

# TAIWAN'S STRONG BUT STIFLED FOUNDATIONS OF NATIONAL POWER

By David Gitter and Robert Sutter





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# **TAIWAN'S STRONG BUT STIFLED FOUNDATIONS OF NATIONAL POWER**

*David Gitter and Robert Sutter*

*A report from*

**THE STRATEGIC ASIA PROGRAM**

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## — FOREWORD —

This year's edition of the National Bureau of Asian Research's *Strategic Asia* series, *Strategic Asia 2015–16: Foundations of National Power*, assesses the resources available to a range of major powers in the region and the ability of each country's political system to convert those resources into military and diplomatic power. The volume distinguishes among three conceptions of power: power as national resources, or resources generated from conscious state actions such as human capital and entrepreneurship; power as ability, or national performance based on calculated action toward objectives; and power as outcome, or the ability of a state to act counter to another force to achieve its goal or compel another entity to act in a certain way, particularly via military means.

In this NBR Special Report from the Strategic Asia Program, David Gitter and Robert Sutter utilize this research framework to analyze the foundations of Taiwan's national power at an especially critical time for the island and its 23 million people. In January 2016, the electorate will select a new president and legislature, with terms beginning in May and February, respectively. The outcome of these elections will shape Taiwan's place in both the region and the international system for at least the next four years and likely have longer-term reverberations for cross-strait relations. The Democratic People's Party (DPP) looks set to win the presidency and make significant gains in the legislature, if not achieve outright control. Given China's strident opposition to the DPP, this result is almost certain to bring to an end the eight-year period of relative calm and stability in cross-strait relations.

A re-emergence of cross-strait tensions would complicate the broader strategic calculus for two of the region's most prominent powers, the United States and China, at a time when Washington is preparing for its own political transition at the end of 2016 and Beijing is increasingly assertive. Against this backdrop, Gitter and Sutter provide an extremely timely examination of the strengths and weaknesses that will determine Taiwan's ability to achieve its national objectives during a period of transition and uncertainty.

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# Taiwan's Strong but Stifled Foundations of National Power

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## EXECUTIVE SUMMARY

This report examines the key factors underpinning the size, nature, and resilience of national power in Taiwan and draws implications for cross-strait relations.

### MAIN ARGUMENT

China's ever-growing influence poses a threat to Taiwan's economy, national defense, and international position. Although Taiwan's prosperity depends heavily on trade with and investment from China, the island is under constant threat from more advanced Chinese military forces. It relies on the United States to counter China's buildup and deter a military attack or coercive pressure. In addition, Taiwan's vibrant economy, improving military capacity, and effective diplomacy toward China, the United States, and others have helped the island advance its influence and secure critical needs. Its biggest weakness in dealing with the massive constraints from China is the partisan divide between the two major political parties: the Kuomintang (KMT) and Democratic Progressive Party (DPP). This divide is deeply rooted, having endured now for almost 30 years, and has undermined the government's ability to set and implement effective policies to deal with Taiwan's precarious situation.

### POLICY IMPLICATIONS

- President Ma Ying-jeou's accommodation of China, with support from China and the United States, has enabled closer cross-strait relations. However, this trend has stalled recently, and there are several scenarios under which relations may change for the worse.
  - A DPP victory in the January 2016 elections foreshadowing a major challenge to the "one China" principle undergirding existing cross-strait ties
  - Chinese president Xi Jinping increasing pressure on Taipei to begin political talks on reunification
  - The election of a U.S. president more willing than President Obama to use U.S. power, including ties with Taiwan, to counter perceived Chinese advances at the U.S.'s expense in Asian and world affairs
- The first two scenarios may require U.S. actions to calm cross-strait tensions, while the third scenario assumes U.S. readiness for rising tensions with China.



The main findings of this study show that the Taiwan government's current and future internal rule and external influence cannot be separated from the ever-growing influence of the People's Republic of China (PRC) on Taiwan's economy, national defense, and international position. Chinese leaders seek to leverage China's national power to enforce the claim of sovereignty over Taiwan, also known as the Republic of China (ROC). Most notably, the ROC is under constant threat from Chinese coercion backed by the massive buildup of military forces targeting it. Being an island therefore is both a curse and a blessing. Taiwan possesses limited resources and depends on trade for maintaining economic prosperity and satisfying energy needs. The island's prosperity rests heavily on its position in international production chains that involve large Taiwan investment in China, over one million Taiwan citizens living and working on the mainland, and over 40% of Taiwan's trade being conducted with the PRC (including Hong Kong). Thus, Taiwan's economic well-being is increasingly dependent on its greatest strategic threat, China. Yet its island geography offers defensive advantages that remain a major factor saving Taiwan from total domination by China's People's Liberation Army (PLA).

Taiwan is subject to an unfortunate no-win, catch-22 situation. The island needs resources and international economic, political, and security connections in order to preserve its independence and maintain its comprehensive power. But in order to advance trade, economic, and other relations with the outside world, Taipei increasingly finds that it needs consent from Beijing, its main enemy.<sup>1</sup> At least in theoretical terms, this growing economic dependence on China is a choice of Taiwan's business community, encouraged by the government, to take advantage of geographic closeness, language and cultural affinities, and complementary economic needs in order to profit from economic interchange with China. During the Cold War, Taiwan's economy prospered as one of East Asia's fast-growing "tiger" economies in a newly globalizing international marketplace. This happened even though economic ties with mainland China were forbidden.

Recreating this past economic model of a Taiwan that is not dependent on China seems impossible under current circumstances. Taiwan today faces much more international competition. Without the benefits of cross-strait trade and investment, Taiwan's economy risks being internationally marginalized, resulting in stagnation and decline. Beijing has also used its ever-growing international influence to stifle the ROC government's attempts to advance its international profile, including through economic interactions. This places Taiwan in an increasingly disadvantageous position as China asserts sovereignty over the island in the international arena. Current president Ma Ying-jeou of the Kuomintang (KMT) was elected by a landslide in 2008 on a platform that supported closer cross-strait economic ties and abandoned previous governments' efforts to directly confront Beijing in international competition. Even the previous Democratic Progressive Party (DPP) government of President Chen Shui-bian, known for his strong drive to create greater Taiwan independence from China, recognized that reversing the trend of closer economic dependence on China was politically impossible. Trade and investment between Taiwan and the PRC grew impressively during Chen's eight years in office.

Yet while Taiwan alone cannot stand against China, Taiwan is not alone. In particular, U.S. support for the ROC government includes close military cooperation, including the sale of modern weapons. Though no longer having an alliance or official relationship with Taiwan,

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<sup>1</sup> For example, Taiwan leaders enjoyed frequent high-level interchange with world leaders, including in nearby Asia, during the rule of Lee Teng-hui, but Beijing has used its growing international influence following Lee's 1995 visit to the United States to gradually close off these and other international options.

the United States deploys military forces in the area to counter China's buildup and to reinforce U.S. warnings against a military attack or coercive change in the status quo. In this context, Taiwan utilizes limited resources and innovative diplomacy to increase its power and defend itself. Its economy is vibrant, innovative, and among the world's largest. Taiwan continues to develop its military capacity and utilizes unofficial relations to advance its influence and secure critical needs.

The ROC's biggest weakness in dealing with the massive constraints posed by China is a partisan divide between the two major political parties that is deeply rooted in Taiwan society. Each side's leaders continually seek advantage in fractious debates between the two parties and in periodic grassroots protest movements against existing government policies and practices. The overall result undermines Taiwan's infrastructural capacity, especially the government's ability to set and implement effective policies to deal with the island's precarious situation. Frequent gridlock or muddling through fails to address pressing concerns regarding an aging population, inadequate defense spending, reduced government funding for R&D, cross-strait economic integration, energy security, and Beijing's intimidating military buildup and stifling political constraints.

Taiwan's military capacity remains key to its survival and is fully focused on enemy number one: China. The ROC faces no immediately apparent internal security concerns, though how deeply China has used Taiwan's dramatic opening to cross-strait contacts in order to infiltrate the government and key business, media, and other sectors is a subject of growing concern. The island's defense ultimately depends on the United States coming to its aid, and Taiwan must be able to hold out at least for that long if it is to survive. With the ever-widening gap between Taiwan's and China's military power, this ability is increasingly in question.

This NBR Special Report examines the key factors underpinning the size, nature, and resilience of national power in Taiwan. The first section examines factors of natural resources; elements of economic development, including finance; and related factors regarding enterprise, technology, population, and education. The second section assesses external constraints imposed on Taiwan—notably how the rise of China's economic, military, and political power is an overwhelming restriction. It also highlights serious shortcomings in Taiwan's capacity to establish and achieve goals in using national power to support its interests in the face of China's power. The third section reviews Taiwan's military power, discussing the island's resources, the ability to use those resources effectively, and the actual combat proficiency of the Taiwan armed forces. Although Taiwan does a reasonably good job in using limited resources to create competent armed forces, they are nevertheless woefully outnumbered by China's massive armies. The report concludes by considering key variables determining Taiwan's future.

