My first contribution to China Leadership Monitor was completed 10 days before the terrorist attacks in New York, Washington, D.C., and Pennsylvania. In that essay, I laid out reasons for optimism and pessimism about trends in People's Republic of China (PRC) security relations with Taiwan, the United States, and U.S. allies in the region. If we apply the template laid out in that essay to the contemporary setting, it is quite clear that U.S.-PRC relations are more stable and constructive than they have been at any other time since the period prior to the Tiananmen massacre of June 4, 1989. In fact, on issues such as North Korea, Washington and Beijing are closer to the long-term goal of a security partnership, articulated by the Clinton administration, than anyone could have expected when the Bush administration first assumed office. The early months of 2001 saw tough rhetoric on China out of Washington and a brief crisis in bilateral relations following the collision of a People's Liberation Army (PLA) jet fighter and a U.S. Navy EP-3 surveillance plane. Since fall 2001, however, relations have improved dramatically. There are still problems, of course. For example, there is still much improvement to be made on issues such as PRC weapons proliferation. That having been said, cooperation in the war on terrorism has been real, as I have outlined in previous editions of CLM. Beijing was also not very vocal in its opposition to the war in Iraq. Moreover, in the past several weeks Beijing has been extremely helpful to Washington in addressing the North Korean nuclear crisis and pressuring Pyongyang to accept a multilateral forum for negotiations. This cooperation has led to the assessment by Secretary of State Colin Powell that U.S.-PRC relations are at their most constructive "in decades." 

In this essay, I lay out the reasons for this basic turnaround in U.S.-PRC bilateral relations. Most obvious among these is the common cause against Islamic fundamentalism and North Korean nuclear weapons development. These two factors have helped mightily in smoothing over differences between the two countries. What is less commonly acknowledged is the skillful handling of the Taiwan issue by both capitals. Despite many potential challenges to cross-Strait stability, moderation in Beijing and in Washington on the Taiwan issue has provided the strategic context that enables Washington and Beijing to cooperate fruitfully on other issues. As is often the case in international strategy, the relationship between the Taiwan issue and those other issues is reciprocal. There is little doubt that the compelling incentives for cooperation on terrorism and North Korea have encouraged both sides to adopt a more relaxed position on Taiwan, but it is equally true that the Bush administration's clear, tough, yet conditional deterrence policies on cross-Strait relations have allowed for the trust and mutual assurances that underpin U.S.-PRC security cooperation elsewhere. I therefore begin this essay with an analysis of U.S.-PRC security relations on the Taiwan issue in summer 2003. I then discuss the most recent cooperation between the United States and
the PRC on the North Korea issue. I conclude by discussing the factors that could potentially derail the current trends of peace and stability in U.S.-PRC relations in the future, perhaps as early as the second half of this decade.

China’s Current Confidence in Cross-Strait Relations

As I argued in CLM 1, the biggest potential source of conflict between the United States and China is the Taiwan issue. If the PRC were to use coercive force against Taiwan to compel Taipei to move in the direction of unification with the mainland, the United States would almost certainly get involved on Taiwan’s behalf. Moreover, despite real U.S. military superiority and the difficulty the PLA would have in sustaining military pressure on both Taiwan and the U.S. military, it is difficult to imagine that Beijing would simply back down under those circumstances. So, escalation of such a conflict would be quite possible. Beijing’s inaction in the face of U.S. intervention on Taiwan’s behalf could undercut the Chinese Communist Party’s (CCP) legitimacy even more than would action and defeat. With the death of Marxism-Leninism, CCP legitimacy is increasingly reliant on the party’s image as protector and promoter of China’s honor on the international stage. It would probably be wrong to say that nationalism is on the rise in China, but it is the case that the CCP is more beholden to its long-held nationalist mission than ever before. In fact, other than the raising of living standards, nothing is more important to the CCP’s claim to rule than its nationalist credentials.

