

The Chinese People's Liberation Army Air Force on May 11 again conducted encirclement patrols around Taiwan, the previous time being in December last year. These drills are only the latest act in a period of deteriorating relations between China and Taiwan, in which Chinese military posturing has notably increased.

Last month, China announced plans for live-fire exercises in the Taiwan Strait, mere hours after having completed the largest naval parade in the country's history. In addition, the Chinese navy's sole operational aircraft carrier, the 60,000-tonne Liaoning, has made "routine patrols" past the coast of Taiwan on three separate occasions this year alone.

However, Chinese aggression has not only been limited to the military realm.

On the diplomatic front, Taiwan has faced growing pressure since the Democratic Progressive Party's (DPP) victory in the 2016 elections and the election of Tsai Ing-wen (蔡英文) as president.

While an unofficial diplomatic truce was supposedly in place during former president Ma Ying-jeou's (馬英九) Chinese Nationalist Party (KMT) government, the DPP's refusal to recognize the so-called "1992 consensus" in the "one China" principle, and — at times vocal — support for Taiwanese independence have drawn hostility from Beijing.

In fact, the resumption of China's efforts to poach Taiwan's diplomatic allies occurred prior to the DPP's return to government.

Since the start of Tsai's administration, three countries have switched recognition to the People's Republic of China (PRC). The first of these was Sao Tome and Principe in 2016, next was Panama last year and on May 1, the Dominican Republic cut ties with Taiwan and declared the establishment of ambassadorial relations with China.

This has brought the total number of Taiwan's diplomatic allies to 19, and with a deal between the Vatican and Beijing edging closer to completion, this number could soon be just 18.

However, it is the steady erosion of Taiwan's economic independence that poses the greatest threat to the island nation.

Over the past 15 years, economic integration across the Taiwan Strait has proceeded at a rapid pace. Ironically, this begun under former president Chen Shui-bian (陳水扁) at the helm of Taiwan's first DPP government. China is now Taiwan's largest trading partner, accounting for almost 30 percent of exports and more than 50 percent of imports, while Taiwan is only China's seventh-largest trading partner.

About 2 million Taiwanese live and work permanently in China and many Taiwanese companies conduct business across the Strait. The tech industry, which boasts eight of Taiwan's 10 largest companies, is particularly reliant on trade with China.

In February, China's Taiwan Affairs Office announced a new set of preferential policies known as the "31 measures" aimed at attracting more Taiwanese to China by providing equal opportunities in trade and investment for both Chinese and Taiwanese.

The policies also provide new incentives for highly educated Taiwanese to study, establish businesses and work in specialist industries in China. This comes at a time when Taiwan's domestic market is already facing difficulties retaining homegrown talent, with China offering salaries as much as five times higher.

While it is arguable that China's growing aggression is a response to provocations from the US and Taiwan, this does not capture the whole story.

Yes, the arrival of a DPP government does pose a more significant threat to the "status quo" in cross-strait relations, and this has been confirmed by Premier William Lai's (賴清德) open calls for independence on more than one occasion. Similarly, the increased frequency with which the US is weighing in on the Taiwan issue has further aggravated the situation.

## Rethinking cross-strait strategies

Written by Jack Broome

Wednesday, 23 May 2018 07:48

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US President Donald Trump's use of the "one China" policy as a bargaining chip, the passing of the Taiwan Travel Act and the flight of two B-52 long-range bombers 250km of the coastline in China's Guangdong Province have acted as a catalyst for tensions across the Strait. All this in addition to the ongoing freedom of navigation operations conducted by the US military in the South China Sea.

However, the real change lies with China.

Since Xi Jinping (习近平) became the seventh president of the PRC, Chinese policy on Taiwan has taken on a different tone. Under former Chinese president Hu Jintao (胡锦涛), cross-strait relations were relatively stable, but three days after Xi took power, the Gambia's move to officially recognize China signaled a change in tack.

The Gambia in 2013 had declared its intention to abandon ties with Taiwan, but was made to wait by the Hu administration in the interest of preserving the diplomatic truce and improving relations with Ma's government. Xi's decision to permit the move was a clear indication of the tougher stance he has adopted with Taiwan.

Since then, Xi has on a number of occasions stated that the issue of unification cannot continually be deferred to future generations.

In March, the Chinese Communist Party's National People's Congress voted to remove the term limits on the presidency, allowing Xi to remain president beyond the end of his second five-year period. Speculation arose that this was motivated, in part, by Xi's desire to restore China to its position as a world leader by 2050.

Xi views unification with Taiwan as a vital element of this vision, leading analysts to suggest he might push for a resolution on the Taiwan issue during his presidency.

