An Analysis Of The Security

Of The Republic Of China On Taiwan

by

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<th>Full Form</th>
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<tr>
<td>AAMs</td>
<td>Anti-Air Missiles</td>
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<tr>
<td>AIDC</td>
<td>Aero Industry Development Centre</td>
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<tr>
<td>APC</td>
<td>Armoured Personnel Carrier</td>
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<td>APEC</td>
<td>Asia Pacific Economic Co-operation</td>
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<td>ARF</td>
<td>ASEAN Regional Forum</td>
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<td>ASW</td>
<td>Anti-Submarine Warfare</td>
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<td>AVF</td>
<td>All Volunteer Force</td>
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<td>AWOL</td>
<td>Absence Without Leave</td>
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<tr>
<td>CAP</td>
<td>Common Agricultural Policy</td>
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<tr>
<td>CCP</td>
<td>China Communist Party</td>
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<tr>
<td>COA</td>
<td>Council of Agriculture</td>
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<tr>
<td>CSC</td>
<td>Central Standing Committee</td>
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<tr>
<td>CSIST</td>
<td>Chung Shan Institute of Science and Technology</td>
</tr>
<tr>
<td>DPP</td>
<td>Democratic Progressive Party</td>
</tr>
<tr>
<td>GATT</td>
<td>General Agreements on Tariffs and Trade</td>
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<td>GNP</td>
<td>Gross National Product</td>
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<tr>
<td>IDF</td>
<td>Indigenous Defence Fighter</td>
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<td>IEOs</td>
<td>International Economic Organisations</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IPRs</td>
<td>Intellectual Property Rights</td>
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<tr>
<td>KMT</td>
<td>Kuomintang</td>
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<td>MBT</td>
<td>Main Battle Tank</td>
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<tr>
<td>Abbreviation</td>
<td>Description</td>
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<tr>
<td>MLRs</td>
<td>Multi-launched Rocket Systems</td>
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<td>MND</td>
<td>Ministry of National Defence</td>
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<td>MTN</td>
<td>Multilateral Trade Negotiation</td>
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<td>NCO</td>
<td>Non-commissioned Officer</td>
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<td>NICs</td>
<td>Newly Industrialised Countries</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PECC</td>
<td>Pacific Economic Co-operation Council</td>
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<tr>
<td>PLA</td>
<td>People's Liberation Army</td>
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<tr>
<td>PMC</td>
<td>Post Ministerial Conference</td>
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<tr>
<td>PRC</td>
<td>People's Republic of China</td>
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<tr>
<td>ROC</td>
<td>Republic of China</td>
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<tr>
<td>SAMs</td>
<td>Surface-Air Missiles</td>
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<td>SP</td>
<td>Self-Propelled</td>
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<tr>
<td>SSMs</td>
<td>Surface-Surface Missiles</td>
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<tr>
<td>TIM</td>
<td>Taiwan Independence Movement</td>
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<td>TRA</td>
<td>Taiwan Relations Act</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>US</td>
<td>United States</td>
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<tr>
<td>WTO</td>
<td>World Trade Organisation</td>
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Declaration

That no portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institution of learning.
Abstract

Until the publication of *1992 Nien Kuo-fang Pao-kao Shu* (1992 National Defence Report, Republic of China) by the Ministry of National Defence, and *Kuo-fang Wai-chiao Pai-pi Shu* (White Paper on National Defence and Diplomacy) by the Institute for National Policy Research in 1992, there was no single text or collection of readings, written from a ROC perspective or addressing issues of ROC's concern, which was available for people interested in national security. This dissertation is intended to fill that gap by broadening the theoretical and empirical evaluation of Taiwan's national security to encompass military, political and economic factors. The primary objective of this study is to develop an in-depth understanding of the ROC's approach to national security through an examination both of the dynamics of the numerous security threats confronting Taiwan and of the measures instituted to preserve and enhance national security. To accomplish this the study is divided into six chapters.

Chapter 1 will provide a conceptual framework for the analysis of national security. Discussions focus on: the goal of national security; the sources and nature of threats to national security; and the measures to preserve and enhance national security. Chapter 2 considers the military dimensions of Taiwan's security. The following questions will be asked: Under what conditions might the PRC attack Taiwan? Is the PRC capable of gaining control of Taiwan by force? What are the most likely military options to be employed by the PRC should it decide to attack Taiwan? How capable is the ROC of defending itself? And what defence options are available for Taiwan? Chapter 3 examines the impact of the Taiwan independence movement (TIM) on Taiwan's political stability and national security. It centres on the following questions: What are the motives for the pursuit of Taiwan independence? What are both the ROC's and the PRC's attitudes towards the TIM? Will "self-determination" be applicable to Taiwan? And what will be the likely impact of TIM on Taiwan's security? Chapter 4 considers the economic dimension of security. GATT is used as a case study, and the implications of membership for the government and the economy of Taiwan are examined. As with any initiative, many questions have been raised. Because of Taiwan's excessive dependence on exports, its economic success depends in no small way on its ability to keep open its avenues of trade with the outside world. Cutting off those avenues could threaten both Taiwan's economic success and national security. Since survival is essential to Taiwan, in addition to the pursuit of economic growth and development, an independent war capability and sufficient forces are required for safeguarding Taiwan's security. In order to reach this goal, military modernisation is the only option. Thus, Chapter 5 will try to answer the following questions: What are the motives driving Taiwan's accelerated military modernisation? Will Taiwan be able to break through Peking's blockade and procure the weaponry needed for self-defence? Will the economy of Taiwan be able to continuously sustain such huge defence expenditures? Will the armed forces be able to recruit and retain an adequate number of skilled military personnel for the advanced and sophisticated weapons procured? And what will be the potential impacts of cross-Strait arms race on Taiwan Strait stability? In the final Chapter 6 some concluding remarks on the preceding Chapters are drawn. Taiwan should: continue its policy of cautious rapprochement with the PRC; make every effort to prevent any further deterioration in the military balance in the Taiwan Strait; use its economic success as a diplomatic tool to strengthen its relations with countries around the world.
Introduction