The most likely potential cause for future cross-Strait conflict would be excessive pessimism in Beijing about trends toward the permanent legal independence of Taiwan from the Chinese nation. The PRC has a tradition of using force for political reasons in order to shape long-term trends in its security environment. If the past is any guide, bright-line provocations such as a formal declaration of Taiwan independence will not be necessary to spark a military crisis or conflict. Of course, such a declaration would almost certainly spark a conflict, but the likelihood of such a precipitous move by Taiwan in the near term seems extremely low, especially given Taiwan’s democracy, the public’s preference for stability and the status quo in the face of the threat of conflict, and the legislative restraints on constitutional change, which would be necessary to formalize Taiwan independence from the Chinese nation in any legal sense. So, we should pay careful attention to Beijing analysts’ estimations of longer-term trends in cross-Strait relations and see what the sources of optimism and pessimism are in their analyses.

We know that in the period 1999–2000, CCP elites were very pessimistic about the direction of cross-Strait relations because of Lee Teng-hui’s “two state theory,” the intervention of the United States and NATO in Yugoslavia to prevent a recognized central government in Belgrade from asserting military control over a region of its country, the bombing of the PRC embassy in Belgrade as part of that war, and the March 2000 election of Chen Shui-bian, from the traditionally pro-independence Democratic Progressive Party (DPP). It is not entirely surprising that in 1999 the PRC greatly accelerated a fast-paced military modernization program—replete with high-profile
weapons imports from Russia and double-digit real increases in the PLA’s official budget—with a keen focus on Taiwan scenarios.

In addition to the early tough rhetoric of the Bush administration in 2001, there have been other causes for concern in Beijing. In April 2001 President Bush not only promised to do “whatever it takes” to assist in Taiwan’s defense, but also promised to sell an impressive package of weapons to Taiwan, including advanced antisubmarine aircraft and eight diesel submarines. Moreover, President Chen Shui-bian has adopted policies and positions that strongly suggest to mainland analysts that he would like to pursue formal independence as soon as politically possible. Subtle measures along these lines include the government’s promotion of Taiwan identity in schools, art and music exhibits, street names, etc. Less subtle measures include President Chen’s August 3, 2002, statements to Taiwan expatriates in Japan, in which he called for a referendum on the future of Taiwan’s sovereignty and described cross-Strait relations as being between “one country on each side” of the Strait (yì biān yì guó), a phrase he used again in the days before this piece was originally drafted (mid-August 2003).4

Four developments since 1999–2000 have made Beijing relatively patient in responding to these perceived affronts to Chinese nationalism: (1) Taiwan’s growing economic dependence on the mainland; (2) the increased hope that Chen Shui-bian will be a one-term president after the formation of a united front by his two opposition parties; (3) new thinking in PRC foreign policy and a more subtle approach to Taiwan; and (4) a spirit of U.S. cooperation with the PRC and moderation on Taiwan since September 11, 2001, and especially since August 2002.

There is growing confidence in the mainland’s economic influence over Taiwan and in the restraining effect this influence has on Taiwan as it struggles to recover from years of low growth and increasing unemployment. As outlined in previous editions of CLM, though hard to measure, trade between Taiwan and the mainland has grown to tens of billions of dollars per annum with a strong surplus for Taiwan. Investment has increased to an overall figure that could exceed 100 billion U.S. dollars, and hundreds of thousands of Taiwan citizens live on the mainland. The recent severe acute respiratory syndrome (SARS) crisis put a temporary damper on cross-Strait travel, but the most recent statistics suggest that Taiwanese investment on the mainland continues to increase apace and that, to the degree that it was disrupted, trade across the Strait will recover quickly with the containment of the disease on both sides of the Strait.5

There is a debate on the mainland about how much Taiwan’s growing economic dependence on the mainland will deliver in terms of politics. Optimists believe that economic integration will lead to political integration. Pessimists state that there is little logical reason to expect this result and that Beijing lacks a theoretical basis for understanding how to turn economic leverage into political leverage in order to hasten unification. That having been said, both sides in this debate recognize the restraining influence of economics on Taiwan’s diplomatic adventurism and believe that cross-Strait economic trends are a force preventing Taiwan’s formal independence, even if these trends are not necessarily a sure way to encourage progress in a unification process.6
Many CCP analysts expect or at least hope President Chen will be defeated in March 2004. Chen won only by a plurality in a three-way race in 2000, so there is a good prospect that he will be defeated in March 2004 by the currently united “pan-blue” opposition of Kuomintang (KMT) party chief Lien Chan and People First Party (PFP) chief James Soong. These leaders have been more accommodating toward the mainland than either Lee Teng-hui or Chen Shui-bian, and they have been highly critical of the latter for mishandling cross-Strait relations. PRC analysts do respect Chen’s abilities as an electioneer, if not as a statesman, and some worry that some combination of election-year tactics, perhaps including initiatives related to cross-Strait relations, and the lack of unity among his opposition might lead Chen to a second term during which he could pursue his pro-independence agenda further.\(^7\)

