

U.S.-China Relations— Opportunities, Risks, and the Taiwan Issue

By Thomas J. Bickford | August 2005

Introduction

In many respects there has been a marked improvement in U.S.-China relations since the EP-3 spy plane incident of April 2001. The Bush administration views China as an important partner in the Six-Party Talks with North Korea, and the United States and China share an interest in a nuclear-free Korean Peninsula. The Bush administration also sees China as a strategic partner in the global war on terror. For example, China has recently joined the U.S. Container Security Initiative, and starting this summer, China and the United States will begin periodic senior-level dialogues on global issues of mutual concern. The Pentagon has even expanded its program of military-to-military contacts and

Key Points

- China is primarily interested in concentrating on trade and economic development and therefore wants an international environment conducive to continued economic growth.
- Even with recent defense budget increases, China's ability to project power beyond its borders will be extremely limited for a long time to come.
- There is a real risk of conflict between the United States and China over Taiwan, and U.S. policy needs to be aimed at avoiding such a conflict.

exchanges between Chinese and U.S. military academies in a sharp reversal of the policy of four years ago. Economic relations have expanded greatly since China joined the World Trade Organization, and despite occasional trade tensions, most U.S. economists and businesspeople regard economic ties as mutually beneficial and rewarding.

However, some Americans view the rise of China as a long-term economic and security concern. As its military capabilities improve, China is

increasingly seen as a threat to Taiwan and other U.S. interests. For example, the Pentagon worries that China may be beginning to acquire the means to project power beyond its immediate borders. Economic anxieties about loss of jobs and competition from China are also increasingly linked to political and security issues. China is seen as competing for economic and political influence in Latin America and elsewhere. Even business mergers can have a security aspect; the recent controversy over the proposed purchase of Unocal by a Chinese company is a case in point. There is, therefore, an interesting paradox in U.S. views of China; relations have never been better, yet the two countries could go to war at any time.

In a sense, both views are correct. China's military power is growing, and there is a very real risk of conflict between the United States and China over Taiwan. On the other hand, there are good reasons to believe that a stronger, more prosperous China may, as the annual Pentagon report states, "choose a pathway of peaceful integration and benign competition." China's 2004 white paper on defense emphasizes economic development, and this focus is reflected in China's relations with other countries.

Economic dynamism is very important to Chinese leaders, and they seek an international environment that is conducive to commercial growth. Accordingly, in addition to cooperating on issues of mutual concern with the United States, China has expanded its economic, political, and security cooperation with the Association of South East Asian Nations (ASEAN); developed closer ties with Central Asian states; and improved trade relations with India, the European Union, Brazil, and many other countries. China has increased its involvement in a number of international organizations and in 2004 contributed more personnel to UN peacekeeping operations than Britain, France, Russia, or the United States.

China's military power has grown substantially but needs to be put in a proper context. The country has been modernizing its military for two decades, and its armed forces are now smaller but much better trained and equipped. China continues to buy advanced weapons systems from Russia, including the SU-30MK2 maritime strike aircraft, S-300 SAMs, Kilo-class submarines, and Sovremenny-class destroyers. It is also developing new weapons systems of its own, including tanks, submarines, and a mobile intercontinental ballistic missile (ICBM).

However, it is important to note that China's military modernization program is far from complete. Beijing still has only 20 ICBMs (each armed with a single warhead) capable of hitting the United States, and despite a growing defense budget, China's ability to project conventional military force beyond its borders will remain very limited for the foreseeable future. Chinese military strategy focuses on meeting potential enemies at or just beyond China's borders, and the emphasis is on active defense of Chinese territory, not expansion or projection of military force.

Since China behaves as a satisfied power focused on better economic and political cooperation, it is difficult to envision a credible scenario in which the country's improved military capacity poses a threat to anyone but Taiwan. Beijing regards Taiwan as Chinese territory and has always reserved the right to use force against Taiwan if necessary. That possible use of force is now codified in the Anti-Secession Law of March 2005. How Washington views relations between Taiwan and Beijing is crucial to whether future U.S.-China relations improve or worsen.

