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"Domestic Politics and China's Taiwan Policy"

The Taiwan issue remains one of the most emotional political inside China, both among the ordinary people and the elite. But the level of interest in the Taiwan policy and cross-straits relations is very different between these two groups. Although the public maintains a broad interest in the developments in Taiwan and changes in relations between the mainland and Taiwan, they normally do not place enormous value on reunification or follow Taipei-Beijing relations closely. According to public opinion polls, the issue of reunification was ranked near the bottom of public concerns in the late 1990s – in fact, it was the 12th out of 17 issues of concern. (see appendix)

In contrast, China's political and intellectual elites place more value on this issue and follows it much more closely. It remains doubtful whether the high value placed by the elite on the Taiwan issue reflects an urgency for reunification. Rather, it is more likely that China's elites are far more aware of the huge consequences if the Taiwan problem explodes. A notable trend is that even the elites are also aware of the growing difficulties in handling the Taiwan problem. (see appendix) For example, only a third of the elites at the CPS believed in the last three years that the government was making "significant progress" on solving the Taiwan problem.

Because the top priorities of the Chinese government and, I would say, the Chinese people remain domestic economic development, there is no broad-based support or pressure for an immediate solution to the Taiwan problem. This is clearly reflected in the public opinion polls.

On the other hand, given the raw emotions the Taiwan issue tends to generate among all Chinese, signs of movement toward independence or separation also tend to unleash strong reaction, especially among the political and social elites.

This basic feature of the Taiwan issue is both good news and bad news to Chinese policy-makers. On the one hand, they are relatively insulated from public pressure in making, adjusting or implementing policy. Indeed, they can make some important decisions without having to consider how the public will react (such as the new formulation on the one-China principle). On the other hand, they have difficulty coping in crisis situations because these situations galvanize the public and focus their attention on the government's response. Of course, crisis situations also create conditions for political intrigue and posturing, thus increasing the risks of overreaction.

As long as the Chinese public and elites accord low priority to the Taiwan issue, Chinese domestic developments can influence across-straits relations in the following ways.

The key driver will remain Chinese economic development. At the present, Chinese elites remain somewhat confident that their economic strategy is working and may produce a political dividend at some future point (i.e., forcing Taipei to move closer to Beijing's political positions). At the same time, however, the current DPP government's "gradualist independence strategy" is causing concerns and raising doubts whether the economic strategy is working. In any case, Beijing's near-to-medium term priorities remain domestic economic development, social stability, and political succession. As long as Taiwan does not cross the "imagined" redline, Beijing is unlikely to accord this issue top priority. If would be foolish, however, to believe that Beijing's preoccupation with domestic issues presents an opportunity to force its hands on Taiwan. Given the emotive nature of this issue in domestic Chinese politics, the political agenda can be reset almost instantly, depending on the nature of the crisis.

If we assume that China will remain relatively stable and keeps its current economic growth rates despite all the well-known problems for the next decade, the economic and political dynamics across the Taiwan straits will be quite different. Politically, the Chinese leadership will likely gain more confidence in their ability to prevent the Taiwan issue from derailing the country's modernization drive; economically, the mainland will also be better positioned as a result of economic integration. Militarily, the mainland will likely acquire credible capabilities to deter Taiwan from taking high-risk actions.

On the other hand, instability in China will make it more difficult to predict Beijing's policy. Conceivably, instability will reduce the level of cohesion with the Chinese leadership and increase the odds that the rival elites would use the Taiwan issue for their own political advantages. It is also likely that Taipei could view such instability as opportunities to push its own agenda.

If the U.S. goal is to maintain peace and stability between the mainland and Taiwan, it will face increasingly tough choices. From the perspective of the Chinese elites, the current administration's shift in favor of Taipei is alarming. In both political and military terms, the Bush administration is viewed as retreating from the "one-China" policy through a process of "hollowing" the substance of this policy. Although this worrisome trend slowed after 9/11, the Chinese elites are fundamentally not reassured

that it would not resume should the U.S. focus shift away from the war on terrorism or Iraq. But the greatest challenge for the U.S. is how to view the economic integration across the Taiwan straits. The economic card is the only one that seems to be working in Beijing's favor. Current U.S. policy appears to be ambiguous on this critical issue. Clearly, Taipei is very worried and has launched a concerted effort not to allow the mainland to gain the upper hand in the economic arena. The test cases are the three-links and free-trade agreement proposed by Taiwan with the U.S. and Japan. Washington's decision will send a strong signal to both parties.

However, the administration's current policy of so-called "strategic clarity" does not address these issues. There is a need for Washington to re-think its new approach. The single-minded focus on military deterrence against the mainland may not be working. Instead, it is promoting a costly and ultimately arms race across the straits. Politically, neither the mainland nor Taiwan completely trusts Washington's one-China policy. Beijing thinks its substance has been hollowed while Taipei, thinking along similar lines, believes that it can push the envelop even further (the recent flap over Chen's statements is one case). Economically, the absence of a clear policy is even more worrying.

Finally, as the majority of China's elites, both inside and outside the government, perceive a pro-Taiwan tilt in the U.S. policy, the Taiwan issue has become the most important source of resentment and frustration for China's new elites. Washington should be aware of this trend. For the last two decades, the U.S. has devoted enormous resources to the westernization of China's elites, through educational and cultural exchanges. Such investments paid off in the 1980s as political liberalism gained influence among China's social elites, especially the intelligentsia. But American policy toward China since the end of the Cold War, particularly the containment rhetoric, the current administration's pro-Taiwan stance, and constant criticisms of Chinese human rights record, has alienated the very generation of new elites the U.S. thinks will bring China in a new direction. There are real risks that engagement and the Taiwan policy are working at cross purposes, with the latter canceling out the beneficial effects of the former.

The tensions and uncertainties over the Taiwan issue are also a constraint on the process of political liberalization within China. Although many factors influence Chinese leaders' decision in this regard, the current stalemate with Taipei, Chen Shui-bian's small-step approach toward *de jure* independence, and up-grading of military ties between Washington and Taipei are external factors that have a decidedly negative impact on China's internal political opening.

To the extent that the primary domestic audience of American policy is China's elites, the U.S. should reconsider rebalancing its Taiwan policy, recognizing that the current conditions are based on fragile foundations and may be eventually untenable.

Appendix:

Elite's view on Taiwan: poll taken at the Central Party School of 120-140 officials (mid-level)
"making significant progress on Taiwan"
1999 40.8
2000 27.3
2001 30.4

Source: Social Blue Book, 2000, 2001,2002.

Priority placed on "reunification with Taiwan": Issues ranked by frequency of being mentioned by respondents in survey done by Horizon Research in urban areas in 1997-1999.

1. unemployment
2. social safety net
3. health care reform
4. environmental protection
5. housing reform
6. education
7. corruption
8. economic development
9. crime
10. China hosting the Olympics
11. WTO
12. **Reunification with Taiwan**
13. Ageing
14. SOE reform
15. Western development
16. Population explosion
17. China's international status

Source: Horizon Research (Beijing)