## Taiwan's National Resources

### *Natural Resources and Energy Security*

As with many islands around the world, Taiwan is deficient in natural resources. Its mineral resources are limited, historically including clay, coal, copper, dolomite, feldspar, gold, gypsum, natural gas, petroleum, serpentine, and talc. However, nearly all recoverable coal, talc, and metallic minerals have already been depleted by decades of mining. The very restricted scale of the mining

sector means that minerals will play as minor a role in Taiwan's economic future as they have in the recent past.<sup>2</sup>

Taiwan is also poorly positioned in energy security, a situation that has worsened in recent years. It imported more than 97% of its primary energy as of January 2014.<sup>3</sup> Given limited domestic energy resources, the island relies largely on imports of oil, liquefied natural gas (LNG), and coal to meet its energy demands. In 2012, the Taiwan Power Company used coal to supply over 40% of the island's electric power, with LNG providing over 30%, nuclear power over 18%, hydropower 4%, oil 2.5%, and wind and solar only 0.7%.<sup>4</sup>

Taiwan imports 85% of its crude oil from the Persian Gulf and also nearly all the LNG that it consumes.<sup>5</sup> Major regional crude oil routes pass through the Malacca Strait and the South China Sea, and natural gas routes pass through the South China Sea.<sup>6</sup> Taiwan also depends on imports (mainly from Indonesia and Australia) for the coal that it consumes, and it imports naphtha and liquefied petroleum gas to feed its refinery and petrochemical industry. The outbound energy trade from Taiwan includes refined products such as gasoline and middle distillates that are exported to other parts of Asia.<sup>7</sup>

Until recently, the KMT-dominated government viewed nuclear power as an important component in Taiwan's national development and security planning and pushed the expansion of nuclear power in Taiwan's energy mix with the support of business groups.<sup>8</sup> Nuclear energy was deemed cheaper than imported oil and natural gas, making Taiwan products and services cheaper on international markets. It was also not subject to blockade by China or other trade interruption, making large-scale stockpiling unnecessary. Opposition to this policy was led by Taiwan's strong environmental movement, which stressed the dangers of nuclear reactors in earthquake-prone and densely populated Taiwan. On this issue, the DPP has worked closely with antinuclear environmental groups in its long struggle against the KMT. Once the DPP's Chen Shui-bian became president in 2000, he moved, ultimately in vain, to stop the ongoing construction of a fourth nuclear power plant. The result was the most serious of the many episodes of partisan controversy during Chen's turbulent eight years in office.

Following the nuclear disaster in Japan in March 2011 during KMT president Ma Ying-jeou's tenure, antinuclear power sentiment grew in Taiwan and resulted in large popular protests in 2013, which the DPP sought to use to its advantage. The rising political forces opposed to the plant, including opposition by senior KMT leaders,<sup>9</sup> compelled the Ma government to reverse policy and order a stop to the completion of the fourth nuclear power plant in 2014.<sup>10</sup> To compensate

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<sup>2</sup> U.S. Geological Survey, "2013 Minerals Yearbook: Taiwan [Advance Release]," May 2015, <http://minerals.usgs.gov/minerals/pubs/country/2013/myb3-2013-tw.pdf>.

<sup>3</sup> David Yih-liang Chan, Chi-feng Huang, Wei-chun Lin, and Gui-bing Hong, "Energy Efficiency Benchmarking of Energy-Intensive Industries in Taiwan," *Energy Conversion and Management* 77 (2014): 216.

<sup>4</sup> "Status of Nuclear Power in Taiwan," Taiwan Government, Fact Sheet, May 2013.

<sup>5</sup> U.S. Energy Information Administration, "Taiwan," September 2015, <http://www.eia.gov/beta/international/analysis.cfm?iso=TWN>.

<sup>6</sup> "The South China Sea Is an Important World Energy Trade Route," U.S. Energy Information Administration, April 4, 2013, <http://www.eia.gov/todayinenergy/detail.cfm?id=10671>.

<sup>7</sup> U.S. Energy Information Administration, "Taiwan."

<sup>8</sup> Shu-hsiang Hsu, "Advocacy Coalitions and Policy Change on Nuclear Power Utilization in Taiwan," *Social Science Journal* 42, no. 2 (2005): 215–29.

<sup>9</sup> The KMT candidate in the 2016 presidential election, Eric Chu, registered opposition to the plant in 2012. "Anti-nuclear Stance Not Political: New Taipei Mayor," *China Post*, November 2, 2012, <http://www.chinapost.com.tw/taiwan/national/national-news/2012/11/02/359606/Anti-nuclear-stance.htm>.

<sup>10</sup> The plant at present is basically completed and has been in a storage or "mothball" status for three years at a cost of over \$100 million.

for the lost electric power that was supposed to come from the new plant, Taiwan has increased imports of expensive LNG.<sup>11</sup> The prospects for actually using the plant remain poor, especially if the DPP's Tsai Ing-wen wins the presidential election in January 2016. In sum, the arguments on the dangers of nuclear power triumphed at the expense of Taiwan's energy security and business competitiveness, a situation that is unlikely to be reversed in the foreseeable future.

### *Economic Assets and Performance—Strengths and Weaknesses*

In the lifetime of older residents, Taiwan has transformed from an underdeveloped agricultural island to a leading producer of high-technology goods. In the 1960s, Taiwan emerged as a major exporter of labor-intensive products with the help of foreign investment. In the 1980s, Taiwan shifted to exporting capital and technology-intensive products. Rising labor costs, appreciation of the Taiwan currency, and environmental consciousness drove labor-intensive and polluting manufacturing to China and Southeast Asia. Taiwan is now a major foreign investor in China and other parts of nearby Asia. In the 1990s, this progression spread to Taiwan's information technology sector, the island's strongest industry, with firms moving production facilities to China. This mutually beneficial arrangement continues today, with Taiwan offering relative strengths such as capital, management know-how, and technology in exchange for cheap labor, land, and negligible environmental protection.<sup>12</sup>

Nevertheless, this economic scheme is not without risks. Given its export-oriented economy that depends on global demand, Taiwan suffers during global economic troubles.<sup>13</sup> Taiwan is especially reliant on exports to the PRC (around 40%).<sup>14</sup> This leaves it vulnerable to economic shocks as well as coercion. Furthermore, a legitimate fear shared by many of Taiwan's politicians and economists is the danger of "hollowing out," or the full transfer of Taiwan's production capacity to China with little remaining at home. Skeptics worry that once Chinese enterprises absorb Taiwan's business know-how, including through known surreptitious means such as piracy, patent infringement, and industrial espionage, Taiwan's enterprises may find China unprofitable. Beijing may also seek to apply political pressure by influencing *taishang* (Taiwan's China-based businesspeople). This lobby naturally benefits from stable cross-strait relations and may place pressure on the government to protect their investments over larger political concerns.<sup>15</sup>

Looking into the future, the long-term risk is that Chinese businesses will obtain Taiwan's most productive and innovative advantages and outperform their Taiwan counterparts, thereby undermining the island's economic independence and diminishing its resources for governance, defense, and societal well-being. Hollowing out also endangers the economic ties and resources that underwrite Taiwan's international diplomatic support, which is key to its political survival.<sup>16</sup>

A related concern regarding cross-strait economic interaction is the opening of select service-sector markets in Taiwan to Chinese investment. The so-called Sunflower Movement of mass demonstrations that occupied the legislature in March–April 2014 was prompted by talks

<sup>11</sup> "Taiwan Seals Lungmen No. 1 Nuclear Reactor," *Taiwan Today*, July 1, 2015, <http://www.taiwantoday.tw/ct.asp?xItem=232105&ctNode=421>.

<sup>12</sup> Richard C. Bush, *Uncharted Strait: The Future of China-Taiwan Relations* (Washington, D.C.: Brookings Institution, 2013), 46–49.

<sup>13</sup> Bryce Wakefield, "Taiwan and the Global Economic Storm," Woodrow Wilson International Center for Scholars, Asia Program Special Report, no. 143, October 2009, [http://www.wilsoncenter.org/sites/default/files/Asia\\_143.pdf](http://www.wilsoncenter.org/sites/default/files/Asia_143.pdf).

<sup>14</sup> Peter Drysdale, "Can Taiwan Survive in the Shadow of China?" East Asia Forum, January 19, 2015, <http://www.easiaforum.org/2015/01/19/can-taiwan-survive-in-the-shadow-of-china>.

<sup>15</sup> Shelley Rigger, *Why Taiwan Matters: Small Island, Global Powerhouse* (Lanham: Rowman & Littlefield, 2011), 127–28.

<sup>16</sup> Murray Scot Tanner, *Chinese Economic Coercion against Taiwan: A Tricky Weapon to Use* (Santa Monica: RAND Corporation, 2007), 19.

on the proposed Cross-Strait Services Trade Agreement (CSSTA) that were seen as leading to greater cross-strait economic integration disadvantageous to Taiwan. The Sunflower Movement echoes the DPP's complaints against the policies of the KMT.<sup>17</sup> President Ma Ying-jeou argues that the CSSTA and the earlier cross-strait Economic Cooperation Framework Agreement signed in 2010 ease China's opposition to Taiwan joining in free trade agreements and other advantageous economic interchanges with important neighboring economies. He sees such contacts as essential for Taiwan to avoid becoming economically marginalized because of exclusion from the burgeoning free-trade groupings in Asia.<sup>18</sup> Ma also favors Taiwan gaining entry into the U.S.-led Trans-Pacific Partnership, which does not include the PRC.

Despite the dangers discussed above, the ROC's current economic model has produced notable results. Taiwan's GDP measured by purchasing power parity (PPP) is ranked 22nd in the world at \$1.075 trillion (2014 estimate).<sup>19</sup> Its GDP per capita (PPP) is \$45,900, ranked 33rd (2014 estimate).<sup>20</sup> However, population growth will be very slow during 2013–30, resulting in an aging society and constrained GDP growth. In the end, GDP growth will likely depend on the continued shift of the Taiwan economy from industry to services.<sup>21</sup>

Other measures point to the island's relative economic health. Taiwan had an unemployment rate of only 3.7% as of March 2015.<sup>22</sup> It has the sixth-largest stock of foreign exchange and gold reserves, according to a December 2014 estimate.<sup>23</sup> In 2014, Taiwan's gross national savings rate (% of GDP) was 31.2%, and its ratio of government debt to GDP was 36.5%.<sup>24</sup> Taiwan was also ranked 18th in the World Economic Forum's 2015 Network Readiness Index, which measures utilization of information technology to improve competitiveness.<sup>25</sup>

In order to remain economically healthy, however, Taiwan will need to address several weaknesses. The island has not fully capitalized on its location at the heart of East Asia, and its transportation infrastructure is often seen as lagging behind other countries.<sup>26</sup> Although Taiwan remains central to the technology supply chain and has continued to excel at innovation, bolstered by improved intellectual property rights protection, a skilled labor force, and respect for the rule of law, its technological advantage is in doubt given a lack of specialization in research

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<sup>17</sup> The DPP complaints extend beyond sovereignty-related concerns and also emphasize the charge that these agreements have little economic benefit for average Taiwanese people.