Especially given this concern about a possible Chen victory, it is important to recognize that there is growing sophistication in PRC foreign relations, which have been replete with a spirit of criticism and debate regarding recent policies toward Taiwan and foreign powers. In a nutshell, Beijing is getting better at dealing with democracies and understands the potentially counterproductive nature of its bluster and threats. This change means that the PRC is less likely to shoot itself in the foot by overreacting to provocative statements and actions by President Chen, including his current push for a referendum on issues of “national importance” (such as whether or not to build a fourth nuclear power plant or whether Taiwan should be a member of the World Health Organization). While neither of these popular votes would be the equivalent of a vote on Taiwan’s sovereignty, the creation of the legal mechanism of a national referendum in Taiwan would allow President Chen to pursue more easily his ultimate goal of a referendum on Taiwan’s sovereignty sometime in the future. Moreover, opposition to referenda by Chen’s pan-blue rivals would make those parties appear antidemocratic. CCP elites are apparently quite concerned about the referendum issue and have sent envoys from the Taiwan Affairs Office of the State Council to Washington to express those concerns.\(^8\) Despite that level of concern, we should not expect a harsh military or political response such as the exercises in 1995–96 that sparked the crisis of that year or the threats made by Zhu Rongji to the Taiwan public in the lead-up to the March 2000 Taiwan elections.

This new level of patience and sophistication is partially due to a simple learning process in Beijing. From Beijing’s perspective, Premier Zhu Rongji’s statements failed at best and were helpful to Chen’s campaign at worst. They also influenced attitudes about Taiwan in third capitals in ways that did not further PRC interests.\(^9\) But, there is something deeper going on here as well, I believe. There has been a generational shift not only in China’s top leadership but also among the foreign policy advisers in the Foreign Ministry, State Council, and PLA. The new generation of advisers is more worldly and open-minded than were their predecessors. They clearly understand democratic governments and societies better than their elders did because they have had a chance to study and travel abroad in many cases. What makes these advisers potentially more influential is not only their promotion to positions of authority within party and state organs, but also a spirit of more open debate on domestic and foreign policy issues,
particularly in the past two to three years. There have been some rather remarkable articles published in that period, reflecting not only the new thinking of the authors, but also a freer atmosphere in which these ideas can be published.\textsuperscript{10} How long this atmosphere will last, especially given the pro-democracy protests in Hong Kong, is unclear, but the impact of new thinking in China appears to be evident on a range of issues from Taiwan to proliferation to pressure on North Korea.\textsuperscript{11}

Another very important reason for this cooperation is that the Bush administration has adopted a successful deterrence posture on cross-Strait relations, particularly since summer 2002. As I have argued elsewhere, successful deterrence has two key aspects, not one. Most public commentators emphasize that deterrence simply requires a credible threat of punishment if a transgression were to occur. In other words, deterrence is all about toughness. This view is not so much wrong as it is simplistic and incomplete. To deter successfully, the deterring nation has to credibly threaten to intervene effectively and in a sufficiently sustained fashion if a transgression is committed but also needs to reassure the target that it will not be punished if it complies with the deterrer’s demands. Deterrence indeed requires the maintenance of military and/or economic capabilities sufficient to carry out a threat, plus the reputation for resolve suggesting a willingness to pay the costs of sustained conflict with the target, if necessary. But, deterrence also requires credible assurance to the target that the deterrent threat is fully conditional on the target’s behavior. In other words, the target nation needs to be credibly assured that if it does not act belligerently, its core interests will not be threatened by the deterring nation. Threats need to be both credible and conditional, and the target needs to be assured of the latter if the deterrence relationship is to remain stable.\textsuperscript{12}

