

Xi Jinping's Taiwan Policy and Its Impact on Cross-Strait Relations

by Syaru Shirley Lin

Since 2012, Xi Jinping has crafted a Taiwan policy that features two somewhat contradictory elements. On the one hand, it contains stronger measures aimed at deterring any steps toward independence, including a reduction of Taiwan's international space, a continued military build-up, and frequent demonstrations of military force and economic coercion. On the other hand, Xi has also employed positive economic incentives, aimed largely at young people and the working class in Taiwan, to secure their support for eventual political unification with China. After the Democratic Progressive Party (DPP) returned to power in 2016, Beijing doubled down on this policy that proponents believe has been validated by the results of the 2018 mid-term mayoral elections. However, critics point to major challenges, including increasing American support for Taiwan as well as the uncertain effectiveness of Beijing's economic incentives given China's weakening economic outlook. Taiwan's 2020 presidential campaign has already produced candidates with a wide range of views on cross-Strait relations. Beijing's goal is to defeat the DPP and support a new leadership friendlier to China, but it is unclear which of the rival candidates can accomplish such a task and whether Chinese attempts to influence the election will prove counter-productive.

Resolution of the Taiwan issue has emerged as an integral part of what Xi Jinping has described as the "Chinese Dream." At the Nineteenth Party Congress in 2017, Xi emphasized Beijing's desire for unification and its strong opposition to Taiwanese independence. In March 2018, as constitutional term limits on the state presidency were lifted and it appeared that Xi would become a long-term leader, he was even more outspoken about the importance of unification for the "great rejuvenation of the Chinese nation."¹ Overall, Beijing's Taiwan policy is proceeding on the same path that it has followed during last thirty years with louder pronouncements and greater pressures, but also with sweeter incentives for different parts of Taiwanese society. The reaction to Xi's policy in China is mixed. Supporters of Xi's approach see some Taiwanese responding positively to his tactics, while others believe Beijing has not changed the island's long-term trajectory. The hardline elements in Xi's policy are also affecting American policy, which under the Trump administration has begun to upgrade relations with Taiwan.

Xi Jinping's Taiwan Policy

Beijing's policy toward Taiwan under Xi Jinping remains within the strategy set by Deng Xiaoping, believing that Beijing's upholding of sovereignty, territorial integrity, and unification reflects the common wish of the Chinese people.² In the December 2018 run-up to the fortieth anniversary of reform and opening, Xi Jinping reiterated his firm opposition to Taiwan independence and the secessionist movement and he insisted that the '92 Consensus and "one China" principle be the basis for cross-Strait relations.³ The continuity in Taiwan policy was underscored during Xi's July meeting with leaders of Taiwan's pan-Blue party, including Vincent Siew and Lien Chan, when he demanded that the *Taishang* uphold the '92

Consensus.⁴ The most important message in all of Xi's 2018 speeches was the paramount importance of preventing the emergence of any secessionist movement.

On January 1, 2019, in his first speech on Taiwan as president, Xi reiterated that unification must be the ultimate goal of cross-Strait relations. While setting no deadline, Xi did not rule out the possible use of force, and he demanded that unification would adopt the One Country, Two Systems (OCTS) framework and that Taiwan's democracy should not be a "pretext" to reject the OCTS:⁵

Difference in systems is not an obstacle to reunification; it is certainly no excuse for separation. The principle of "one country, two systems" was proposed precisely to accommodate Taiwan's actual conditions and to safeguard the interests and wellbeing of our compatriots in Taiwan. ... Provided that China's sovereignty, security, and development interests are ensured, after peaceful reunification, Taiwan's social system and its way of life will be fully respected, and the private property, religious beliefs, and lawful rights and interests of our compatriots in Taiwan will be fully protected.