<sup>18</sup> Ian Rowen, "Inside Taiwan's Sunflower Movement," *Journal of Asian Studies* 74, no. 1 (2015): 5–21; and J. Michael Cole, "Debunking the Myths about Taiwan's Sunflower Movement," China Policy Institute Blog, April 4, 2014, <https://blogs.nottingham.ac.uk/chinapolicyinstitute/2014/04/04/debunking-the-myths-about-taiwans-sunflower-movement>.

<sup>19</sup> "Taiwan," in *The World Factbook* (Washington, D.C.: Central Intelligence Agency, 2015), <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/tw.html>.

<sup>20</sup> *Ibid.*

<sup>21</sup> "Taiwan," *Economist*, Intelligence Unit, June 25, 2014, <http://country.eiu.com/article.aspx?articleid=1551952539&Country=Taiwan&topic=Economy&subtopic=Long-term+outlook&subsubtopic=Summary>.

<sup>22</sup> National Statistics (Taiwan), "Manpower Survey Results in March 2015," March 2015, <http://eng.stat.gov.tw/public/Attachment/542114163N41PKGNS.pdf>.

<sup>23</sup> "Country Comparison: Reserves of Foreign Exchange and Gold," CIA, 2015, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2188rank.html>.

<sup>24</sup> "Gross National Savings (% of GDP) Data for All Countries," Economy Watch, March 17, 2015, [http://www.economywatch.com/economic-statistics/economicindicators/Gross\\_National\\_Savings\\_Percentage\\_of\\_GDP](http://www.economywatch.com/economic-statistics/economicindicators/Gross_National_Savings_Percentage_of_GDP); and "Taiwan Government Debt to GDP," Trading Economics, <http://www.tradingeconomics.com/taiwan/government-debt-to-gdp>.

<sup>25</sup> Soumitra Dutta, Thierry Geiger, and Bruno Lanvin, eds., *The Global Information Technology Report 2015: ICTs for Inclusive Growth* (Geneva: World Economic Forum, 2015), [http://www3.weforum.org/docs/WEF\\_Global\\_IT\\_Report\\_2015.pdf](http://www3.weforum.org/docs/WEF_Global_IT_Report_2015.pdf); and "Global Review: A Look at the WEF's Network Readiness Index 2014," World Finance, September 3, 2014, <http://www.worldfinance.com/infrastructure-investment/global-review-a-look-at-the-wefs-network-readiness-index-2014>.

<sup>26</sup> Dan Blumenthal, Rupert Hammond-Chambers, Michael Mazza, Gary Schmitt, and Derek Scissors, "Taiwan Inc.: A Home for Global Business," American Enterprise Institute, 2012, [https://www.aei.org/wp-content/uploads/2012/10/-taiwan-inc-a-home-for-global-business\\_173300489558.pdf](https://www.aei.org/wp-content/uploads/2012/10/-taiwan-inc-a-home-for-global-business_173300489558.pdf).

and training. Another noteworthy weakness in Taiwan's economy is its mediocre finance sector, which has less competition from foreign banks than other comparable Asian economies. Companies face challenging conditions for raising capital, and it is still easier for a multinational company to secure a loan if it is partnered with a local company. Foreign businesses also complain about a lack of transparency with Taiwan's central bank, the Central Bank of China.<sup>27</sup>

### *Technology, Enterprise, and Human Resources*

As noted earlier, Taiwan is a major technology exporter. Examples of success include Taiwan Semiconductor Manufacturing Company taking advantage of the consumer electronics market and becoming the world's largest contract chipmaker, HTC Corporation becoming a global brand, and Apple utilizing Taiwan companies as suppliers.<sup>28</sup> Ma Ying-jeou has sought to promote R&D and new technologies to ensure that Taiwan maintains its central role in global information and communication technology supply chains.<sup>29</sup> R&D spending makes up around 3% of Taiwan's GDP each year (a little less than in Japan but more than in the United States or China in the 2010–12 period), and a quarter of this spending comes out of the government budget.<sup>30</sup> In 2013, 67.5% of R&D spending was on technological development.<sup>31</sup>

Nevertheless, Taiwan's patent applications were just over 78,000 in 2014, a 6.2% decline from 2013. Invention applications filed by Taiwan nationals fell to the lowest point in ten years, reinforcing a three-year trend. Despite the Ma government's emphasis on R&D, this trend may be due to budget cuts in government funding to academic and research institutions.<sup>32</sup> Whether Taiwan can maintain its innovative and technological edge versus China and other regional economic players will largely depend on if the next presidential administration devotes adequate resources to the island's leading innovation institutions.

Regarding enterprise, *Forbes* Global 2000, an annual list of the world's 2,000 largest publicly listed companies, included 47 companies from Taiwan in 2015, with a strong presence of technology and financial firms. The top-ranked Taiwan firm is electronics giant Hon Hai Precision at 122nd.<sup>33</sup>

With respect to human resources, Taiwan's resident population is estimated at 23,123,866.<sup>34</sup> The average annual population growth rate slowed from 0.9% at the end of 2000 to 0.4% at the end of 2010.<sup>35</sup> Of special concern, a smaller future workforce means a smaller pool for military service, which partly motivated the government's push for a smaller, all-volunteer force.<sup>36</sup> Taiwan's sex ratio,

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<sup>27</sup> Blumenthal et al., "Taiwan Inc."

<sup>28</sup> Justina Lee, "Taiwan Leaps Past Tigers as Economy Upgrades with iPhone," Bloomberg, April 28, 2015, <http://www.bloomberg.com/news/articles/2015-04-29/taiwan-leaps-past-asian-tigers-as-economy-upgrades-with-iphone>.

<sup>29</sup> Paul Beckett and Charles Hutzler, "Q&A: Taiwan's President Ma Ying-jeou on China Ties, Policy and His Legacy," *Wall Street Journal*, May 10, 2015, <http://www.wsj.com/articles/q-a-taiwans-president-ma-ying-jeou-on-china-ties-policy-and-his-legacy-1431309939>.

<sup>30</sup> "Research and Development Expenditure (% of GDP)," World Bank, <http://data.worldbank.org/indicator/GB.XPD.RSDV.GD.ZS>; and "Taiwan's R&D Spending Maintains Growth Trend," *Taiwan Today*, October 29, 2014, <http://www.taiwantoday.tw/ct.asp?xItem=223418&ctNode=421>.

<sup>31</sup> "Taiwan's R&D Spending Maintains Growth Trend"

<sup>32</sup> "TIPO Statistics Report: Patent and Trademark Applications in 2014," Intellectual Property Office (Taiwan), April 10, 2015, <https://www.tipo.gov.tw/ct.asp?xItem=547188&ctNode=6687&mp=2>.

<sup>33</sup> "The World's Biggest Public Companies: 2015 Ranking," *Forbes*, 2015, <http://www.forbes.com/global2000/list/#country:Taiwan>.

<sup>34</sup> Relevant statistics in the following paragraphs are from the 2010 census unless otherwise noted. For the full census statistics, see National Statistics (Taiwan), "General Statistical Analysis Report," 2010, <http://eng.stat.gov.tw/public/Data/5428162113SIDMH93P.pdf>.

<sup>35</sup> *Ibid.*

<sup>36</sup> Michael Mazza, "Taiwanese Hard Power: Between a ROC and a Hard Place," American Enterprise Institute, National Security Outlook, April 24, 2014, <https://www.aei.org/publication/taiwanese-hard-power-between-a-roc-and-a-hard-place>.

however, is much better balanced than that of the PRC. According to Taiwan's Statistics Bureau, the overall sex ratio was 99.6.<sup>37</sup> In contrast, mainland China's was above 115 in 2013.<sup>38</sup>

Taiwan's population is mainly urban. Nearly 61% of the resident population lived and was concentrated in Taiwan's five municipalities in 2010. The population is also aging rapidly, with the average age increasing from 32.9 at the end of 2000 to 37.5 at the end of 2010. An aging population means an increasing elderly dependency ratio, signifying a heavier burden on the working age population. The working age population was 73.5% of the total at the end of 2010.<sup>39</sup>

The pressing economic reality arising from these demographic trends is that Taiwan's future labor force will be greatly diminished without policy changes. Low fertility rates and an aging population have already begun to take their toll. By 2016 the island's workforce will begin to shrink by 140,000 workers annually, and by 2021 the population as a whole will begin to decrease.<sup>40</sup> New guidelines issued by the ROC's executive branch, the Executive Yuan, emphasize efforts to encourage workers to retire later and increase Taiwan's fertility rate through "improving the environment for spouse selection" and offering "assistance in creating happy marriages."<sup>41</sup> Fortunately for Taiwan, both sides of the political divide are in agreement that greater immigration is needed to compensate for domestic shortcomings and that Taiwan should seek to attract immigrants who qualify for high-paying positions or may open their own businesses.<sup>42</sup>

Along with the National Immigration Agency, the Executive Yuan is directing new immigration policy changes through the Talent Recruitment Policy Committee, which includes representatives from various government ministries. Recent changes in policy include allowing foreigners who are no longer employed by their original company up to six months to find new work, making a new exception to the general two-years work experience employment requirement for foreign graduates of Taiwan universities, creating a hotline offering multilingual immigration support, and simplifying the application process for the Alien Permanent Resident Certificate.<sup>43</sup> The government is also considering allowing dual citizenship for foreigners with exceptional talents or resources who are seeking ROC citizenship. However, Taiwan is competing with other regional countries for global talent, many of which can offer higher wages.<sup>44</sup> Whether these policies can attract enough foreign talent, increase Taiwan's fertility rate, or encourage Taiwan citizens to work longer remains to be seen. Translating current bipartisan support for immigration reform into effective policy will be a crucial test for the ROC as it seeks to bolster its economic future against these unfavorable demographic trends.

