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When I served in the government, a big debate on whether mainland policy or foreign policy should be placed as top priority of policy agenda was lingering around. There was no clear-cut answer for that debate then. It seems that many in the decision-making circle would believe that Taiwan does need to put foreign policy ahead of mainland policy, though Taiwan has continuously been pressurized and isolated by China in the international community. The Democratic Progressive Party government (pro-independence) is inclined to think that foreign policy should be considered upper hand. The rationale of this policy thinking reflects Taipei’s new intention of trying to push envelop in the international community and taking a high profile in the cross-strait relations. As Taipei realizes that it is incapable of handling vast disagreements on the one China stand (unification and independence) with Beijing, it has made extra effort to court international compassion.

As a student of international politics, I then felt that Taiwan as a sovereign state should definitely prioritize foreign policy and diplomatic confrontation would become inevitable. However, after I left the busy official post and again return to academia in 2004, my experience and learning have clearly taught that for Taiwan the critical core is at the mainland policy. Due to political gains on short term interest, Taiwan’s democratization process over the past decade has gradually made Taiwan “a place without vision”, “a government without governance” and “a society without desire”.

Ladies and gentlemen! Today, what I am going to do is based on realistic perspective to give you some analyses on the cross-strait relations and try to craft what Taiwan’s new government should position itself for challenges from 2008 onward. It is my active attempt to outline “Taiwan’s national strategy 2008”!

Most analysis on the cross-strait relations covers mainly current situation that
normally reflects opportunities and obstacles. My presentation today is not just going
to provide you brief updated development of the cross-strait relations, but also
attempting to explore from the realistic view the situation Taiwan will have to face in
2008. So, it would give me the opportunity to bravely propose what new president
should do for Taiwan’s security and the cross-strait relations. I am so glad to have this
opportunity to share with you. This is my first occasion to toss it out in a public forum
for feedback.

This exploration is based on the idea of providing recommendations of national
security for the next Taiwan President in 2008.

Recent developments:

- Cross-strait relations can be as always categorized into two levels: official and
  non-official. On the official level, interaction remains zero. Tension across the
  strait results mainly from political antagonism. As President Chen is believed to
  prepare for making drastic political move during his remaining term, Beijing has
  warned that this year becomes the critical year to restrain Taiwan independence.
  On the non-official level, interactions are massive and momentous. Even without
  any political arrangement in place, economic integration is taking shape and
  binding economies and industries together. Currently, bilateral interactions
  remain unbalanced. For security and political concerns, the over due “three
  links’’ remains restricted. Taipei fears that it may loss the very final bargaining
  chip vis-à-vis Beijing – sovereignty, if Taipei were to succumb to Beijing for
direct transportation now. The core of dispute is disagreement of Beijing’s
  “domestic flights’’ and Taipei’s “international flights’’. The arrangement of the
  New Year charter flights is based on the pragmatic understanding of the
  “cross-strait flights’’ and expanded to cargo, holiday, medical, and humanitarian
  charter flights. Since 2006, Taipei’s reservation has led to “Proactive
  management and effective liberalization” mainland policy. As a result, Taiwanese
  further investments in China and economic interactions have been restrained.

- The key issue blocking all political contacts today continues to be the quarrel
  over the definition of the “one China” principle between Beijing and Taipei.
  While Beijing reiterates that there is “1992 consensus” based on the “one China”
  principle, only would Taipei admit to “1992 spirit”, which refers to cooperative
  ambiance. Prior to any talks, Taipei insists that the “one China” principle should
  be seriously re-discussed and not be fixed as precondition.

- On economic integration, the MAC has completed the planning on a “cross-strait
  economic and trade mechanism”. The scope of the “mini-three links” is also
expanded for Penghu residents. On China side, in 2006 the Fujian provincial government proposed the “strait’s west side economic zone” (海峽西岸經濟特區) and has been endorsed by Beijing. During the “two sessions 2007”, “the strait’s west side experimental zone for peace and cooperation” (海峽西岸和平試驗區) was proposed.

- On social interactions, tourism, cooperation of joint crackdown on crime, and normalization of personnel exchanges (low levels of civil servants) have been brought forward. Yet outside of official extent, cross-strait interchanges have kept massive year-on-year growth.
  - Taiwan tourists to China reached 4,109,188 in 2005 and 4,413,470 in 2006.
  - Taiwan approved outward investment in mainland China accounted for 63.91% of overall investment by amount in 2006.
  - The share of cross-strait trade in Taiwan total foreign trade accounts for 20.65% in 2006. Trade with China becomes the largest Taiwan trade surplus source.
  - Number of mainlanders visit Taiwan grows steadily. It reached 243,185 in 2006.
- On the official contacts, the MAC has together with TAC on Mainland side made effort to develop certain links between working levels of two offices in charge of cross-strait legal issues.

**Security Dilemmas**

Taiwan has for so long faced security dilemma in its national security planning. It is more so to the DPP government and its pro-independence policy. Whenever the relationship between China and Taiwan goes sour, challenges of security dilemma would be intensified. Unlike previous KMT governments, the DPP has nowadays faced tougher time in coping with challenges of security dilemmas.