Internationally, China has convinced five countries to sever diplomatic ties with Taiwan after the DPP returned to power in 2016.⁶ Furthermore, Taiwan's participation in international organizations, including the International Civil Aviation Organization (ICAO) and the World Health Assembly, where Taiwan had been an observer on an ad hoc basis, has again been restricted.⁷ Taiwan's exclusion from the ICAO was followed by Beijing unilaterally adding three extensions to the M503 flight route through the Taiwan Strait.⁸

Economically, China has reduced the number of group tourists to Taiwan by 36 percent since the DPP came to power,⁹ and China has put pressure on corporations to identify Taiwan as part of China on packaging and brochures as well as on their websites. The three largest American airlines, as well as hotel chains and Japanese retailers, have complied with this Chinese demand.¹⁰ The party's ever-expanding United Front efforts are increasingly focused on co-opting Taiwanese businessmen and politicians to support unification and on promoting youth activities through the creation of organizations such as the Association of New Chinese Sons and Daughters and the Chinese Culture Rejuvenation Association at the National Taiwan University.¹¹ In addition, China has reportedly provided nearly half a billion U.S. dollars to the cracker-maker Want Want, which owns *China Times*, one of Taiwan's leading newspapers, and other proxy companies to penetrate Taiwan through media and social activities.¹² There was much reporting on fake news, especially on social media and messaging apps originating in Beijing ahead of the Taiwanese local elections.¹³ Tsai Ing-wen and other officials have publicly denounced efforts to influence operations, but only recently has Taiwan's National Security Bureau reportedly obtained evidence identifying Beijing as the source of these false reports.¹⁴

Technologically, China offers benefits to Taiwanese companies for being part of the "Made in China 2025" project.¹⁵ Historically, Taiwanese firms helped transfer know-how, talent, and capital to jumpstart the Chinese semiconductor industry.¹⁶ There has long been collaboration and collusion on semiconductors between Chinese and Taiwanese firms and individuals. But the technology war between the U.S. and China has brought increased scrutiny to this China-Taiwan nexus.¹⁷ In April 2018, a Taiwan local court indicted a former Taiwan Semiconductor Manufacturing Company employee who stole trade secrets for a Chinese IC firm in Wuxi.¹⁸ In November 2018, a San Francisco court, based on evidence

obtained from Taiwan, indicted United Microelectronics Corporation, Fujian Jinhua Integrated Circuit, and three Taiwanese nationals for theft of intellectual property.¹⁹

Militarily, Beijing has become increasingly assertive in the air and at sea, conducting numerous drills in the vicinity of Taiwan. On March 21, 2018, the same day of Xi's speech on Taiwan policy, the PLA sent an aircraft carrier through the Taiwan Strait.²⁰ In April 2019, the PLA Air Force conducted drills involving fighters, bombers, and reconnaissance planes to threaten Taiwan. The launch of the type-055 destroyer in 2017–18 demonstrated China had produced the most advanced warships in Asia, surpassing Japanese and Korean destroyers.²¹ In May 2019, Beijing conducted live-fire drills at the northern end of the Taiwan Strait to demonstrate its combat capabilities.

Politically, Beijing is supporting pro-China candidates and their associates in the upcoming 2020 Taiwanese presidential election, with the primary objective of defeating the DPP. However, the emergence of a diverse set of candidates has complicated Beijing's strategy. Several potential opposition front-runners for the 2020 presidential election have visited China, leaving the public wondering whether they have received indirect or even direct support from Beijing. Most notably, in March 2019 Kaohsiung Mayor Han Kuo-yu visited Hong Kong, Macao, Shenzhen, and Xiamen and met with the directors of Beijing's Liaison Office in both of the special administrative regions.²² China is also punishing individuals regarded as hostile, preventing them from visiting China, blocking their access to Hong Kong, and even arresting some during their visits to China.²³

While sanctioning the DPP government and its sympathizers, Beijing has also provided economic incentives targeting a broader segment of Taiwan's population, especially those who have not been supportive of the Kuomintang (KMT). In February 2017, Beijing rolled out the "31 Preferential Measures for Taiwanese Compatriots" to target individuals and businesses that may not have received benefits from cross-Strait cooperation in the past, including creating a "31 measures" app to facilitate access to the incentives.²⁴ Beijing's promotion of a variety of commercial, educational, and employment opportunities to young people, businesses, and professionals has been welcome in many sectors and has sparked a brain drain from Taiwan to China.²⁵ Furthermore, economic rewards, such as large import orders for fruits, were offered to cities that had defeated the DPP in the 2018 local elections. In September 2018, China began accepting applications by Taiwanese and Hong Kongers to gain residency in China and to receive national treatment in terms of medical, educational and pension benefits, just as Beijing is beginning to absorb Hong Kong into the Greater Bay Area.²⁶