Regarding education trends in Taiwan, the number of people obtaining university degrees increased dramatically from 2000 to 2010, with nearly 70% of Taiwan's 18–22 age cohort studying

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<sup>37</sup> National Statistics (Taiwan), "General Statistical Analysis Report."

<sup>38</sup> For more on China's sex ratio, see Christina Larson, "In China, More Girls Are on the Way," Bloomberg, July 31, 2014, <http://www.bloomberg.com/bw/articles/2014-07-31/chinas-girl-births-ratio-improves-as-country-gets-more-educated>.

<sup>39</sup> National Statistics (Taiwan), "General Statistical Analysis Report."

<sup>40</sup> Tim Ferry, "Rethinking Taiwan's Immigration Policy," *Taiwan Business Topics*, April 16, 2015, <http://topics.amcham.com.tw/2015/04/rethinking-taiwans-immigration-policy>.

<sup>41</sup> Ibid.

<sup>42</sup> Ibid.

<sup>43</sup> Ibid.

<sup>44</sup> Ibid.

in a higher-education institution in 2014, second only to South Korea.<sup>45</sup> Taiwan's top university, National Taiwan University, ranked as the ninth best global university in Asia in 2015 according to *U.S. News and World Report*, with the only regional universities that outranked it being located in China, Hong Kong, Singapore, South Korea, and Japan.<sup>46</sup> Likewise, Taiwan's illiteracy rate was less than 2% in 2013, among the lowest in Asia.<sup>47</sup>

However, although the student-led Sunflower Movement suggests that Taiwan's student population is informed and engaged in public policy, the demonstrations also pointed to young peoples' concern with high levels of unemployment for university graduates, the gap between academic research and industrial R&D needs, and the reality that higher-education institutions are not preparing students adequately for work in key industries.<sup>48</sup> Further adding to these frustrations, an overabundance of graduates has led to the devaluation of higher degrees on the labor market.<sup>49</sup> If Taiwan does not find a way to integrate its top graduates into the national workforce, it risks losing them to regional competitors, including China.

## National Performance

### *An External Military Threat: China*

As is evident from the analysis of Taiwan's resources and economy, the ROC has done considerably well at playing its weak hand in naturally endowed resources by leveraging comparative advantages in trade, geography, business acumen, and innovation. However, with the exception of geography, these advantages offer little respite from the possibility of war with China. Understanding the constraint and threat that China poses to Taiwan, especially the very real threat of a military attack, requires considering the geographic realities defining the island's security. Taiwan straddles two of East Asia's most important waterways, the East and South China Seas, and the major trade arteries that run through them.<sup>50</sup> The island was used in the seventeenth century as a rebel bastion by Ming loyalists to foment uprising in Qing China, as a base for Japanese military operations against China in World War II, and as the launching site for ROC raids against Communist China during the Cold War.<sup>51</sup>

The need for the PLA to cross the Taiwan Strait in order to conquer the island is an important geographic factor in its defense. The Taiwan Strait is shallow with high winds and seas with complex currents. There are few suitable landing beaches on either side of Taiwan's coast: the east side has high cliffs and a steep ocean-bottom gradient, and the west side has wide areas of mud flats.<sup>52</sup> The ingredients for success in a large-scale amphibious assault—widely seen as one of the most difficult

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<sup>45</sup> National Statistics (Taiwan), "General Statistical Analysis Report"; and Chuing Prudence Chou, "Education in Taiwan: Taiwan's Colleges and Universities," Brookings Institution, Taiwan-U.S. Quarterly Analysis, no. 16, November 2014, <http://www.brookings.edu/research/opinions/2014/11/taiwan-colleges-universities-chou>.

<sup>46</sup> "Best Global Universities in Asia," *U.S. News and World Report*, <http://www.usnews.com/education/best-global-universities/asia>.

<sup>47</sup> Chou, "Education in Taiwan."

<sup>48</sup> Ibid.

<sup>49</sup> Ferry, "Rethinking Taiwan's Immigration Policy."

<sup>50</sup> "The South China Sea Is an Important World Energy Trade Route."

<sup>51</sup> Alan M. Wachman, *Why Taiwan? Geostategic Rationales for China's Territorial Integrity* (Redwood City: Stanford University Press, 2007); and York W. Chen, "The Evolution of Taiwan's Military Strategy: Convergence and Dissonance," Jamestown Foundation, China Brief, November 19, 2009, 8–11, [http://www.jamestown.org/uploads/media/cb\\_009\\_67.pdf](http://www.jamestown.org/uploads/media/cb_009_67.pdf).

<sup>52</sup> Bernard Cole, "The Military Instrument of Statecraft at Sea: Naval Options in an Escalatory Scenario Involving Taiwan: 2007–2016," in *Assessing the Threat: The Chinese Military and Taiwan's Security*, ed. Michael D. Swaine, Andrew D. Yang, and Evan S. Medeiros (Washington, D.C.: Carnegie Endowment for International Peace, 2007), 185–213.



military operations to carry out even in calm seas and clear weather—have traditionally been air superiority, initial superiority in troops and firepower at the point of attack, and a reinforcement advantage at the point of attack. All three of these conditions remain in question for an invasion of Taiwan by China. Chinese forces possess no battlefield experience and would need to make adequate preparations to both repel possible U.S. countermoves and overcome Taiwan defenses.<sup>53</sup>

Chinese submarines, advanced surface-to-air missiles, short-range ballistic missiles, and land-attack cruise missiles, however, have reduced Taiwan's geographic military advantage.<sup>54</sup> Furthermore, many of Taiwan's offshore islands are in close proximity to the mainland and extremely vulnerable to Chinese invasion. The PRC could seize quickly one that is uninhabited or lightly defended, perhaps compelling the ROC to escalate the situation in response.<sup>55</sup>

Meanwhile, Taiwan shares the same territorial vulnerabilities as China in defending expansive claims to the South and East China Seas. Both have the same claims in these disputed areas, but the way Taipei handles the disputes is much less assertive than Beijing's approach; it usually avoids confrontation and pragmatically seeks common ground with other claimants.

### *Chinese Intentions and Military Capabilities*

China asserts that Taiwan is a province that was forcefully taken from it by Japan during foreign encroachments that took advantage of Chinese weaknesses prior to the establishment of the PRC. Beijing affirms that Taiwan must eventually reunite with the mainland. It has repeatedly warned that the ROC's moves toward independence would compel China to use force in accordance with its anti-secession law. This strident position on Taiwan belies the fact that the Chinese Communist Party (CCP) has never ruled Taiwan, which instead has been ruled by the ROC government ever since the defeat of Japan in 1945. Chiang Kai-shek and his KMT-ruled ROC lost the Chinese civil war and fled across the Taiwan Strait in 1949. Since that time, Taiwan's political system has evolved from an authoritarian one-party state under KMT rule into a vibrant multiparty democracy with a dynamic capitalist economy.<sup>56</sup> The PRC, for its part, has never forsworn using military force to reunify the island.

The Chinese leadership employs the rubric of “one country, two systems”—used to guide China's policy on Hong Kong and Macao as well as Taiwan—as the framework for reunification of Taiwan with the mainland. Beijing's unyielding stance toward recent demands in Hong Kong for true universal suffrage has made this option, already unattractive to Taiwanese, appear even more abhorrent. The KMT does continue to support the “one China” principle, which is the loose understanding held by both the KMT and CCP that only one China exists, despite disagreement

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<sup>53</sup> Richard C. Bush and Michael E. O'Hanlon, *A War Like No Other: The Truth About China's Challenge to America* (Hoboken: John Wiley & Sons, 2007), 187–97.

<sup>54</sup> William S. Murray, “Revisiting Taiwan's Defense Strategy,” *Naval War College Review* 61, no. 3 (2008): 13–38, <https://www.usnwc.edu/getattachment/ae650b06-a5e4-4b64-b4fd-2bcc8665c399/Revisiting-Taiwan-s-Defense-Strategy---William-S-.aspx>.

<sup>55</sup> James H. Anderson, “Tensions across the Strait: China's Military Options against Taiwan Short of War,” Heritage Foundation, Background, no. 1328, September 28, 1999, <http://www.heritage.org/research/reports/1999/09/chinas-military-options-against-taiwan-short-of-war>.

<sup>56</sup> Ian E. Rinehart and David Gitter, “The Chinese Military: Overview and Issues for Congress,” Congressional Research Service, CRS Report for Congress, R44196, September 18, 2015, <http://www.fas.org/sgp/crs/row/R44196.pdf>.

on what China is.<sup>57</sup> Even so, President Ma rejected the one country, two systems framework outright in December 2014.<sup>58</sup>

The pressure China applies to Taiwan to move toward unification seems to have intensified under the leadership of Xi Jinping.<sup>59</sup> It has involved the economic and diplomatic pressures discussed earlier in conjunction with military buildup and a variety of military exercises. President Xi has repeatedly pushed for a firm stance toward Taiwan.<sup>60</sup> Against the backdrop of a major KMT defeat by the anti-unification DPP in island-wide elections in November 2014, a critical juncture will come if the Taiwan elections in January 2016 result—as forecast by many—in the election as president of the DPP’s Tsai Ing-wen. In the lead-up to the elections, Xi used his unprecedented meeting with Ma in Singapore on November 7, 2015, to strongly support the so-called 1992 consensus, an agreement involving one China that Ma endorses and Tsai and the DPP do not.<sup>61</sup> The Taiwan electorate’s shift toward a less accommodating stance on cross-strait issues could be reinforced if the DPP gains a significant number of seats in the concurrent legislative elections. There is little doubt that Chinese leaders would view such developments as a major setback.