- **Democratization and Taiwan’s identity vs. military threat:** Taiwan has been going through the democratization process for the last ten years. It can not afford to provoke a war against China. The problem is the democratization process steps up demand for Taiwan identity, which is at his stage misled by independence activists. Taiwan does want to strengthen its democracy, but is afraid of incurring military threat from China. The DPP led democratization process is considered pushing through independence and threaten China’s security.
- **Economic integration vs. political antagonism:** Economic integration is taking
place across the strait by market forces. The Taiwan government continues to fear that hollowing-out effect of industrial relocation and investment in China may further dampen rather than strengthen national economy. Although the government in Taipei understands that economically Taiwan will not be able to get out of China’s market attraction, further integration of Taiwan into China’s economy may result in its increasing vulnerability to Beijing’s political hostility.

- **Economic security vs. economic competitiveness**: In view of growing economic interactions across the strait, the Taiwan government has since 2006 tried to tighten outbound investment flows and enterprises’ expansion plans into China. At the same time, to maintain economic security, the government also restricts Chinese capital flowing into Taiwan market. With this tight control approach on the mainland policy, Taiwanese enterprises suffer seriously, as other competitors are building up their strength into Chinese market. Economic security is critical to the health of national economy, but the effect of tight control may further hurt overall national interest.

- **Military reform vs. Arms race**: China is undergoing military modernization, which aims at building up capability of overwhelming the Taiwan contingency. As part of its political belief, the DPP government would not have wanted to increase defense budget at the expense of social welfare. However, China’s fast military buildup has forced Taiwan to catch up with the progress of military reform. Taiwan does not whatsoever want to engage in any sort of conflict with China. Any substantial program of accelerating military capability in Taiwan would be criticized from within for pushing for arms race with China. Across the strait, facing up to China’s military threat, how much would be enough for Taiwan to defend itself?

**A New Strategy for 2008**

Strategic environment always shapes up the national strategy. Forward looking and planning would be necessary. Looking beyond domestic contention between political parties becomes a must in Taiwan today. The DPP government itself under President Chen Shui-bian can not be in the effective position to solve the difficulties and differences the country faces, because it is a part of the political dispute. Beyond 2008, new President in Taiwan either from the pan-blue or pan-green camp would have to be more realistic in the world affairs and cross-strait issues. He will have to note that rising China and the post-Olympic Game scenario in the strait would be of his major task to keep peaceful relationship with Beijing. In about two years, 2010, ASEAN-China FTA will be in force and China’s military capability will reach a point
of dominance in the strait. Taiwan will be in an even more difficult situation to go around. So, 2008 will be a new start for Taiwan. Taiwan desperately needs to shape a whole new national strategy.

Recommendations for new strategy:

- **Stabilize cross-strait relation as first priority**: Taiwan needs to seize windows of opportunity and to seek for a better relationship with China in 2008. The new President should try as hard as possible to stabilize relationship with China through systematic establishment. Leaving all controversial issues aside, e.g. the “one China” principle, unification, and independence, Beijing and Taipei should concentrate more on positive developments and pave the way for building partnership. The cross-strait relation can then lead to more constructive path. It would be critical for Taiwan to build firm mutual trust with China and try to formally end hostility, so that institutionalizing bilateral interactions could kick-start with new implication for future cooperation.

- **Strengthen overall competitiveness**: Taiwan’s economic structure and democratic governance is under serious threat internally and externally. Taiwan needs to actively engage in external activities rather than lock itself in internal political discord. Taiwan’s basic strength lies in its economic growth and global economic outreach. The effect of strengthening economic cooperation with China would only advance Taiwan’s chance to further link with the US. In between the US and China, Taiwan should utilize its critical role in managing this supply-chain economic cooperation.

- **Engage in regional economic integration**: In 2010, ASEAN-China FTA will be in force. If Taiwan does not back away from the current defensive approach of the mainland policy, Taiwan’s economy will be at stake. Building better and trustful relationship with China, Taiwan would need to develop certain trade and investment mechanism to link with China and thus make access to the broader regional markets. For the best interest, Taiwan should push for a cross-strait FTA or Comprehensive Economic Partnership the like with China.

- **Reshape Taiwan’s image in the region**: The effect of Taiwan’s confrontational approach against China proves that it will not be in Taiwan’s best interest in all fronts, as political cost is too high. While the region overall is moving toward integration and closer cooperation, Taiwan’s confrontational approach against China head-on is considered rocking the boat and will only put itself into a more isolated corner. Taiwan needs to reengage in the region with cooperative and responsive manner. As China is now working hard to become a responsible stakeholder in the international community, Taiwan’s shift of policy to
cooperative would gradually credit both China and Taiwan. As a result, it would lead to transforming the nature of the cross-strait relation.

- **Strengthen national defense and responsibility in regional security**: Taiwan needs to strengthen its defense capability as part of its national security buildup, no matter what the cross-strait relation progresses. Scope of national security should be broadened and defense buildup should not be narrowly limited to traditional warfare against PLA’s invasion. Taiwan needs to redefine its defense posture in the region vis-à-vis China’s military buildup and US-Japan security cooperation framework. New areas should be highlighted: sea lane of communication, the South China Sea, maritime security surrounding Taiwan.