The Republic of China has long confronted and endured both external threats and internal conflicts. In recent times, the complexity and magnitude of these external threats and internal conflicts have greatly increased. The factors contributing to these uncertainties include the internal political stability of the island; Taiwan's military capability; the policies pursued by Peking's future leaders; the degree of modernisation of the People's Liberation Army; and ROC relations with the PRC and the United States.

However, until the publication of *1992 Nien Kuo-fang Pao-kao Shu* (1992 National Defence Report, Republic of China) by the Ministry of National Defence, and *Kuo-fang Wai-chiao Pai-pi Shu* (White Paper on National Defence and Diplomacy) by the Institute for National Policy Research in 1992, there was no single text or collection of readings, written from a Republic of China (ROC) perspective or addressing issues of ROC's concern, which was available for people interested in national security. This dissertation is intended to fill that gap by broadening the theoretical and empirical evaluation of Taiwan's national security to encompass military, political and economic factors. Those who are involved in the development of national security policy in the ROC, those concerned with studying it, and those who are party to the more general public debate need to be informed about an increasing range of domestic as well as global political and economic developments, to be open-minded and far-sighted enough to comprehend both the negative and positive implications of those developments, and to appreciate where the ROC's unique circumstances fit in.

Therefore, the primary objective of this study is to develop an in-depth understanding of the ROC's approach to national security through an examination both of the dynamics of the
numerous security threats confronting Taiwan and of the measures instituted to preserve and enhance national security.

**Major Approaches to the Study of Taiwan's Security**

There are at least three major approaches to the study of Taiwan's security: diplomatic history, the divided-nation, and rational choice. Each one has its virtues and limitations.

The study of diplomatic history is an age-old, interpretative approach that seeks to document every important event, and identify the thrust of foreign relations. Focusing on major decisions and key policymakers, this approach is often directed at the systemic level of analysis and focuses on great-man diplomacy in power games. History unfolds as leaders of major powers shape and reshape their countries' foreign policies in perpetual balance-of-power games. Not surprisingly, the issue of Taiwan-mainland security interactions is often subsumed under the broad study of the Sino-American relationship. Examples of this approach abound, including Thomas Stolper's (1985) well-documented study of the Quemoy crisis in 1958, Gilbert and Carpenter's (1989) description of US-China relations, John Copper's (1992) work on how American foreign policy initiatives and Chinese responses restructured the Washington-Taipei-Peking triangle, and Harry Harding's (1992) interpretative study of the Sino-American relationship since Richard Nixon's visit to the PRC in 1972.

Works on diplomatic history are not necessary atheoretical, as the balance-of-power game is often their implied analytical framework. However, the historical development of foreign
relations being their concern, this body of literature is primarily narrative and fact-confirming in nature. This genre does not attempt explicitly to spell out the logic of interaction across the Taiwan-Strait and its underlying analyses are not geared toward predicting policy behaviour on either side. The primary contribution of this body of literature lies in trying to "get the facts straight".

Developed out of the experiences of the two Germanys and two Koreas, the paradigm of the divided-nation approach has been frequently applied to Taiwan and mainland China (Wei 1981; Chu 1989; Klintworth 1991; Tsai 1991; Wang 1990). Major works of this approach seek to prescribe formulae by which two ideologically opposed systems--socialism versus capitalism--can move from confrontation, through cohabitation, to integration and eventually unification. As reunification is an eventual goal that both regimes or central governments across the Taiwan Strait have vowed to achieve, the divided-nation model is undoubtedly a legitimate and useful approach to examine Taiwan-Mainland relations. This approach helps understand the parameters of interaction and shows how self-defined goals ultimately guide or constrain the leadership's policy options.