There are several reasons why the proper mix of threats and assurances is difficult for the United States to achieve in cross-Strait relations. The first is that coercion against Taiwan is more difficult to deter than efforts to invade and dominate Taiwan, and it is fairly clear that the PRC is focused primarily on coercion. In the latter case, one need only demonstrate that the PRC cannot invade and occupy Taiwan at acceptable costs to the PRC. This conclusion is not very difficult for a greatly superior U.S. military to demonstrate. In the case of PRC coercion, however, Washington and Taipei need to demonstrate that the PRC will be unable to inflict sufficiently significant pain on Taiwan or the United States to alter Taipei’s and Washington’s political calculations in ways that suit Beijing’s long-term interests. This is a much trickier task and requires not a “balance of power” across the Strait but rather a high degree of military superiority over the PLA for some combination of Taiwanese and U.S. military forces. In a nutshell, since it is much easier for the PRC to coerce Taiwan and the United States than to defeat them in a traditional military sense, it is much harder for the United States and Taiwan to deter coercion than it is for them to deter PRC domination of Taiwan. That difficulty is only exaggerated by the degree to which PRC analysts regard Taipei or Washington as lacking political resolve for the fight to deter coercion. This is not to say that Beijing is eager for conflict or that deterrence is unlikely to succeed in this case, but rather that deterrence is more complicated and difficult than one might think.
The problem, of course, with maintaining a high degree of military superiority through some combination of U.S. capabilities, arms sales to Taiwan, and defense coordination with Taiwan is that it tends to begin to look to Beijing as though the United States is restoring an alliance with Taipei and is offering an unconditional commitment to Taiwan’s security. Just as the same capabilities that the PRC can bring to bear to deter a Taiwan declaration of independence can be used in an attempt to compel Taiwan’s surrender to Beijing’s “one China principle,” so the same capabilities that Washington and Taipei can bring to bear to protect Taiwan against such bullying by the PRC can be used to protect a Taiwan that decides to test the waters by moving closer to permanent legal separation from the Chinese nation.

This situation creates a dilemma in which U.S. efforts to bolster Taiwan’s defense through a combination of arms sales and defense coordination appear provocative in Beijing. Since even defensive weapons in Taiwan’s hands would appear provocative under these conditions, there is not a great deal of hope that arms control between Taiwan and the PRC might help solve this security dilemma.

The challenge for the United States is not to abandon those defense efforts with Taiwan, but to convince Beijing that the U.S. efforts to maintain Taipei’s and Washington’s ability to react effectively to a PLA attack are politically defensive in nature and not designed to promote Taiwan independence.

Particularly since August 2002, the Bush administration has successfully combined credible threats of intervention with credible assurances of restraint in a very convincing and constructive way. I believe that this strategy is a major factor in explaining why U.S.-PRC relations are quite good. Early in the administration President Bush emphasized the importance of Taiwan’s security, offered a robust arms sales package to Taiwan, and increased military contacts with Taiwan’s military, which has suffered from isolation from most militaries in the world. Moreover, the 1995–96 crises revealed that the U.S. military and the Taiwan military would be ill-prepared to coordinate their activities in a conflict, rendering their joint efforts less effective and increasing the likelihood of friendly-fire accidents, etc. Therefore, efforts have been made by the Department of Defense to increase practical contact with Taiwan’s military. These efforts built on the U.S. reputation for resolve created by the dispatch of two aircraft carrier battle groups to the Philippine Sea by the Clinton administration in March 1996. In addition, the U.S. reputation for resolve and capability has only been underscored by the military successes in Afghanistan and Iraq.

What is impressive is not so much that the Bush administration has established a credible commitment to assist Taiwan, but that it has done so while building a credible assurance that it does not support Taiwan independence. The administration achieved this result by reacting coldly, if not hostilely, to various statements and policy initiatives by President Chen Shui-bian of Taiwan dating back to his August 3, 2002, description of cross-Strait relations as involving a country on each side of the Taiwan Strait and his concurrent call for a future referendum on Taiwan’s sovereignty. The Bush administration’s representative in Taipei, Doug Paal, responded quickly and negatively to
these statements, and one of President Chen’s closest advisers received a cold reception in Washington from Republicans who have long been supportive of Taiwan in its struggles with the mainland. Moreover, the Bush administration has consistently claimed in public that it does not support Taiwan independence. If Chinese government media reports are accurate, the president might have gone further in private meetings, stating that he “opposes” Taiwan independence. More recently, President Chen has called for referenda on other important matters not directly related to sovereignty, causing fears in Beijing that such moves might be the first step toward referenda on sovereignty.

