
outright preferences for unification (in the case of the KMT) and independence (in the case of the DPP) as public opinion on this issue is very cautious, risk averse and restrained.

In response to the questions of whether the United States will assist Taiwan in its defence in the event of an attack by China, the Taiwanese electorate is strongly of the opinion that the United States will come to the aid of Taiwan. A huge majority of Taiwanese believes that if China should attack without cause, the United States will more than likely help out. More interestingly, a small majority (56 per cent) of the Taiwanese public also believes that even if Taiwan were to ‘rock the boat’ by declaring de jure independence, in a direct and overt challenge to the PRC’s one-China principle, the United States is still going to come to the assistance of Taiwan.

Juxtaposing the above information gives us an interesting picture of the dynamics of Taiwanese electoral and domestic politics. The belief that status quo is a risk averse position that will prevent an outbreak of conflict between China and Taiwan and the perceived (rather than real) assurance of security assistance from the United States work to lower the level of threat perception of the Taiwanese public. In some ways, the public’s logic is that as long as Taiwan does not declare independence, Taiwan will be okay. But, even if China attacks the United States will help defend Taiwan. Furthermore, a poll on October 2013 conducted on behalf of Taiwan’s cabinet level Mainland Affairs Council (MAC) shows that 63.5 per cent of respondents believe that cross-Strait relations is more peaceful than confrontational and that 73.7 per cent support the current government’s stated policy of ‘no unification, no independence, no use of force’. Consequently, the electorate’s attention is turned towards the state of domestic economy, employment issues, health care and other pocketbook issues rather than on issues relating to defence and national security.

In the media and the public, the prominence of the military and security concerns is more restrained and reduced in comparison to decades past. As a case in point, the attention span of the media (and the public in that regards) on the release of the 2013 National Defense Report warning China’s ability to launch a full-scale

Table 4. Preferences for Taiwan’s International Status (percentages)

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<tr>
<th>Year</th>
<th>Independence</th>
<th>Status Quo</th>
<th>Unification</th>
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<tr>
<td>1994</td>
<td>14</td>
<td>61</td>
<td>25</td>
</tr>
<tr>
<td>1996</td>
<td>17</td>
<td>56</td>
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<td>2000</td>
<td>18</td>
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<td>2004</td>
<td>24</td>
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<td>2008</td>
<td>26</td>
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<tr>
<td>2010</td>
<td>24</td>
<td>64</td>
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Source: Election Study Center; Clark and Tan, 2012.
attack on Taiwan by 2020 was short-lived. By the end of October 2013, domestic public policy issues such as food safety and the investigation surrounding interest peddling by the Speaker of the Legislature and internal politics of the KMT has dominated the media’s attention.

Another indication of the military not gaining much traction and attention—thereby presenting a challenge to national security—is the difficulty of implementing the all-volunteer military programme. Since 1949, Taiwan has implemented a conscript system where able-bodied men between the age of 18 and 35 years of age perform their national service in the military. Since 2008, incumbent President Ma Ying-jeou has campaigned to reduce the size of the military as well as transform it into an all-volunteer force. Due to numerous problems, such as the uncompetitive salary of the military and more importantly the low regard for a military career, the plan of having an all-volunteer force by 2014 has been pushed back and delayed until at least 2017. It is in this new and unfamiliar domestic political environment that Taiwan’s defence establishment has to compete not only for media and the public’s attention and support, but more importantly, defence budgetary requests also have to compete with a multitude of domestic public programmes and entitlements for limited resources resulting from the weaker economic environment in Taiwan today. What this means to cross-Strait relations in light of the PLA’s modernization is that the Taiwanese public’s attention is not trained towards the implication of PLA modernization but instead focused on domestic politics and ensuring that Taiwan has a stable economic performance allowing them to ‘get on with their lives’. Consequently, the relative calm and stability in cross-Strait relations since 2008 can partly be attributed to the public having no appetite to pick a fight with China as well as being ‘satisfied’ with the status quo option regarding Taiwan’s international status. All these factors interact to serve as a restraint on domestic politicians and at the same time creating a domestic political environment within Taiwan that gives China no cause for concern. With regards then to China’s military modernization, the domestic environment within Taiwan is such that it has not given China the need nor the impetus to result in blatant, raw and overt assertiveness on the part of China towards Taiwan thereby explaining relatively quiet, calm and stable cross-Strait relations.