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Problems with Current U.S. Policy

There are two key developments aggravating the risk of a conflict over Taiwan. The first is a shift in the balance of power in the Taiwan Strait in favor of China. The second is the continued strength of Taiwanese political parties seeking to change Taiwan's status. Both developments undermine Washington's long-term goal of maintaining the status quo until Taiwan and China can peacefully resolve their differences. These developments also pressure Washington to abandon its policy of deliberate ambiguity and clearly commit to Taiwan's defense.

The balance of power shift from Taipei to Beijing stems from Chinese military modernization, increased diplomatic leverage, and a long-term decline in Taiwanese defense spending. The Pentagon estimates that China has 650-730 short-range ballistic missiles aimed at Taiwan with about 100 being added every year. The accuracy of these missiles has improved, and they could be used against a variety of military and political targets in Taiwan. China already has a quantitative edge over Taiwan in air and naval assets, and the acquisition of new weapons systems means that China will soon have a qualitative edge as well.

Meanwhile, Taiwan's defense spending has declined in real terms over the past ten years reducing its ability to maintain an effective deterrent. It does not appear that this trend will be reversed in the near term. In 2001, the Bush administration offered a \$20 billion arms package designed to enhance Taiwan's anti-submarine and anti-missile defense. Taiwan has balked at its share of the cost and has yet to approve a reduced (\$15.3 billion) arms package consisting of Patriot PAC-III air defense systems, P-3C Orion anti-submarine aircraft, and diesel-electric submarines.

China's rise as a diplomatic and economic force enables Beijing to increasingly apply political pressure to isolate Taiwan, although it still lacks the ability to launch a full-scale invasion of the island. Policymakers in Washington are concerned that the increased capabilities may prompt China to use force against Taiwan, precipitating a crisis with the United States. A weaker Taiwan is more dependent on the United States for security, and this places pressure on Washington to make a stronger and less-ambiguous commitment to Taiwan's defense. No U.S. president wants to be seen as abandoning a democracy. Yet a stronger commitment to Taiwan would cause an immediate and severe deterioration in U.S.-China relations and could increase the likelihood of armed conflict.

Concerns over the changing balance of power are further complicated by the current state of domestic politics in Taiwan. There is a highly partisan split between the "blue" parties, the Kuomintang (KMT) and the People's First party (PFP), which

favor the status quo and some form of eventual integration with China on a democratic basis, and the "green" parties, President Chen Shui-bian's Democratic Progressive Party (DPP) and the Taiwan Solidarity Union (TSU), which assert a separate Taiwanese identity and lean toward eventual independence. Although President Chen has stopped short of advocating Taiwanese independence, Beijing fears that President Chen's plans to reform the constitution and other policies are leading to "de-sinicization" and eventual Taiwanese independence. If anything, these suspicions have hardened since Chen's re-election. More ominously, many hawks in Beijing believe that the Bush administration secretly supports the idea of Taiwanese independence. China will not hesitate to use force if it thinks its fears are about to be realized, and there is a constant risk that "green" politics may eventually provoke a Chinese attack.

Meanwhile, the leaders of the KMT and PFP have met with Chinese leaders and have signed agreements with the Chinese Communist Party. Though this has improved relations between China and the blue parties, it has exacerbated Taiwan's already highly partisan politics, isolating Chen from China and holding up much-needed defense appropriations from Washington. Beijing is currently more involved in Taiwanese domestic politics than ever before, and President Bush's arms sales policy to Taiwan is being skewed by partisan politics between the KMT and the DPP. The problem for Washington is that Taiwanese domestic politics largely determine the likelihood of conflict between the United States and China. Washington must take the initiative in improving cross-strait relations if U.S.-China relations are not to be held hostage to internal Taiwanese politics. A conflict over Taiwan is in no one's interests. The United States and China have several foundations on which to build a constructive relationship, and that potential should not be jeopardized by Taiwan's political squabbles. Washington can and should do more to lower the risks of a conflict over Taiwan by encouraging a more positive relationship between Beijing and Taipei.