Despite a wide array of serious domestic issues preoccupying Chinese leaders, the Xi government has shown determination to pursue nationalistic goals with activism, strong rhetoric, and bold tactics. The new problems Beijing faces with Taiwan would come against the backdrop of troubles on China’s periphery involving sensitive issues of national sovereignty and security. The issues include continued confrontation with Japan over disputed maritime territory, instability and poor relations with North Korea, growing U.S.-led opposition to Chinese expansion in the disputed South China Sea, and continued resistance to Chinese direction by political opposition in Hong Kong.<sup>62</sup> President Xi has already demonstrated impatience with perceived stalling by Taiwan on political talks and other steps favored by Beijing. Under the above conditions, hoping that he will not choose assertiveness in pursuing nationalistic goals may be in vain.

As shown earlier, economic attractions and economic and diplomatic pressures remain China’s preferred options to move Taiwan toward reunification, but these options are backed by full military preparations that have been underway for two decades.<sup>63</sup> The 1995–96 Taiwan Strait crisis showed that China lacked the ability to retake Taiwan, especially if U.S. forces intervened. China decided that in order to successfully retake the island by force, it would need to modernize its military. The PLA would have to achieve comprehensive power that included acquiring the capabilities to “deafen and blind” Taiwan’s military command, launch precision strikes against high-value targets, conduct sabotage through special operations, ground Taiwan’s air force

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<sup>57</sup> The Chinese Communist Party claims that China is the People’s Republic of China, while the KMT claims that China is the Republic of China. The DPP continues to reject the one-China principle altogether.

<sup>58</sup> Vincent Wei-cheng, “Recent Developments in China’s Relations with Taiwan and North Korea,” testimony before the U.S.–China Economic and Security Review Commission, Washington, D.C., June 5, 2014, <http://www.uscc.gov/sites/default/files/Vincent%20Wang-Testimony%2020140605-Final.pdf>; and Chris Luo, “Ma Ying-jeou Says ‘One Country, Two Systems’ Not Relevant to Taiwan,” *South China Morning Post*, June 24, 2014, <http://www.scmp.com/news/china-insider/article/1538259/ma-ying-jeou-says-one-country-two-systems-not-relevant-taiwan>.

<sup>59</sup> For a review of Xi’s tough public position on Taiwan, see Bonnie Glaser and Jacqueline Vitello, “Xi Jinping’s Great Game: Are China and Taiwan Headed towards Trouble?” *National Interest*, July 16, 2015, <http://nationalinterest.org/feature/xi-jinpings-great-game-are-china-taiwan-headed-towards-13346>.

<sup>60</sup> Bonnie Glaser and Jacqueline Vitello, “Tough Times Ahead if the DPP Returns to Power?” Pacific Forum CSIS, PacNet, no. 41, July 21, 2015, <http://csis.org/files/publication/Pac1541.pdf>.

<sup>61</sup> Dingding Chen, “The Historic Xi-Ma Meeting,” *Diplomat*, November 9, 2015 <http://thediplomat.com/2015/11/the-historic-xi-ma-meeting-the-bigger-picture>.

<sup>62</sup> Robert Sutter, “Xi Jinping’s Foreign Policy: Image Versus Reality—Some Adjustment Required,” Pacific Forum CSIS, PacNet, no. 38, July 7, 2015, <http://csis.org/files/publication/Pac1538.pdf>.

<sup>63</sup> Office of the U.S. Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People’s Republic of China* (Washington, D.C., 2015), [http://www.defense.gov/pubs/2015\\_China\\_Military\\_Power\\_Report.pdf](http://www.defense.gov/pubs/2015_China_Military_Power_Report.pdf).

through missile saturation of airfields, bottle up Taiwan's navy in key military ports, control the airspace over both the strait and island, neutralize U.S. carrier strike groups, and deter U.S. and ROC forces from targeting the mainland itself.<sup>64</sup> Of course, China might also use a maritime quarantine, blockade, or other limited force to create fear and hurt the confidence of the island's defenders. The U.S. Department of Defense's judgment that China has yet to prepare the necessary amphibious lift capacity for a large-scale invasion of the island suggests that China for now is pursuing objectives without the expectation that a full military assault on Taiwan will be needed.<sup>65</sup>

Offsetting to some degree the constraint Taiwan faces from China's growing military pressure and intimidation are Taiwan's own military preparations. The ROC's defense strategy has changed numerous times since 1949, revolving around the question of how to maintain relative strength and best utilize the island's geographic advantages and limited resources to deter or defeat aggression. During 1949–66, the ROC had a strategy of “offensive defense,” which called for a strong presence and utilization of Taiwan's offshore islands and frequent raids into the mainland's coast. Throughout much of this period, Chiang Kai-shek was preparing his forces to return to the mainland—their top priority. U.S. forces introduced into the Taiwan Strait by the United States at the start of the Korean War were seen in Washington as useful to both deter China from attacking Taiwan and block Chiang's plans for large-scale invasion of the mainland. The urgency of the United States blocking Chiang reached a highpoint with the economic collapse and mass starvation in China in 1961. President John F. Kennedy used a variety of measures to show Taiwan that the United States would not support a large attack against the mainland.<sup>66</sup>

After the ROC came to terms with the reality that it could not retake the mainland, its strategy evolved into “forward defense” (1966–79). This approach advocated fortifying offshore islands but curbing mainland raids. From 1979 to 2000, Taiwan adopted a strategy of “defense in depth,” which called for the preservation of ROC forces for a decisive campaign on “the water's edge.” It encompassed a three-layered defense: check the enemy on its own shore, strike the enemy while in transit across the Taiwan Strait, and destroy the enemy on Taiwan's beachhead. As its strategy evolved, Taiwan showed awareness that it was increasingly less able to control the air and sea in the Taiwan Strait and therefore sought to make an invasion by China so costly that it deterred such an action. From 2000 to 2008, the ROC adopted the strategy of “active defense.” Partly out of the realization that Taiwan's defensive layers could not stop a missile attack, such as that exhibited during the 1995–96 Taiwan Strait crisis, active defense called for checking the enemy at its own shore and attacking it in transit through acquiring a deep-strike capability. This strategy emphasized precision standoff weaponry, electronic countermeasure forces, and air and naval power. The effectiveness of such a seemingly offensive policy of strikes on the mainland by the government of pro-independence president Chen Shui-bian seemed in doubt to seasoned observers.<sup>67</sup>

Taiwan's current strategy is termed “Hard ROC.” In this plan, integration of weapons systems for joint operations serves as a deterrent, but if all else fails, the plan calls for “resolute defense.”<sup>68</sup> This strategy recognizes the need to protect Taiwan's access to critical sea lines and air lines

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<sup>64</sup> David L. Shambaugh, *China Goes Global: The Partial Power* (Oxford: Oxford University Press, 2013), 276–80.

<sup>65</sup> Office of the U.S. Secretary of Defense, *Annual Report to Congress*.

<sup>66</sup> Nancy Bernkopf Tucker, *Uncertain Friendships: Taiwan, Hong Kong, and the United States, 1945–1992* (New York: Twayne Publishers, 1994), 94.

<sup>67</sup> Chen, “The Evolution of Taiwan's Military Strategy: Convergence and Dissonance,” 8–11; and Bernard Cole, *Taiwan's Security: History and Prospects* (New York: Routledge, 2006), 164.

<sup>68</sup> Ministry of National Defense (Taiwan), *2013 Quadrennial Defense Review* (Taipei, 2013).

of communication and emphasizes surviving a first strike, averting decapitation (involving commando attacks on the president and leaders in Taipei), carrying out counterstrikes, and sustaining operations. Taiwan would assume a defensive posture to utilize the Taiwan Strait and its geographic advantages as an island to fight for “time and space.” As worded in the *National Defense Report 2013*, the ROC would seize “advantageous tactical positions, where it can utilize joint strike capabilities and gather superior forces and firepower for joint interdiction and striking the enemy when transiting across the Taiwan Strait.” Finally, the ROC would wage an all-out defense at beachheads to deny enemy forces a foothold if naval and air forces prevail in crossing the strait and landing invading infantry. Taiwan would also utilize asymmetric and innovative capabilities aimed at damaging the PRC’s critical communications and exploiting other vulnerabilities.<sup>69</sup>

Taiwan has arguably not fully utilized its geographic advantages to set up defenses against an invading Chinese force. American observers such as William Murray of the Naval War College have argued that the ROC should switch its focus from an offshore defense strategy—utilizing hardware such as diesel submarines, P-3 maritime surveillance and antisubmarine aircraft, and antiballistic missile PAC-interceptors—to a “porcupine” strategy. This strategy recognizes that Taiwan’s air force and navy will likely be neutralized by the PLA but proposes that by hardening and building redundancy in infrastructure and systems, the island could survive the initial precision bombing, deny the PLA uncontested air control, repel an invasion, and survive a blockade. Implementing this approach, however, would require Taiwan to purchase new types of weapons from the United States.<sup>70</sup>

### *Taiwan’s Partisan Divide and Resulting Shortcomings in Sustaining National Power*

The shifts in ROC strategy in the face of the changing and increasingly adverse military balance in the Taiwan Strait show Taiwan’s difficulties in agreeing on a defense strategy that enjoys the full backing of both the elite and general public. The offensive aspects of Taiwan’s defense plans during the Chen Shui-bian years prompted criticism by KMT and other observers. Chen’s ability to gain legislative approval for billions of dollars of offered U.S. arms encountered protracted opposition from KMT leaders in control of the legislature. The Ma Ying-jeou administration entered office advocating the rigorous hard ROC strategy explained above. But over the years, Ma was unwilling to seek the minimum level of defense spending (3% of GDP) that he had earlier stated would be required to effectively implement the strategy; instead, he played down the strategy’s emphasis on military preparedness in favor of diplomacy and effective accommodation of China through negotiations as the main means of ensuring Taiwan’s security. The president’s changes met with widespread disapproval from the DPP, which favored greater defense spending and preparations to secure Taiwan against the growing Chinese threat.<sup>71</sup>

Such gridlock and divisive criticism along party lines on sensitive issues of national defense are emblematic of a broader weakness in Taiwan’s infrastructure capacity—specifically the ability of the governing authority to set goals supported by elites and to consolidate enough power to see those goals through. Foreign experts for many years have seen this weakness as having a deleterious effect on Taiwan’s ability to carry out needed reforms and effective policy in economic,

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<sup>69</sup> Ministry of National Defense (Taiwan), *National Defense Report 2013* (Taipei, 2013), [http://www.us-taiwan.org/reports/2013\\_october\\_taiwan\\_national\\_defense\\_report.pdf](http://www.us-taiwan.org/reports/2013_october_taiwan_national_defense_report.pdf).