President Chen’s Government Information Office reported that, while not opposing referenda on Taiwan, Doug Paal expressed serious concern (guanjie) to President Bush about President Chen’s referendum initiatives.\(^\text{13}\)

Such gestures have not been missed or unappreciated in Beijing. Basing their assessments on the Bush administration’s statements about Taiwan, interlocutors in Beijing and Shanghai in January 2003 expressed strong faith in the notion that the Bush administration was restraining President Chen and that, therefore, the likelihood of cross-Strait difficulties was rather small in the near term. Beijing has traditionally ascribed great influence in Taiwan to the United States, and when Washington seems to be acting in ways consistent with Beijing’s preferences, CCP elites worry much less about the actions of forces on the island that they brand as “splittist” or “pro-independence.” In addition to the growing sophistication in the thinking of Chinese foreign policy elites and their hopes that Chen’s opponents will defeat him in the March 2004 elections, discussed above, Beijing’s current trust in U.S. intentions on Taiwan helps explain why PRC reactions to allegedly “pro-independence actions” in Taipei since August 2002 have been much more muted and moderate than Beijing’s harsh reactions to allegedly “provocative” statements and actions by Taipei in 1995–2000.

One remaining problem concerning Beijing’s confidence in U.S. moderation and restraint in its Taiwan policy is that after September 11, 2001, the United States needs Chinese cooperation—or at least its passivity—in certain areas in order to pursue U.S. security interests in the global war on terrorism, in the Middle East, and, especially, in North Korea. Basically, CCP elites correctly perceive that Washington would like to avoid adding another conflict to the series of global “in-boxes” already on President Bush’s desk.\(^\text{14}\) So, Beijing’s sense of assurance that the United States will act as a restraint on Taiwan is conditioned largely on Washington’s problems and distractions elsewhere. That means that Beijing’s confidence on that score could prove mercurial if international conditions were to change and Washington’s security challenges elsewhere were to seem less severe.

**Beijing’s Recent Cooperation on North Korea: A Cause and an Effect of Good U.S.-PRC Relations on Taiwan**

Especially since April 2003, the People’s Republic of China has taken a leading role in urging North Korea to back down from its demand for purely bilateral talks with the United States, and eventually Pyongyang accepted talks involving all the regional
powers in Northeast Asia. Those talks were scheduled for late August 2003 as of this writing. North Korea relies heavily on Beijing for food aid and oil, and Beijing has taken some punitive steps along the way to push Pyongyang in the direction of multilateral talks—from cutting off oil briefly in spring 2003 to helping isolate North Korea at a regional forum in Cambodia to searching North Korean ships for contraband and weapons. It is not clear how the multilateral talks will conclude, but it is fair to say that the achievement of a multilateral format matters to the United States, even if Pyongyang continues to stiff-arm the United States and its allies on its nuclear weapons development program. It will still be easier to rally support for a tough regional response to North Korean intransigence if others are at the table observing North Korean truculence. That having been said, there is still a significant possibility that Washington and the other participants, including China, will simply disagree on how to proceed if Pyongyang rejects a negotiated deal for its disarmament. This likelihood could, in the end, create a strain on U.S.-PRC relations, rather than prolong the occasion for cooperation and coordination that the North Korea issue has proven to be in the last several months.

Good relations concerning Taiwan both are caused by and allow for the positive atmosphere between Washington and Beijing on the North Korea issue. The same can be said to some degree about cooperation in the global war on terrorism. Good relations concerning Taiwan allow for more trust in the relationship on these other issues. But, U.S. assurances to Beijing on Taiwan, as explained above, are credible largely because of international circumstances. Beijing is only reassured because the United States clearly has other areas that are of much greater concern right now than Taiwan, and it needs PRC cooperation or at least acquiescence to deal with these issues effectively. Perhaps there has been a more fundamental change of heart in the Bush administration’s suspicion of China and in its pro-Taiwan leanings, but according to some CCP interlocutors such a fundamental change of heart in Washington on cross-Strait relations has not been noted in Beijing. Therefore, if international conditions were to change, as a result of such events as a successful handling of the North Korea issue and significant U.S. progress in the global war on terrorism, U.S. assurances that Washington does not support Taiwan independence might become less credible to Beijing, even if these assurances were still being offered sincerely. Therefore, such a change in the strategic environment would likely allow for renewed PRC suspicions about U.S. intentions regarding Taiwan and the region more generally and could damage the current cooperative environment. Furthermore, the PRC analysis in this case might not prove entirely wrong. If international conditions were to change and the global war on terrorism were to recede into the background, it is indeed conceivable that the Bush administration’s policy toward China and Taiwan would return to the tougher and less conditional policies of early 2001.