Taiwanese Reaction to Chinese Policy

After Taiwan democratized in the late 1980s, and despite greater economic interdependence with China, Taiwan continued to consolidate a national identity that is more Taiwanese than Chinese.²⁷ Because of the contradictions between Beijing's positive and negative incentives and the selective nature of the carrots being offered, Beijing's policy toward Taiwan has had only a limited impact on Taiwanese public opinion. The overall trend from 2010 to 2018 reveals that fewer than 4 percent of Taiwanese identify as exclusively "Chinese" and more than 90 percent identify as "Taiwanese" or as "both Taiwanese and Chinese." Furthermore, in terms of preference for their political future, more than 85 percent of Taiwanese support maintaining the status quo in some form, and only a minority favor unification. In March 2014, the strongest backlash against China since the 1995–96 missile crisis took place in the

form of a student protest, the Sunflower Movement, protesting the ratification of a service trade agreement with China. This coincided with a peak in the percentage of people who identified as exclusively “Taiwanese” and supported some form of independence.²⁸

However, beginning in 2014, those who support Xi’s Taiwan policy can point to gradual changes in favor of Beijing, some even contending they may represent the beginning of a long-term trend. The proportion of the population identifying as exclusively Taiwanese has dropped from 61 percent to 55 percent, with an increase in dual Chinese and Taiwanese identity. In 2018, support for immediate or eventual independence dropped from 24 percent to 20 percent. Meanwhile, support for immediate or eventual unification has increased from 9 percent to 16 percent. The biggest gain is in the category of “maintain status quo, move toward unification” rather than immediate unification.²⁹ These survey results may reinforce Beijing’s belief that the “bigger sticks and sweeter carrots” have produced results, especially in the face of Taiwan’s worsening socio-economic problems.³⁰ The desire of many Taiwanese for certainty and stability may also have contributed to the slight uptick in support for eventual unification.

Nonetheless, there are two issues that these survey results do not address. First, Beijing has made it clear that unification must be based on the OCTS framework, which Deng Xiaoping had said would apply to Taiwan as well as to Hong Kong. Skeptical about the OCTS framework even before the Hong Kong handover, the Taiwanese now have even greater doubts given the recent events in Hong Kong.³¹ Despite Beijing’s efforts to encourage the restoration of a Chinese identity in both Hong Kong and Taiwan, young people seem to have developed an even stronger separate identity under Xi’s hardline policy.³² This was most evident in the backlash against Xi’s January 2019 speech, which was delivered just after Tsai resigned as chairman of the DPP to take responsibility for the party’s crushing defeat in the 2018 local elections. Xi’s aggressive approach gave Tsai an unexpected opportunity to regain public support. After she issued a forceful rejection of Xi’s speech in which she emphasized that “democratic values are the values and way of life that Taiwanese cherish,” her popularity rose dramatically.³³ Polls conducted after the Tsai-Xi exchange and again in March 2019 confirm that the majority of Taiwanese do not accept either the OCTS framework or the 1992 Consensus.³⁴ Furthermore, respondents identifying with the KMT and the People First Party, as well as those affiliated with the DPP, all rejected the OCTS formula.³⁵

Second, these non-age-specific polls do not reflect the degree of resistance to Chinese overtures among young people. During the last thirty years, the increase in a Taiwanese identity has been highest among the younger generations. While open-minded and pragmatic, young Taiwanese have a “naturally green” attitude and a firm Taiwanese identity, reflecting the fact that they have grown up in a democratic and free society. One of the age-specific surveys showing such trends, Duke University’s Asian Security Studies Program, has tracked self-identification by age group since 2002. The 2019 survey shows that the youngest cohort, under the age of 30, has the lowest percentage of respondents identifying as exclusively “Chinese,” at 0.5 percent in 2019 and 0 percent in 2015.³⁶ This youngest cohort also displayed the lowest support for unification, which remained at 5 percent in 2019, the same as that in 2015, and the highest support for independence at 28 percent. Many analysts therefore believe that the slight shifts in the polls were mainly among the older generations, ages 40–49 and 50–59.³⁷ The political views of the youngest Taiwanese, more than half a million of whom will be eligible to vote for the first time in 2020, are very different from those of their elders as well as from those of young people on the mainland. They are