<sup>70</sup> Murray, “Revisiting Taiwan’s Defense Strategy.”

<sup>71</sup> Mazza, “Taiwanese Hard Power.”

social, and national security areas important to preserving and advancing national power in the face of China's threat. At its roots, such weak infrastructure capacity has reflected a deficiency in ideational resources. The latter involve effective problem solving, political consensus on setting and achieving policy goals in pursuit of sufficient national power, and agreed-on state ideology and organization to develop such national power.<sup>72</sup>

In the case of Taiwan, the government repeatedly has shown serious shortcomings in these areas amid attacks from opponents prompted by fundamental ideological and political divisions. Because intense political competition has been viewed in zero-sum terms, neither the DPP government of Chen Shui-bian nor the KMT government of Ma Ying-jeou has been effective in reaching consensus about what should be done to strengthen Taiwan. The government arguably showed some unity in dealing with cross-strait issues in the wake of the KMT's landslide victory in 2008 that gave the party both the presidential office and a large majority in the legislature. But that unity eroded as the DPP recovered. It is also important to note that some areas of broad common ground exist between the two rival political parties. Both seek to avoid military conflict with China and to sustain as much as possible the Taiwan government's sovereignty and independence.

Those common goals notwithstanding, each side continues to seek political advantage by focusing on the perceived shortcomings of the policy proposals of the other. When popular opinion shifts on sensitive issues, as it did in the case of the fourth nuclear reactor in 2013 and the Sunflower Movement in 2014, the political opponents maneuver to gain partisan advantage and to disadvantage their foes. Overall, the frequent episodes of gridlock and political crisis caused by such major differences in policy weaken Taiwan's national power.

Although these shortcomings might be attributed to the fact that Taiwan is a new democracy with a highly competitive media seeking to sensationalize issues of governance, political gridlock has persisted now for three decades and shows little sign of easing, much less reaching a meaningful resolution. The importance of the partisan divide is enhanced as it feeds on and relates to competing views in the general population on how to deal with China. Thus, for example, the initial KMT candidate for president in the 2015–16 election was friendly to China and a strong advocate of reunification. But she proved to be unpopular and was replaced by a candidate with views that eschew such a strong pro-China identity and appeal to a broader spectrum of Taiwan voters.<sup>73</sup>

Richard Bush of the Brookings Institution has repeatedly called attention to the government's need to carry out a national self-strengthening in the face of pressures and constraints posed by China. He has laid out several requirements for an effective Taiwan policy to deal with the constraints and pressures posed by China, including economic reforms, military preparations, improved relations with the United States, and the formation of a consensus on what exactly Taiwan should protect regarding its security and sovereignty in interactions with Beijing.<sup>74</sup> Bush's sensible recommendations provide a useful measure of how well or poorly Taiwan's governance is strengthening and advancing national power.

Unfortunately, as described above, even the casual observer of the island's domestic affairs can see a continued poor record. The discussion earlier in this report showed meager results for

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<sup>72</sup> Ashley J. Tellis, *Measuring National Power in the Post-Industrial Age* (Santa Monica: RAND Corporation, 2000).

<sup>73</sup> Stacy Hsu, "KMT's Eric Chu Takes Over Campaign," *Taipei Times*, October 18, 2015, <http://www.taipeitimes.com/News/front/archives/2015/10/18/2003630321>.

<sup>74</sup> Bush, *Uncharted Strait*, 159–95.

Taiwan's national power, stemming from ongoing partisan divisions and zero-sum competition that have caused gridlock for years. The reasons for the partisanship and continuing division that undermine effective national strengthening are harder to identify. The record of the DPP's struggle for power against the previously authoritarian KMT reaches back over 40 years and is full of twists and turns where one side or the other saw the opponent engaging in reprehensible practices. As a result, the level of trust between the two camps is low. Perhaps of more importance, the DPP stalwarts base their platform on an identity for Taiwan very different from the one-China view of the KMT that is more acceptable to Beijing. Many of the older generations in the DPP identify with a Taiwan separate from China. They see Taiwan's interests as best served by avoiding entanglements with China that could diminish the island's autonomy and independence. These clashing identities and views of Taiwan's future—with the KMT arguing for a flexible position on one China and with the DPP sticking to positions sure to antagonize Beijing—make calls for Taiwan's government to reach a consensus on how to approach the mainland in political talks extremely difficult to achieve.<sup>75</sup>

Looking forward to the next steps in cross-strait relations, Taiwan is poorly prepared for the political and security negotiations that China presses for. The partisan divide precludes consensus on what aspects of sovereignty and security must be sustained and protected in Taiwan's dealings with China. As was noted earlier and will be explained more fully in the conclusion, in the near term the stability of cross-strait relations could erode and military tensions could rise with a victory in the January 2016 elections by a DPP government unwilling to support the compromises employed by the KMT government to reassure China that Taiwan will not seek independence. Such tensions would be very controversial in Taiwan and even more unwelcome abroad.

The Taiwan government's ability to sustain military preparedness, support growing social welfare needs, and foster investment and training for economic development requires tax increases that are broadly unpopular and subject to partisan attack. The Ma administration has been unable to change regulations and practices that are seen abroad as encumbering, costly, and protectionist in order to improve Taiwan's international economic competitiveness and facilitate smoother economic relations with the United States and other non-Chinese trading partners. This is because the political opposition supports domestic constituencies disadvantaged by such reforms. The KMT's efforts to use nuclear energy to enable greater energy security for Taiwan likewise collapsed in the face of broad-ranging opposition in 2013 that was fanned by the media and duly exploited by the DPP. The result is less risk of nuclear accident but greater energy insecurity and higher energy costs.

Some proponents of reform argue that the structure of Taiwan's government works against effective policy formation. This structure, which divides a powerful president from the legislature and the prime minister, is cumbersome and provides numerous options for those seeking to stall policy initiatives, especially when the presidency and the legislature are controlled by opposing political parties. No doubt reform here would ease policy formulation, but the overall impact on the ongoing partisan divide in Taiwan fed by deep-rooted sentiments and negative experiences remains questionable.

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<sup>75</sup> Dafydd Fell, "Inter-Party Competition in Taiwan," in *Presidential Politics in Taiwan*, ed. Steven Goldstein and Julian Chang (Norwalk: Eastbridge, 2008), 49–84; and Shelley Rigger, *Taiwan's Rising Rationalism: Generations, Politics, and "Taiwanese Nationalism"* (Washington, D.C.: East-West Center, 2006).

## Taiwan's Military Capability

### *Taiwan's Weak Strategic Resources vis-à-vis China*

While Taiwan's politicians continue to disagree on the basics of cross-strait relations, ROC national security officials have remained sober in their assessment of the Chinese threat and in their plans for the island's defense. Taiwan's 2013 Ministry of National Defense (MND) report recognizes the efforts by the PRC to prepare for a cross-strait conflict, including its procurement of new weapons platforms to deter or delay U.S. or other foreign intervention. It also recognizes Chinese efforts to use a peaceful atmosphere to weaken public awareness of this threat and resistance in the ROC military to China.<sup>76</sup> The report highlights China's "three warfares," which include public opinion and media, psychological, and legal warfare.<sup>77</sup>

The 2013 MND report duly recognizes that because of large investments in national defense and military modernization China now possesses the capability to blockade Taiwan and seize its offshore islands. It also assesses that "the PLA Air Force is already capable of fighting for air superiority and control over the first island chain," which includes Taiwan.<sup>78</sup> Indeed, China's acquisition of SU-35 fighters and long-range S-400 surface-to-air missile systems (the S-400 can cover the entirety of Taiwan's airspace) makes it difficult for Taiwan's pilots to operate over their own territory.<sup>79</sup> In addition to upgrades in high-tech weaponry, China's improved intelligence, surveillance, and reconnaissance (ISR) capabilities are recognized by the ROC MND to now be sufficient to support robust military operations aimed at Taiwan.<sup>80</sup>

The daunting reality of the PLA's quantitative advantage against Taiwan is not lost on ROC military strategists. In the area of the Taiwan Strait, China's ground, naval, and air forces outnumber Taiwan's ground, naval, and air forces by a magnitude of two or more in nearly every metric of unit, platform, and weapon.<sup>81</sup> This already overwhelming superiority almost certainly would be augmented during a cross-strait conflict with forces from other Chinese military regions. (See **Table 1** for an overview of the order of battle and a comparison of Taiwan and PRC military forces.) In 2014, Taiwan's military budget was \$10.3 billion, whereas China's official budget was \$136.3 billion. Taiwan's budget has dropped to around 2% of its GDP despite the gigantic threat the island faces.<sup>82</sup> Meanwhile, the military's move to an all-volunteer force, discussed below, further strains the ROC's already deficient military budget.

However, it must be recalled that amphibious landings are required for an invasion of Taiwan, and China does not yet seem to be fully investing in the necessary lift capacity.<sup>83</sup> Moreover, amphibious invasions are hard to execute.<sup>84</sup> As noted earlier, China has other military options available for use against Taiwan, including a blockade, a decapitating strike on Taiwan's leaders,

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<sup>76</sup> Ministry of National Defense (Taiwan), *National Defense Report 2013*.

<sup>77</sup> Ibid. For more on the three warfares, see Dean Cheng, "Winning without Fighting: Chinese Legal Warfare," Heritage Foundation, Backgrounder, no. 2692, May 21, 2012, <http://www.heritage.org/research/reports/2012/05/winning-without-fighting-chinese-legal-warfare>.

<sup>78</sup> Ministry of National Defense (Taiwan), *National Defense Report 2013*.