Key Problems

- The balance of power in the Taiwan Strait is shifting in China's favor. Washington fears that this trend may tempt Beijing to seek a military solution.
 - Domestic politics in Taiwan are exacerbating strains between the United States, China, and Taiwan.
 - The Bush administration has failed to take a sufficiently active role in reducing tensions in the Taiwan Strait.
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Toward a New Foreign Policy

During the past four years, the United States has understandably been focused on the problems of terrorism and Iraq. However, it is important that Washington start paying more attention to its relations with Asian countries in general and with China in particular. The political, economic, and security environment surrounding the Taiwan issue is changing, and Washington needs to adjust its approach accordingly. The United States has multiple interests throughout Asia, including points of mutual interest with Beijing. U.S. policy toward Taiwan must be balanced against these other.

The United States should expand its current military-to-military exchanges with China and broaden discussions on security issues of mutual concern. Both sides harbor lingering suspicions of the other, and such exchanges will improve communication and

Key Recommendations

- The United States has multiple interests throughout Asia, including points of mutual interest with Beijing. U.S. policy toward Taiwan must be balanced against these other interests.
- Washington must maintain exchanges between Chinese and U.S. armed forces and continue to support confidence-building measures by emphasizing issues of mutual interest.
- The Bush administration should make greater efforts to get talks going between Taiwan and China. The longer negotiations are delayed, the greater the risk of armed conflict.

against Taiwan.

Washington should also continue to assist Taiwan in building its defense capabilities. An arms race in the Taiwan Straits is not desirable, but it is important that Taiwan have sufficient means to deter a Chinese attack. If there is a conflict, the longer Taiwan can defend itself, the more time the United States has to consider how it will respond. This means improving the survivability of Taiwan's command and communications systems as well as building its anti-submarine capabilities and air defense.

It should be acknowledged, however, that the United States pays a high political cost for helping Taiwan, and it is important that future arms sales to Taiwan be balanced against such costs. The arms package currently being considered by Taiwan is a good example of such a balance. If Taiwan's defense spending continues to decline in real terms, the United States should not be expected to compensate by increasing its commitment to Taiwan. As Ted Carpenter of the Cato Institute has suggested, Americans should not take Taiwan's security more seriously than do the Taiwanese. Under no circumstances should Washington abandon its current

policy and make an explicit guarantee of military intervention in the event of a conflict. Such a move would guarantee Chinese hostility for decades and undo all the positive developments in U.S.-China relations.

Washington simply cannot wait for China and Taiwan to enter negotiations to finally resolve their differences. A negotiated settlement has always been the best option for the United States and is essential to ensuring that China is integrated into the international system as a peaceful power. This means that Beijing needs to talk with President Chen and the DPP rather than only with the blue parties. Even without U.S. intervention, any Chinese attack on Taiwan would be very costly, and it is in China's interest to find a peaceful solution. The longer Taiwan waits to enter into negotiations with China, the weaker its bargaining position will be and the greater the risk that China will lose patience and opt for a military solution. So it is also in the interests of all Taiwanese political parties to enter into talks with Beijing, the sooner the better.

Washington wields plenty of political capital with both Taipei and Beijing and should use it to coax these two governments into negotiations. The United States has a lot of potential leverage over the DPP; meanwhile, the KMT and PFP are already committed to talks with Beijing. Trade between Taiwan and the Chinese mainland is growing at double-digit rates, and nearly one million Taiwanese (about 4% of the island's citizens) now live and work on the mainland. This provides a very strong foundation on which to build some kind of political agreement, and Washington should press the two sides on this. U.S. economic ties and political cooperation with China could be used as a hook to persuade Beijing to show more flexibility regarding negotiations with Taiwan. Beijing is far more likely to engage in constructive dialogue with Taipei if it knows that it will be rewarded by better relations with the United States and other countries.

There is, of course, no guarantee that negotiations will result in a successful agreement, but the United States needs to push for dialogue and conflict resolution. The balance of power in the Taiwan Strait is changing, Taiwanese politics are changing, and Washington needs to take a proactive role in engaging the two sides or face the prospect of a war not of its choosing. The only alternative is to abandon the democratic government of Taiwan. The United States should not let itself be forced into making such a choice.

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Organizations

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