overwhelmingly Taiwanese, and they insist on living in a democratic and autonomous country. They prioritize equity and sustainability as well as growth; they want a more inclusive and just society and promoted the legalization of same-sex marriage.³⁸ Most importantly for Beijing, they mistrust existing institutions and established political parties, with 60 percent not supportive of either the DPP or the KMT, much higher than the percentage in the general population, and nearly half report that they do not belong to either party.³⁹ Although eager to work and study in China, they are also insistent on safeguarding Taiwan's democracy and they are not interested in moving to China permanently.⁴⁰ They are dissatisfied that Taiwan must compete in the Olympics and participate in international organizations under names like "Chinese Taipei" rather than "Taiwan" or the Republic of China.

The best example of this generational divide is young people's support for Taipei's non-partisan mayor Ko Wen-je, who is a far more controversial figure among the older generations.⁴¹ On cross-Strait relations, Ko has maintained an ambiguous stance, not affirming the '92 Consensus but also declaring that "both sides of the Strait belong to one family." The deep green believe that Ko goes too far, and the deep blue feel that he does not go far enough. However, young voters who are firmly Taiwanese prefer Ko, regarding him as having a strong commitment to progressive values, a no-nonsense approach to governance, and pragmatic views about cross-Strait relations.⁴²

Results of Taiwan's 2018 Mid-term Mayoral Election

For Beijing, more reassuring than these slight changes in Taiwanese society's attitudes toward unification and national identity are the outcomes of the frequent rounds of elections on the island. Soon after the 2014 Sunflower Movement, the KMT suffered a huge defeat in the 2014 local elections and then in the 2016 national election, allowing the DPP for the first time to gain control of both the executive and legislative branches. In addition, five first-time anti-China young legislators, all of whom were leaders in the Sunflower Movement, formed the New Power Party and successfully entered the Legislative Yuan.

Beijing's vindication came in the November 2018 mid-term local elections when the political landscape changed once again and the KMT won 15 of the 22 mayoral elections. In a most surprising victory for the KMT, Kaohsiung voters elected Han Kuo-yu, ending the DPP's twenty-year hold on the southern city. Much of what Taiwan's voters had given to the DPP in 2014 and 2016, they took away in 2018. *China Daily* immediately returned the verdict that the DPP's "secessionism has forced cross-Straits ties into a deadlock, causing Taiwan to fall behind the mainland market in many industries, including tourism and agricultural exports."⁴³

There are many explanations about the implications of the results of the election. But it is clear that these dramatic political developments occurred in the context of Taiwan's deepening socio-economic problems after Ma Ying-jeou's eight years of pro-China economic policies. During Ma's last two years in office, Taiwan's GDP growth rate dropped to under 2 percent and Taiwan's trade surplus with China fell to a ten-year low. To make matters worse, China's own economic growth has begun to slow as it enters its own middle-income trap, a situation exacerbated by its trade war with the United States. The prospect that China can serve as an engine of growth for Taiwan—the basic assumption behind Ma's economic strategy—has therefore declined. Ironically, under Tsai, cross-Strait interdependence has actually deepened and the trade surplus has recovered since 2016, reaching a new peak of

US\$43 billion in 2018. Investments in China, however, have declined to the lowest level since 2006—US\$8.5 billion—that may reflect both pressure from the US-China trade war as well as the increasing costs of manufacturing in China.⁴⁴

After taking office, Tsai Ing-wen immediately sought to find new economic partners in Southeast and South Asia through the New Southbound Policy and to develop new sources of domestic economic growth through stimulus plans, such as the 5+2 Industrial Innovation Plan and the Forward-Looking Infrastructure Development Program. Although there has been some success in expanding markets for Taiwanese exports and outbound investments and in finding new sources of inbound tourists, most of these policies have yet to produce substantial results. Tsai has also implemented long-needed domestic reforms in order to address some of Taiwan's structural issues, including pension reforms to reduce the payout to civil servants and the military, labor reforms to limit working hours and raise the minimum wage, and energy policies to phase out nuclear power and preserve environmental sustainability. But because of poor policy design and lack of consultation with different stakeholders, these well-intentioned reforms have created more public opposition than anticipated.⁴⁵