<sup>79</sup> Paul N. Schwartz, "Russia Announces Sale of S-400 to China," Center for Strategic and International Studies, Russia and Eurasia Blog, June 30, 2014, <http://csis.org/blog/russia-announces-sale-s-400-china>.

<sup>80</sup> Ministry of National Defense (Taiwan), *National Defense Report 2013*.

<sup>81</sup> For more on China's Taiwan Strait, see the 2015 Department of Defense China report, Office of the U.S. Secretary of Defense, *Annual Report to Congress*.

<sup>82</sup> Ibid.

<sup>83</sup> Ibid.

<sup>84</sup> Bush and O'Hanlon, *A War Like No Other*, 187–97.

TABLE 1 Cross-strait order of battle, military balance

Ground forces			
	China		Taiwan
	<i>Total</i>	<i>Taiwan Strait area</i>	<i>Total</i>
Personnel (active)	1,250,000	400,000	130,000
Group armies	18	8	3
Infantry divisions	12	3	0
Infantry brigades	23	6	8
Mechanized infantry divisions	7	3	0
Mechanized infantry brigades	25	7	3
Armor divisions	1	0	0
Armor brigades	17	8	4
Army aviation brigades and regiments	11	6	3
Artillery brigades	22	10	5
Airborne divisions	3	3	0
Amphibious brigades	3	3	3
Amphibious divisions	2	2	0
Tanks	6,947	2,758	1,100
Artillery pieces	7,953	3,891	1,600

  

Naval forces			
	China		Taiwan
	<i>Total</i>	<i>East and South Sea Fleets</i>	<i>Total</i>
Aircraft carriers	1	0	0
Destroyers	21	14	4
Frigates	52	42	22
Corvettes	15	11	1
Tank landing ships/ amphibious transport dock	29	26	12
Medium landing ships	28	21	4
Diesel attack submarines	53	34	4
Nuclear attack submarines	5	2	0
Coastal patrol (missile)	86	68	45



TABLE 1 CONTINUED

Air forces			
	China		Taiwan
	Total	Within range of Taiwan	Total
Fighter aircraft	1,700	130	388
Bombers/attack aircraft	400	200	22
Transport aircraft	475	150	21
Special mission aircraft	115	75	10

SOURCE: Office of the U.S. Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China* (Washington, D.C., 2015), [http://www.defense.gov/pubs/2015\\_China\\_Military\\_Power\\_Report.pdf](http://www.defense.gov/pubs/2015_China_Military_Power_Report.pdf).

an assault on and occupation of lightly defended offshore islands, and ballistic missile strikes or air attacks. However, there appears to be serious risks for China in employing such partial measures without the credible ability to follow through with a full assault on the island. The Taiwan government may react to such overt, albeit partial, Chinese aggression with a formal declaration of independence, and the United States (and perhaps other states) might recognize the ROC's new status as U.S. forces carry out well-established war plans in confronting China in the Taiwan Strait. This development appears to be hard to reverse without China possessing the ability to force Taiwan's surrender. Presumably taking account of these considerations, Taiwan's previous defense minister, Yen Ming, told the national legislature's Foreign Affairs and National Defense Committee in 2014 that the ROC military could hold out against a PLA invasion for "at least one month."<sup>85</sup>

To augment its strategic resources, Taiwan continues to pursue a wide range of weapons, but it runs into various obstacles and issues. Weapons procurement from the United States and elsewhere is subject to political concerns, as countries are worried about provoking Beijing. The recent flux in Taiwan's overall strategy toward the China threat means that the porcupine strategy recently favored by some U.S. strategists is only one element considered in the ROC's multifaceted defense program. Thus, a wide range of weapons systems are under consideration for purchase or development by the current government and military leaders. These include stealth aircraft such as the F-35B as well as submarines through a long-stalled U.S. submarine program and an indigenous defensive submarine program. Veteran journalists often report the view in Taiwan that many U.S. weapons systems are acquired less for defending against China and more for their

<sup>85</sup> Kyle Mizokami, "How Taiwan Would Defend against a Chinese Attack," USNI News, March 26, 2014, <http://news.usni.org/2014/03/26/taiwan-defend-chinese-attack>.

symbolic importance of showing continued U.S. support for Taiwan's security.<sup>86</sup> For both Taiwan and the United States, the arms sales represent a recurring show of commitment to the island's defense. It remains the case, however, that weapons from the United States must be justified by the U.S. government as defensive in character. The U.S. president and Congress determine Taiwan's needs as stated in the Taiwan Relations Act.

To the frustration of the ROC, the United States has refused to sell it new F-16 aircraft, instead opting to modernize its current fleet of these fighters. This decision and others like it have pushed Taiwan to increasingly turn to its own domestic defense industry, which has produced notable successes such as modern missile boats and land-attack and surface-to-air missiles. However, the industry will be hard-pressed to build advanced hardware such as antiballistic missile systems or submarines.<sup>87</sup>

On the naval front, the leadership of Taiwan's military has been reshuffled in recent years, and naval officers have now risen to top positions, including current minister of defense Admiral Kao Kuang-chi. This may mean that a greater share of the defense budget will go to the navy, which has received less funding than the other services over the past decade.<sup>88</sup> The U.S. government must decide how to handle a long-pending submarine acquisition, which was approved in 2001 under President George W. Bush but has been delayed by fourteen years of political, budgetary, and technological problems. For this reason, as stated above, Taiwan is also pursuing indigenous submarines. Submarines could give the ROC a survivable deterrent against an invading force, and China possesses limited antisubmarine warfare capabilities.<sup>89</sup>

On the ground warfare front, Taiwan requires two to four battalions of surplus U.S. Army M1A1 and M1A2 main battle tanks, but the process is still in the programming phase. Taiwan's army also needs more anti-tank munitions, including BGM-71 TOW (tube-launched, optically tracked, wire-guided missiles) and FGM-148 Javelins.<sup>90</sup> Taiwan's marine corps plans to acquire surplus AAV-7A1 amphibious assault vehicles to augment those acquired from the United States in 2006.<sup>91</sup>

On the air front, Taiwan's program to upgrade its 45 F-16 A/B fighters with new active electronically scanned array radar, avionics, and mission modular computers is moving ahead. Taiwan's air force needs a wide range of air-to-air, air-to-ground, anti-radiation, and anti-ship missiles for use against China's growing offensive capabilities. It also wants the F-35B short takeoff and vertical landing fighter, but its ability to afford this aircraft has been questioned. The air force further wants 68 advanced jet trainers and requires tactical unmanned aerial vehicles (UAV) for ISR monitoring of coastal areas, sea lanes, battlefields, and disaster areas. While the latter requirement has been partly met domestically, the need for an advanced, extended-range, and multipurpose UAV has not been filled. The air force plans to procure 6 C27J Spartan medium-transport aircraft,

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<sup>86</sup> Wendell Minnick, "Taiwan Pushes for New Weapons on All Fronts," *Defense News*, May 27, 2015, <http://www.defensenews.com/story/defense/policy-budget/warfare/2015/05/27/taiwan-requirements-submarine-frigate-destroyer-helicopter-budget-china/26860647>.

<sup>87</sup> Omar Lamrani, "As China Advances, Taiwan's Military Strategy Changes," *Stratfor*, May 4, 2015, <https://www.stratfor.com/analysis/china-advances-taiwans-military-strategy-changes>.

<sup>88</sup> Wendell Minnick, "Navy Takes Lead in Taiwan Military Reshuffle," *Defense News*, January 31, 2015, <http://www.defensenews.com/story/defense/naval/navy/2015/01/31/taiwan-navy-budget-personnel-defense-ministry/22573995>.

<sup>89</sup> *Ibid.*; and Robert Sutter, "Dealing with America's China Problem in Asia—Targeting China's Vulnerabilities," *Pacific Forum CSIS, PacNet*, no. 58, July 21, 2014, <http://csis.org/files/publication/Pac1458.pdf>.

<sup>90</sup> Minnick, "Taiwan Pushes for New Weapons on All Fronts."

<sup>91</sup> *Ibid.*

but the program has run into financing issues related to costs from indigenous defense fighter upgrades and the F-16 A/B fighter upgrades.<sup>92</sup>

The Obama administration notified Congress on December 17, 2015, of its first major arms sale to Taiwan in four years, valued at \$1.83 billion. It included two surplus frigates as well as amphibious assault vehicles, Javelin missiles, and a few other items noted above.<sup>93</sup> The fulfillment of some other requirements is either awaiting sale notification to the U.S. Congress or passing through the Taiwan MND's internal programming process. These include naval helicopters and aircraft-deployed mines.<sup>94</sup>

### *Taiwan's Conversion Capability and Combat Proficiency*

The availability of strategic resources is only part of the story in explaining Taiwan's military capability to address the China threat. Taiwan needs an effective military that can convert these resources in order to create a modern fighting force capable of conducting operations in a wide range of adversarial situations. Considering the limited resources that Taiwan has available for use against an ever more powerful threat and the repeated shifts in strategy by both the ROC government and U.S. leaders, Taiwan generally does a good job in developing capabilities for self-defense. Nonetheless, serious shortcomings are often noted by experts in the United States and Taiwan.

An authoritative study of Taiwan's military modernization in *Strategic Asia 2005–06* judged that Taiwan had acquired significant military capabilities that would help it cope with the growing China threat.<sup>95</sup> The chapter applauded advances in joint warfighting capabilities and improvements in frontline units, missile defense, and naval defense. On the other hand, it pointed out that such advances were sporadic, reflecting a lack of adequate funding and an absence of strategic clarity, and argued that Taiwan's military modernization needed to develop in a more focused, deliberate, and determined manner. Since then, the ROC military has benefitted from improvements, many encouraged by U.S. advisers, that have further advanced joint operations and frontline units' abilities. The chapter anticipated later attention to the porcupine strategy when it urged consideration of further preparations that would allow Taiwan to "hold on" in the initial stage of a cross-strait conflict, the period of greatest military and political risk, until U.S. forces intervened. The Taiwan defense minister's recent comments about a projected ability to hold out for at least a month in the face of a Chinese invasion underline the strong focus among officials in Taiwan on preparations for such action.<sup>96</sup>

A defense policy blue paper by the DPP-affiliated New Frontier Foundation describes a number of initiatives that the DPP might pursue if the party comes to power in the January 2016 elections. The paper highlights several areas of focus for armed force development, many of which are already underway in Taiwan. They include shoring up information warfare capabilities in cyberattack and defense; strengthening ballistic missile defense through indigenous production and foreign procurement; increasing combat survivability in the face of a missile attack by

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<sup>92</sup> Minnick, "Taiwan Pushes for New Weapons on All Fronts."