Beijing will naturally be concerned about aspects of U.S. regional security policy in India, Pakistan, Central Asia, Southeast Asia, Korea, and Japan, regardless of whether there is an immediate threat of war with the United States. The same can be said for China’s concerns about aspects of the alleged restructuring and strengthening of the forward presence of U.S. forces in the Asia-Pacific region. But, as leading Chinese strategic scholar Chu Shulong emphasizes, the degree of concern about these trends in U.S. defense policy will remain muted as long as they are seen as part of a global U.S.
strategy against terrorists and rogue states and not as an effort primarily to offer a stronger and more unconditional defense commitment to Taiwan.\textsuperscript{16}

Two years after the drafting of the first edition of \textit{CLM}, U.S.-PRC security relations are as good as they have been since the Cold War days of cooperation in the 1980s. If we want to assess the hardiness of this positive atmosphere as we move into 2004, we should carefully observe and analyze factors like the campaign rhetoric and outcome of the Taiwan elections, U.S. policy on issues like a Washington visit for President Chen Shui-bian in a private capacity, the potential formation of sharper differences between Washington and Beijing about North Korea or PRC proliferation, etc. As long as relations between the United States and the PRC on the issue of cross-Strait relations remain positive, we should expect bilateral cooperation on other issues. On the flip side of the same coin, if the PRC remains helpful to the United States on key issues such as North Korea, then we should not expect any change in the administration’s balanced but tough policy toward cross-Strait relations, in which Washington simultaneously deters both PRC bullying of Taiwan and any Taiwanese exploitation of the U.S. defense commitment to pursue diplomatic initiatives that could provoke the mainland into the use of force.

Notes

\textsuperscript{1} The author thanks Michael Glosny for expert research assistance.
\textsuperscript{6} This conclusion is based on off-the-record author interviews with PRC security analysts in Beijing and Shanghai, January 2003.
\textsuperscript{7} Author discussions in Beijing, January 2003, and conversations later in the year in the United States.
\textsuperscript{9} In my discussions with them, in January 2003, Zhu Rongji’s speech was fairly roundly criticized by some CCP analysts.
\textsuperscript{10} For an excellent example of new thinking, see “PRC Scholar on Sino-U.S. Ties, Democracy Issues,” \textit{Zhanlue yu guanli} (Strategy and management), March 1, 2003, FBIS CPP-2003-0506-000226; see also the original Chinese version of the article, Liu Jianfei, “Zhongguo minzhu zhengzhi jianshe yu Zhongmei guanxi” (The building of democratic politics in China and Sino-U.S. relations), \textit{Zhanlue yu guanli}, March 2003, 76–82.
In January 2003, one person with very good contacts at the Foreign Ministry suggested that there was a good deal of new thinking going on in the Chinese government. He said that some of this thinking had already been seen in the August 2002 decision to promulgate new laws against proliferation. But he claimed that on issues like North Korea, the new thinking would not come to the surface until after the March 2003 National People’s Congress (NPC). He predicted, accurately, a good deal more Chinese coordination with the United States on North Korea after the NPC and after the Iraq war. Author interview, Beijing, January 2003.

For further elaboration of these ideas, see Thomas J. Christensen, “The Contemporary Security Dilemma: Deterring a Taiwan Conflict,” Washington Quarterly, autumn 2002.

See “Meiguo bing mo fandui Taiwan gongtou” (U.S. does not oppose Taiwanese referendum), Hongguan zhoubao (Macro-view weekly), June 25, 2003, 1.

Author interviews, January 2003.