Thus after only two years of DPP leadership, in 2018 voters returned to the polls to deliver a rebuke to the DPP that was as dramatic as the reproach the KMT experienced two years earlier. These quick changes in voter preferences from KMT to DPP and back again confirm that Taiwanese voters have weak party affiliations. Most analysts see the 2018 election results as primarily reflecting a high level of dissatisfaction with the design and implementation of policy under the Tsai administration and not necessarily closely tied to the candidates' views on cross-Strait relations.

In the run-up to the January 2020 presidential election, there is already a long list of candidates and many potential combinations of tickets and outcomes.⁴⁶ In addition to independent Mayor Ko, the KMT has several candidates vying for nomination, including rising star Mayor Han, old guard Mayor Eric Chu of New Taipei, and businessman Terry Gou. In an attempt to show voters that he is endorsed by both the U.S. and China, Gou has visited Donald Trump and the governor of Wisconsin, where his primarily China-based company Foxconn is making a major investment.⁴⁷ On the DPP side, former premier William Lai with his deep green base is contesting the DPP nomination, while Tsai Ing-wen is trying to hold on to her support from moderates.⁴⁸ No candidate can afford to appear to be overly cozy with Beijing: Even Han Kuo-yu remains guarded, and Ko Wen-je has backed away from his earlier statements that Chinese and Taiwanese are all members of "one family." Taiwan's politics thus will continue to be volatile, moving from one extreme to another, as election day approaches.

This leaves the outcome of the 2020 presidential and legislative elections in considerable doubt. Cross-Strait relations always play a greater role in presidential contests than in local elections, but it is likely that discussions of the issue will remain within the new context of finding the most effective way of addressing Taiwan's domestic problems while preserving the autonomy that the overwhelming majority of Taiwanese want. If it pressures Taiwan too much, Beijing may tilt the balance in favor of those candidates who pledge to stand firm against Chinese intimidation. Such a development would create even more obstacles to further economic integration with China, let alone unification.

American Policy in Support of Taiwan Under Trump

As Xi has emphasized that Taiwan is a core Chinese interest more than any of his predecessors since Deng Xiaoping, the U.S. has redefined its China policy in ways that put Taiwan at the center of its hegemonic rivalry with China. After president-elect Trump accepted a phone call from Tsai Ing-wen in December 2016, several American initiatives to upgrade U.S.-Taiwan relations have alarmed Beijing.

In March 2018, Trump signed the Taiwan Travel Act, which called for more official exchanges with Taiwan. Despite Xi's stern opposition to the legislation, U.S. Deputy Assistant Secretary of State for East Asian and Pacific Affairs Alex Wong promptly visited Taipei.⁴⁹ In June 2018, the American Institute in Taiwan, the de facto U.S. embassy in Taipei, completed construction of a US\$250 million new complex which was formally opened in April 2019 with a visit by former House Speaker Paul Ryan and a host of other officials.⁵⁰ There is strong bi-partisan support for Taiwan in Congress and among defense officials, as demonstrated by passage of the John S. McCain National Defense Authorization Act in August 2018. The law supports further military ties with Taiwan and requires an annual report on Chinese influence in U.S. media, culture, business, and academia.⁵¹ In December 2018, the Asia Reassurance Initiative Act was signed with a reaffirmation of the American commitment to Taiwan.⁵² This was reinforced by a concurrent resolution reaffirming the Taiwan Relations Act and the Six Assurances.⁵³ Congress followed up by passing the Taiwan Assurance Act in May 2019, awaiting Senate and Presidential approval, which contains a section committing the U.S. to advocate for Taiwan's meaningful participation in international bodies, including the UN and the ICAO.⁵⁴