**Economic Interaction as a Restraint?**

One of the features of Taiwan’s economy after 1990 is the increasing economic ties with China that brought risks together with the profits. One of the obvious benefits was the relatively benign impact of the 2008 Global Financial Crisis on the Taiwan economy as the growth in demand in China following the crisis alleviated the decline in orders from Europe and the US. The increase in cross-Strait economic ties pre-dates Taiwan’s democratic inauguration and already began in the late 1980s. Though it was not officially sanctioned at the time, Taiwanese
companies and businesses were trading and investing in China through third party locations (mostly Hong Kong). The surge in economic interactions was brought about by the convergence of several factors such as the relative political relaxation in Taiwan but more noteworthy is the complementary change occurring in the industrial structures of the two economies where Taiwan’s industrial upgrading saw these sunset industries move to China. As these sunset (and generally more labour-intensive) industries migrate to China for production, they in fact established and created integrated production networks further accelerating the economic integration. How important is China to Taiwan’s economy? To answer this question, two economic indicators—trade and investments—are important. Figure 2 shows Taiwan’s exports and imports with China as a per cent of total exports and imports, while Figure 3 shows the amount of Taiwan’s annual investments in China.

As Figure 2 shows, exports to and import from China has increased substantially in the last 20 years. Since the first turnover of executive office from the Kuomintang (KMT) to the Democratic Progressive Party (DPP) in 2000, the annual increases in the China trade as a proportion of total Taiwanese trade has steeply increased. From 15 per cent of total exports in 2000, in a span of a decade, China has become a major trade partner of Taiwan and by 2010 accounts for 31 per cent of Taiwan’s total exports. Though import figures are significantly smaller, by 2010 imports from China accounts for about 15 per cent of total Taiwanese imports. Masked under these two statistics is the more important statistic—the huge trade surplus in favour of Taiwan. Trade surplus, since 1990, has favoured Taiwan that by 2010 it has amounted to about US$ 49 billion. To simply
state that numerous Taiwanese businesses and companies are profiting hugely from the China trade is an understatement.

As with surge in trade with China, Taiwan’s investments in China have also increased rapidly. Figure 3 shows that amount of investments in China on an annual basis. These figures are the amounts that were approved officially which in many ways are very likely under-reported. What is unmistakable is the trend line showing a rapid increase in the amount of outward investments from Taiwan to China that grew from less than US$ 2 billion in the year 2000 to over US$ 14 billion by 2010. As mentioned earlier, the surge in investments is partly a consequence of Taiwan’s industrial restructuring as labour-intensive industries look to lower their production costs due to the rising business costs in Taiwan. However, as Taiwanese businesses and the economy benefits from the China trade, the rapid increase of Taiwan investment in China has constantly raised the spectre of industrial hollowing out whereby manufacturing industries are moving out of Taiwan en masse leaving only administrative or design facilities.

Besides the perils of industrial hollowing out, the increasing trade and investments in China also means that Taiwanese businesses are exposed to risk without any legal protection as the two governments do not recognize each other nor have any bilateral framework to address economic disputes. There is a fear within Taiwan that, beyond the China economic factor, Taiwan’s constrained international status is ‘boxing-in’ and limiting Taiwan’s ability to be part of any burgeoning regional economic integration groups and thereby affecting Taiwan’s future economic performance. In this sense, the Ma administration’s push for the signing of an Economic

Figure 3. Investment Statistics from Taiwan to China

Source: Mainland Affairs Council, ROC.
Cooperation Framework Agreement (ECFA) with China is perceived as a way to provide a legal framework for cross-Straits trade and investments as well as allow Taiwan to breakout and not be outcast in future regional economic integration. The ECFA, in one sense, is simply *de jure* recognition of what is a de facto burgeoning cross-Straits economic tie that has been going on for decades.

If we follow neoliberal perspective in international relations that increasing economic interdependence and functional relations will lead to greater trust and lead to peaceful relations between interdependent states, it only provides us an incomplete picture of Taiwan’s perception of cross-Straits ties as the politics of the ECFA also signals Taiwan’s own insecurity and sense of vulnerability.

When asked to rate the PRC government’s attitude towards the Taiwan government and people, over 40 per cent of respondents believe that the PRC government is unfriendly to the Taiwanese people and over half (or nearly) believe that China is unfriendly to the Taiwan government. The height of this hostility, from the Taiwanese point of view, is during the second term campaign of independence-minded President Chen Shui-bian in 2004 where 79.4 per cent of respondents believed that China is hostile to the Taiwanese government. Juxtaposing the trade and investment statistics from 2000 to 2010 with the perceived hostility data are quite revealing. Contrary to expectations of neoliberal and interdependence theory, at a time when trade and investments are trending upwards, Taiwanese perception of hostility has stayed stubbornly high and has not declined in any appreciable way.