<sup>93</sup> Prashanth Parameswaran, "U.S. Approves New Taiwan Arms Sale Package," *Diplomat*, December 17, 2015, <http://thediplomat.com/2015/12/us-approves-new-taiwan-arms-sale-package-worth-1-83-billion>.

<sup>94</sup> Minnick, "Taiwan Pushes for New Weapons on All Fronts."

<sup>95</sup> Michael D. Swaine and Roy D. Kamphausen, "Military Modernization in Taiwan," in *Strategic Asia 2005–06: Military Modernization in an Era of Uncertainty*, ed. Ashley J. Tellis and Michael Wills (Seattle: National Bureau of Asian Research, 2005), 387–424.

<sup>96</sup> Mizokami, "How Taiwan Would Defend against a Chinese Attack."

obtaining (indigenously or otherwise) vertical or short takeoff and landing aircraft and pursuing indigenous submarines; investing in R&D for asymmetric weapons to complicate, degrade the certainty of, and interrupt enemy combat operations; transforming the ground forces to utilize long-range firepower in coordination with the navy to form an effective “offshore barricade capability”; enhancing the defense of the capital through making ground forces interoperable with coast guard and police forces; and maintaining current capabilities necessary for air and sea control. The blue paper also highlights the need for increased military spending, calling current KMT spending insufficient.<sup>97</sup>

In sum, the government will need to make difficult decisions to ensure that Taiwan’s defense forces are capable of countering the threat posed by China:

- The level of defense spending is viewed by both domestic and international observers as grossly inadequate. Taiwan’s move toward an all-volunteer military, though broadly favored, will be hard to fund, leading to prolonged delays in implementation. Boosting defense spending to 3% of GDP would help ease the funding shortfall but would require either raising taxes—an unpopular move politically—or curbing government social programs increasingly needed to deal with older and marginalized workers. Such spending levels could also be achieved by increasing national debt, another controversial option in Taiwan politics.
- Debates over what kinds of weapons to procure and how to procure them raise ongoing questions about the United States’ willingness to sell advanced systems, Taiwan’s ability to use them as part of a realistic defense strategy, and the capacity of Taiwan’s indigenous defense industry. The utility of advanced and expensive weapons systems like submarines and fighter aircraft seems to many observers to be limited given Taiwan’s defense budget. Much recent commentary focuses on mobilizing island resources for a largely defensive porcupine strategy against China that eschews expensive weapons systems in favor of hardening defenses and communications to allow for agility and resilience in the face of a Chinese assault. Such an approach would be more in line with Taiwan’s limited defense spending than a strategy focused on ambitious weapons purchases or development programs.
- While both leading political parties stress close security ties with the United States, the DPP puts more emphasis than the KMT on advancing defense ties with the United States as part of an overall strengthening of the U.S. strategic position in the Asia-Pacific. The DPP does not follow the KMT government in stressing the importance of reassurance toward China as a means to manage tensions in the Taiwan Strait.

The proficiency of Taiwan forces in a conflict with China will depend on their performance in different combat scenarios. Despite the major shortcomings discussed above, Taiwan on the whole appears to be making significant contributions in organizing and developing its capabilities to deploy in a timely fashion military forces to counter aggression from China. Another important indicator of Taiwan’s military proficiency concerns the will to fight. Arguments that Taiwan will provide only weak resistance emphasize the asymmetry of power, the strong Chinese identity of many Taiwan elites and the KMT party, and the fact that 5% of the population lives on mainland China. Another important variable is the potential influence of espionage and sabotage through possible Chinese infiltration of decision-making in Taiwan as a result of the opening of cross-strait interchange over the past decade.

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<sup>97</sup> New Frontier Foundation, “Taiwan’s Military Capacities in 2025,” Defense Policy Blue Paper, no. 9, May 2015, [http://www.ustaiwandefense.com/tdnswp/wp-content/uploads/2014/12/20150526\\_DPP\\_Defense\\_Blue\\_Paper\\_9.pdf](http://www.ustaiwandefense.com/tdnswp/wp-content/uploads/2014/12/20150526_DPP_Defense_Blue_Paper_9.pdf).

## *U.S. Policy Implications*

The mixed signs of Taiwan defense preparedness and willingness to cooperate with the United States feed into an ongoing U.S. debate about China policy. In particular, the Obama government states that its Asian-focused rebalancing policy includes Taiwan, but it minimizes controversy with China by refraining from saying what roles Taiwan plays in the rebalance. Yet proponents of a tougher policy toward China have become more prominent. As part of this overall debate, some in Congress, the media, and think tanks have argued for the United States to integrate Taiwan more closely into a strategy of controlling Asia's maritime rim in the event of Chinese expansion and confrontation with the United States.<sup>98</sup> Though more critical of China's coercive behavior in expanding control of disputed maritime territory at the expense of neighboring countries, the Obama administration has not indicated any change regarding Taiwan's role in shoring up a strategy for controlling China's rim.

A significant change in U.S. policy toward Taiwan along these lines has important risks. Notably, it could raise the Taiwan issue to the top of the agenda in U.S.-China relations and overshadow U.S. government efforts to improve cooperation on a number of important international and regional issues. It also would likely exacerbate the nascent U.S.-China arms race in the region around Taiwan and deepen the security dilemma between the two powers. And there is no guarantee that the Taiwan government would fully cooperate with a U.S. strategy designed to balance against China's expansion. Proponents of a stronger position for Taiwan in the rebalance see these risks as acceptable given that the alternative is accepting China's ongoing expansionism without an effective U.S. counterstrategy. The debate shows no sign of resolution and may have to await the results of the 2016 U.S. elections.

## Conclusion

The above assessment shows that for many years Taiwan has played a weak hand fairly well in the face of a massive external threat, but its responses have not been optimal because of the lack of a common vision of the national interest between the KMT and DPP. The importance of KMT and DPP differences seems headed for a new test in 2016, as the DPP candidate Tsai Ing-wen is expected to win the January 2016 elections and be sworn in as president in May. Key questions are how the new president will manage relations with Beijing and whether she will be any more successful than previous presidents in forging unified and sustainable policies that strengthen Taiwan's national power in the period ahead.

As discussed earlier, President Ma Ying-jeou's KMT government reversed the confrontational posture of the previous DPP president Chen Shui-bian and charted a new course of ever-closer economic, social, and other ties with China. Notably, Ma has used the political formula of the 1992 consensus in order to improve cross-strait ties. Beijing interprets the 1992 consensus as supporting its so-called one-China principle and goal of reunification, while Ma interprets the formula differently and emphasizes the sovereignty of the ROC government.

This fragile and vague political arrangement has been called into serious question because Taiwan voters have registered increasing dissatisfaction with the policies of Ma and the ruling KMT, including growing anxiety about the implications of ever-closer relations with China.

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<sup>98</sup> Aaron L. Friedberg, *Beyond Air-Sea Battle: The Debate over U.S. Military Strategy in Asia* (London: Routledge, 2014).

DPP presidential candidate Tsai has appealed to this angst by refusing to endorse the 1992 consensus. Chinese leaders have long suspected the DPP of favoring Taiwan independence—an anathema for Beijing. Several times already in his presidency, Xi Jinping has warned Taiwan against pursuing independence and linked these warnings with adherence to the 1992 consensus. Using ominous language on one occasion, he linked failure to adhere to the formula with an earthquake in cross-strait relations.<sup>99</sup> Adding to cross-strait tension, as noted above, the unexpected meeting between Presidents Ma and Xi in Singapore in November saw the two leaders strongly reaffirm their commitment to the 1992 consensus.

If Tsai is elected president, dealing with pressures from both Beijing and the KMT will represent an immediate test of her leadership and a broader test of Taiwan's ability to forge greater unity to mobilize national power effectively. Under the previous DPP presidency, the KMT worked in tandem with Beijing and Washington in pressuring Chen to curb his provocative initiatives against China. The KMT used control of the legislature, mass demonstrations, and other means to block Chen's initiatives; as a result, gridlock prevailed on many policy issues. Tsai is widely seen as more measured and less provocative than Chen. There also is a chance that the DPP may gain political control of the legislature from the KMT as a result of the January 2016 elections. These factors may increase the possibility of creating more common ground between the DPP and KMT on salient issues. On the whole, however, Ma's surprise meeting with Xi and both leaders' strong emphasis on the 1992 consensus are the latest manifestation of long-standing factors that reinforce a wide gap between the DPP and the KMT in ways that seem very difficult to narrow.

Looking ahead, change in this troubled situation could come with less likely but possible developments that would significantly alter Taiwan's situation and the partisan divisions affecting its national power. These developments include the following:

- A substantial shift toward either accommodation or truculence in Beijing's stance toward Taiwan or the United States
- A substantial shift toward either accommodation or truculence in Washington's stance toward China
- A substantial convergence of the competing political forces in Taiwan brought on by compromising actions by KMT or DPP leaders or a split in either party

Uncertain election outcomes in Taiwan, a bold and assertive leader in China, and election year politics in the United States make for a volatile mix for 2016 and beyond. All sides seek to avoid confrontation, but collectively the circumstances demonstrate major constraints on, as well as some possible opportunities for, the Taiwan government's efforts to improve its strong but stifled foundations of national power.

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<sup>99</sup> Glaser and Vitello, "Xi Jinping's Great Game."





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