Militarily, a fresh round of arms sales worth US\$330 million was approved in October 2018, following the June 2017 US\$1.4 billion sale of advanced missiles and torpedoes.⁵⁵ As the U.S. develops its Indo-Pacific strategy, Taiwan might have finally been able to purchase the most advanced weapons since 1992, including F-16 fighter jets and M-1 Abrams tanks. However, those sales were postponed by the Trump administration immediately thereafter as a conciliatory gesture to Beijing amidst trade war negotiations, suggesting that arms sales to Taiwan may become a bargaining chip in the rising U.S.-China tensions.⁵⁶

At the beginning of 2019, a Defense Intelligence Agency report highlighted Taiwan's vulnerability to China.⁵⁷ In its Annual Report to Congress on China in May 2019, the Defense Department also emphasized the Chinese build-up across the Strait and the importance of assisting Taiwan.⁵⁸ Increasing U.S. support is demonstrated by American warships passing through the Taiwan Strait and the South China Sea, followed by similar actions by the other allied navies, despite the opposition expressed by Beijing.⁵⁹ However, even if the U.S. were to approve further arms sales, there is little support among the Taiwanese public to increase spending on defense and there is a renewed pushback from the KMT against appropriating funds for the arms-sales budget as a way of criticizing the DPP for its allegedly provocative policies toward the mainland.⁶⁰

All of these modifications of American Taiwan policy are still presented as remaining within the U.S. "one China" policy. But forty years after normalization, there is increasing debate over whether that policy is still appropriate or whether it needs reconsideration and revision. Some argue for an even closer relationship with Taiwan in light of Beijing's more assertive policy toward the island and Taiwan's movement toward democratization. Supporters of this position see Taiwan as an increasingly important part of the "free and open Indo-Pacific region" that Washington is promoting and among the community of democracies in that

region. Others argue that the rise of Chinese military power makes the American commitment to Taiwan's security increasingly costly and risky, such that some accommodation to the Chinese position, perhaps through endorsement of unification as the eventual outcome of the Taiwan issue or tighter limits on American arms sales to Taiwan. Still others believe that America's present policy allows enough room for flexibility and that any change in either direction would introduce an undesirable level of uncertainty.

At the same time as the Americans are reconsidering their policy toward Taiwan, other aspects of America's policy toward China, especially the increased tariffs across several industries, have had an impact on the island, making Taiwanese firms and the *Taishang* unintended victims. For example, the American steel and aluminum tariffs levied on all countries have hurt Taiwanese steel companies that export to the U.S.⁶¹ In addition, many of the Taiwanese firms that account for the cumulative US\$182 billion of Taiwanese investment in China sell parts to exporters to the U.S. or directly export to the U.S. market and thus are adversely affected by the tariffs. Finally, those who sell Taiwanese-made parts or machinery to Chinese companies that export to the U.S are also being hurt.⁶²

American concern about the theft of intellectual property in sensitive areas, such as semiconductors, has already caught up with Taiwanese companies as well as Taiwanese engineers who have worked for American clients but have illicitly transferred some of the knowledge they acquired on the job to Chinese competitors. Caught between the two competing superpowers, Taiwan may rely on the U.S. for its security but its economic fate is tied much more closely to China.

Conclusion

Since the DPP took power from the KMT in 2016, Taiwan has faced an increasingly assertive China and growing U.S.-China rivalry. Xi has repeatedly made unification an important objective, both domestically and internationally. Washington has upgraded various aspects of U.S.-Taiwan relations which could prove to be a double-edged sword for Taiwan. Under such pressure from China, some Taiwanese, particularly the older generations, have begun to warm to the idea of unification. However, young Taiwanese continue to prioritize safeguarding Taiwan's democracy and way of life, and few Taiwanese of any age show support for unification based on the Hong Kong model.

Looking forward, while there is no discernable change of attitudes among young people, the combination of Xi's hardline approach and his economic incentives has created an opening for Beijing if it were to propose a more flexible and credible framework for unification. But if Beijing insists on its OCTS formula and continues to govern Hong Kong as it has, the gap between Beijing and the Taiwanese will continue to grow. Moreover, the U.S. and Taiwan may become even closer if China steps up its threats to Taiwan's security and the two major powers engage in more intense competition over their political values and systems of governance.



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