The growing economic integration between China and Taiwan creates a threat to Taipei due to China’s sovereignty claims over the island and making Taiwan vulnerable due to its increasing economic dependence on China. There are concerns within Taiwan society whether this dynamic represents a threat or opportunity for

**Table 5. Perceived Hostility of China Towards Taiwan (% of total respondents)**

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</thead>
<tbody>
<tr>
<td>Government</td>
<td>56.8</td>
<td>79.4</td>
<td>59.5</td>
<td>49.4</td>
<td>51.6</td>
<td>45.5</td>
<td>52.2</td>
<td>48.0</td>
</tr>
<tr>
<td>People</td>
<td>40.8</td>
<td>54.8</td>
<td>41.7</td>
<td>44.7</td>
<td>48.3</td>
<td>40.8</td>
<td>44.4</td>
<td>40.4</td>
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</table>

**Source:** Mainland Affairs Council, ROC.

**Table 6. Views on the Pace of Cross-Straits Interactions**

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<tbody>
<tr>
<td>Too slow</td>
<td>25.2</td>
<td>29.6</td>
<td>14.5</td>
<td>12.2</td>
<td>12.9</td>
<td>17.8</td>
<td>11.6</td>
</tr>
<tr>
<td>Just right</td>
<td>35.8</td>
<td>35.6</td>
<td>47.5</td>
<td>43.6</td>
<td>48.1</td>
<td>39.8</td>
<td>41.5</td>
</tr>
<tr>
<td>Too fast</td>
<td>19.1</td>
<td>29.6</td>
<td>37.2</td>
<td>35.8</td>
<td>25.7</td>
<td>31.7</td>
<td>34.9</td>
</tr>
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</table>

**Source:** Mainland Affairs Council, ROC.
Taiwan. This vulnerability affects Taiwanese perception of national security driving a wedge amongst the elites—which is also reflected amongst Taiwanese voters—as concerns within Taiwan society whether this dynamic represents a threat or opportunity for Taiwan leading to contending strategies of how best to handle cross-Strait economic relations. The contentious politics of how to best handle economic relations with China saw the highly divisive politics surrounding the negotiation and eventual signing of the ECFA. There is a very clear political divide reflected in the position of the two major parties. The KMT believes that expanding these ties is important for Taiwan’s continued economic dynamism while the DPP argues that increasing economic ties with China threatens national sovereignty and security (Gold, 2010).

This heightened sense of vulnerability and the divided outlook on how best to approach the cross-Strait economic policy can be seen by how citizens view the pace of these interactions. During height of President Chen’s administration, a fairly large group of respondents believed that the pace of cross-Strait interactions is too slow (see 2004 and 2006) with over one-in-four stating so. By 2008, the ‘Three Direct Links’ that began in November 2008 and then the broader ECFA in June 2010 triggered a significant swing to the ‘too fast’ category with over one-in-three worried about the fast pace of cross-Strait interaction. This segmentation at the voter level is largely reflected in the divided discourse of party politicians with the resultant political polarization at the elite and voter levels are duly noted by numerous political observers (Clark & Tan, 2012; Huang, 2008; Liao & Yu, 2008). It is fair, then, to infer that cross-Strait economic relations have become highly politicized (Clark & Tan, 2012).

Despite the politicization of economic policy, the signing of the ECFA has helped in stabilizing and creating a framework for normalized trade and investments ties between China and Taiwan. In many ways, the ECFA has also given Taiwan some breathing space in the race for regional integration as Taiwan has signed or is in the process of concluding several free trade agreements with New Zealand, Singapore and the Philippines. Indeed, opinion polls conducted by the cabinet-level MAC, have noted the strong support of the government’s effort to provide a platform for stable and institutionalized economic interaction between China and Taiwan. Over 75 per cent of the Taiwanese public, in an October 2013 survey of the MAC, noted that a stable and improved cross-Strait relation is conducive to Taiwan’s expansion of its international space. Furthermore, the Taiwanese public, in these surveys, have overwhelmingly (over 63 per cent) noted the more peaceful and less confrontational nature of cross-Strait relations and are duly supportive of the government’s efforts.