Is time running out for Taiwan?

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The current strategy is simply not doing enough to counter the shift in the balance of power that has occurred over the past few decades.

When I speak with Taiwanese, including members of the diplomatic service, there is a tendency to rely on Taiwan's alliance with the US as the ultimate security guarantee. However, it is important to remember that the US' Taiwan Relations Act is deliberately ambiguous regarding the provision of US military support in the event of an attack on Taiwan. As China's military strength grows, the US might find that the cost of intervention begins to outweigh any strategic interest in defending Taiwan.

However, Taiwan still has a number of options it could pursue without the need to fall back on US military support. In terms of dealing with the military threat, Taiwan only needs to deter China by making the prospect of invasion sufficiently costly. To achieve this, Taiwan would need to effectively contest air superiority with China, as well as control of the sea.

The US House of Representatives recently approved a draft bill to help strengthen Taiwan's military capability. Senior US senators have also been urging the Trump administration to permit the sale of F-35 jets to Taiwan.

It is unlikely that China would allow Taiwan to gain fifth-generation fighters, but the procurement of advanced anti-aircraft missile systems, as well as expanding the ongoing upgrades to the Republic of China Air Force's existing fleet of F-16s, are viable alternatives.

At the beginning of last month, Washington finally gave consent for US defense contractors to assist with Taiwan's long-sought-after goal of building a domestic submarine program. Submarines are critical to disrupting an amphibious assault.

With regard to the threat of economic dependency, the Taiwanese government has already implemented a number of initiatives. The most promising of these is Tsai's New Southbound Policy.

Seeking to enhance economic cooperation and exchanges with South Asian and Southeast

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Asian countries, as well as Australia and New Zealand, the policy identifies a potentially lucrative market for Taiwan. However, to realize this potential, Taiwan would need to continue to diversify its exports — electrical machinery and equipment accounted for 44.5 percent of total exports last year.

Improving trade in Northeast Asia is more complicated. Exports to Japan and South Korea are largely dominated by the sale of semiconductors. Given that Japan and South Korea are host to many original design manufacturers, trade has prospered in this area.

However, Taiwan's own technology brands are forced to compete with Japanese and South Korean companies in the Southeast Asian market. Taiwan seems to be finding ways to overcome this problem, announcing this month that it would advance cooperation with Japan and welcome the nation as an investment partner in Southeast Asia, but more work is needed.

In response to China's "31 measures," the government announced a "four directions and eight strategies" policy to improve the appeal of the domestic market for Taiwanese workers and reverse the "brain drain" to China.

China's new incentives have been seen as a blessing in disguise by some. Not only would it encourage the Taiwanese government to do more to increase opportunities and improve wages, but it might also help attract foreign investment by companies wishing to benefit from preferential access to the Chinese market.

Lastly, Taiwan's diplomatic strategy against the PRC is perhaps most in need of a rethink. Taiwan and China secure diplomatic allies through the use of aid, but Taiwan just does not have the resources to compete with China in this game of checkbook diplomacy.

China is the second-largest provider of aid after the US. From 2000 to 2014, China gave about US\$75 billion in grants and lent about US\$275 billion in low-interest loans. While this is still some way behind the US\$424 billion donated by the US over the same period, it is well beyond the limits of Taiwan's aid budget.

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Neither Taiwan nor China fully disclose the details of their aid programs, but by way of comparison, it is estimated that China's annual budget is about US\$5 billion, whereas Taiwan's budget is less than US\$90 million. China allegedly pledged US\$3.09 billion in low-interest loans and financing for infrastructure projects to the Dominican Republic in exchange for withdrawing its recognition of Taiwan. Even Minister of Foreign Affairs Joseph Wu (吳敦義) admitted this was "an astronomical figure that Taiwan cannot promise."

Taiwan should abandon the practice of checkbook diplomacy and engage in the strategy known as "planting the flag," in which donors spread their aid across a large number of countries to maximize as many good relations with recipients as possible.

Writing last year, Joel Atkinson showed that the large majority of Taiwan's aid goes to its diplomatic allies (22 last year), as well as 14 non-allies, making a total of 36. This is compared with the more than 130 nations per year to which Japan donates aid and more than 140 recipients of South Korean aid.

Unlike Tokyo and Seoul, Taiwan is not required to funnel aid into the Middle East and Central Asia in return for support from the US. It is clear that concentrating only on diplomatic allies does not buy loyalty — the Dominican Republic was an ally for 77 years.

By diversifying its aid portfolio, Taiwan could increase its presence on the world stage, better promote its cause and potentially find new supporters willing to lobby for its participation in international institutions and organizations.

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Source: [Taipei Times - Editorials 2018/05/23](#)