Taking all these evidences together indicate that Taiwan does recognize both the benefits and dangers of increasing economic interaction and integration with the Chinese economy. Yet, all of the above developments and the perceive security threats to Taiwan point to the concern that China’s security threat to Taiwan is more economic and political rather than military. To some extent, the increasing
trade ties between China and Taiwan has blunted the focus on the military aspect of cross-Strait security relations. Indeed in a perceptive essay Roy notes:

outsiders may be surprised to learn that the danger of a PRC military attack is not at the top of Taiwan’s list of short-term threats. To be sure, Taiwan’s elites … do not believe Beijing has given up the possibility of actually using military force against Taiwan … the military brass … take the potential for military conflict seriously…[but] complain that society as whole underestimates the PRC military threat and naively believes “spending money” will prevent China from attacking (2003, p. 1).

He further argues ‘the main security threats Taiwan’s elites perceive do not involve direct military attack from across the Taiwan Strait. The threats Taiwan perceives stemming from China’s hostility are principally political and economic rather than military’ (2003, p. 1). That is the challenge that Taiwan’s defence establishment has to face as its warning of China’s significant military modernization and upgrade of the PLA’s capability to launch an attack on Taiwan has not necessarily alarmed the public and the political elites whose attention are focused on the economy and domestic policies and concerned about maintaining a stable and non-confrontational cross-Strait relations.

Concluding Remarks

As long as China considers Taiwan as part of its sovereign territory, China will always be the primary security threat to Taiwan. The modernization of the PLA over the last two decades is certainly a threat to Taiwan’s security. Indeed, China’s neighbours in Southeast Asia and Northeast Asia are concerned by the increasing assertiveness of China’s behaviour in dealing with the Spratley Islands issue and the Diaoyu/Senkaku Islands dispute.

Yet under the environment of the PLA’s modernization, cross-Straits relation since 2008 has been relatively peaceful and less confrontational. In this article, I have argued that while Taiwan’s military establishment has warned of the dangers and threats of China’s increasingly modernized military capabilities, the dynamics of the Taiwanese domestic politics as well as the burgeoning economic and trade ties between China and Taiwan have jointly served to shift Taiwan’s focus from the military to the political and economic aspect of its security. Resulting from this shift away from the military dimension of cross-Straits relation, then, China–Taiwan relationship while can be contentious has been decidedly less confrontational and more predictable.

Does this mean that cross-Strait relation will continue to be peaceful and stable in the near and medium term future? The answer most likely lies in the dynamics of Taiwanese electoral politics itself as well as Beijing’s perception and calculation of Taiwanese domestic politics. While the economic interaction and relations will continue to deepen and with that the aspiration that it will allow both sides to
prefer not to disrupt the status quo and keep the peace, Beijing is certainly aware that its own military modernization should continue in large part because of its aspirations as a major power but also to ensure that Taiwan will not choose to upset the apple cart and unilaterally attempt to change the status quo.

**Notes**

1. It is important to note that despite the improvements in the technical proficiency of the PLA Navy by 2030 it will still lag behind the levels of the United States Navy assuming that there are no marked improvement in the capabilities of the US Navy in the next two decades. Ross (2009) notes that what China’s naval nationalism has stimulated is mutual naval nationalism on the part of the US that has seen exaggerated assessments of Chinese military capabilities.

2. C4ISR is an acronym for command, control, communications, computers, intelligence, surveillance, and reconnaissance.

3. The Federal Aviation Administration (FAA) has asked the US airlines to abide by China’s request for identification when entering the zone, while Japan has not.

4. Taiwan’s acquired two submarines in the late 1980s from the Netherlands that are still operational today. Yet, despite pressing need and desire to acquire more submarines, Germany and the Netherlands have refused to provide a design in order for the US to then build it for Taiwan in the fear of antagonizing China (NTI, ‘Taiwan Submarine Capabilities’ July 23, 2013). France sold six Lafayette class frigates and 60 Mirage 2000 fighter planes to Taiwan in 1991–1992. These deals were mired in controversy and corruption scandals.

5. Pro-independence Democratic Progressive Party controlled the presidency and the executive branch from 2000 to 2008. Pro-unification Kuomintang was the governing party in the other time periods.

6. It is important to note here that while the status quo position is not a long-term equilibrium solution to Taiwan’s status, it is the current position that allows Taiwan to maintain a huge degree of autonomy and a separate identity from the PRC. However, support of the status quo is conditional on whether the public perceives whether the PRC will use force or not in the event of Taiwan’s unilateral declaration of de jure independence. In the same survey by Emerson Niou, 32 per cent of the respondents will support independence if the PRC will attack while 72 per cent of the respondents will support independence if the PRC will not attack.

**References**


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