However, the analytical utility of the divided-nation paradigm has its limitations. Using the German model to predict the processes, stages, or even outcomes of security interaction across the Taiwan Strait can be very misleading. West Germany's Ostpolitik certainly contributed to peaceful German unification, but the result would have been quite different without a Mikhail Gorbachev. Moreover, the two regions of Germany did not unify on equal terms, but rather the West absorbed the East. Finally, using the divided-nation model to analyse Taiwan-Mainland security relations overlooks the size factor as well as the sub-ethnic
factor. Size disparity is most acute in the Taiwan-Mainland dyad among the four divided-nations in the post-war era. Unification proves to be less difficult if the larger party is economically successful and politically open. The sub-ethnic cleavage between the mainlanders and Taiwanese in Taiwan, and the complex issue of independence versus unification, are also unique aspects not found in other divided nations. After adding all these factors up, we find that the divided-nations model is not suitably applicable to the Taiwan-Mainland security interaction.

The rational actor paradigm offers a third perspective for the study of cross-Strait security interactions. This type of analysis can be either formal modelling, or a game-theoretical exercise (Bau 1991, 72-96; Niou 1992, 82-95). Works on the US-PRC interaction in crisis situations or in strategic triangles also fall into this category; for example, Lowell Dittmer shows that the PRC has been generally playing the game of strategic triangle by "rationally" following the logic of its position in the structure (Dittmer 1981, 485-515). This approach assumes that leaders are rational actors, making full use of the available information and examining available policy options, and maximising the gains of policy objectives. The forte of this approach lies in crisis situations or strategy for crisis management. Deterrence theory is subsumed under this approach. However, this approach comes at a price. Critics have always cast doubt on the utility and relevance of this approach to the real world, saying that the model is at most heuristic, at worst reductionist, and incapable of adding new information to the real issue, which is too complex and too dynamic to be captured by a simplified model.

The numerous studies on the three analytical approaches shed light on various aspects of the cross-Strait relations. These studies, however, generally fail to grasp two salient
characteristics of the Taiwan-mainland security interactions: power asymmetry and sovereignty claims based on ethnic ties. The presence of these two factors distinguishes the Taiwan-mainland from other cases of potential international conflict. Therefore, regime asymmetry model and game theory models will be adopted as the main approach to the study of Taiwan’s security. Pushing the assumption of rational choice literature to its extreme, game theory models appear very tempting to the analysts of the Taiwan-mainland relationship (Bau 1990; 1991, 72-96; Lo and Lin 1993). It is only in recent years that game theory has been applied to the analysis of international relations, and even now it is rarely applied to interactions between Peking and Taipei.

Elegant and parsimonious, game theory models seem to be powerful analytical tools. For instance, on bargaining, their highly selective variables promise to predict a variety of outcomes. This approach informs decision-makers what they ought to do in order to best achieve their objectives and it prescribes strategies to accomplish what is maximally possible in a given situation (Elster 1989). Applied to the Taiwan-mainland dyad, the objectives of decision-makers can vary from conquest, status quo, negotiated settlement, to capitulation. Due to their intensive and sensitive interaction, both Taipei and Peking are indeed in a game-like situation. Taipei’s concern over security and Peking’s emphasis on sovereignty together shape the dynamics of cross-Strait interaction. This situation resembles the "balance of terror" of the Cold War era.

The Taipei-Peking conflict took the form of a deadlock game during the years 1949-78. Confrontation was the dominant strategy of both parties. Since Peking’s ultimate goal was to take over Taiwan and Taipei’s was to recover the mainland, the choice of confrontation was
regarded by both parties as inevitable. Mutual compromise, in their eyes, would lead to collapse. Interactions in the period 1979-86 could be characterised as a Prisoner’s Dilemma Game. The observation shows that Peking’s estimates of the outcomes and its orders of preference changed in 1979. While Taipei maintained the same attitudes and policies toward Peking as it did in the previous period, it was not so hostile. However the period 1987-88 marked a turning point in Taipei’s policy toward Peking. Clearly, Taipei understood that the disadvantages of mutual confrontation were isolation from the rest of the international community, and more importantly, less chance of influencing the mainland. Mutual co-operation would reduce tension in the Taiwan Strait and improve the prospects of Taipei being able to influence the mainland and expand its diplomatic activities.

According to two-person game theory, mutual co-operation will result if the following conditions are satisfied. First, mutual co-operation must be the choice of both parties. Second, both actors must regard co-operation as a dominant strategy. Unfortunately, the lack of consensus as to the meaning of mutual co-operation makes it more difficult to find a solution to the prisoner’s dilemma. Peking’s insistence on sovereignty is clearly incompatible with Taipei’s emphasis on security. The more Peking emphasises sovereignty, the less comfortable Taipei feels about dealing with Peking, while Peking inevitably feels that Taipei’s pursuit of security conflicts with its insistence on sovereignty. This conflict could potentially destroy the current co-operation between the two sides. In these circumstances, the only way to maintain the existing co-operation is to discover factors which would encourage or force the actors to behave as co-operators.
The Structure of the Thesis

In Chapter 1 we try to establish a conceptual framework for the analysis of national security. We open the Chapter with a review of the existing literature. We then seek to explore the core values of the state and to survey the types of threats which define national insecurity across the military, political and economic sectors. In the final part of the Chapter we examine the various approaches and policy instruments employed to enhance and preserve national security. Conclusions are drawn about the limitations of the traditional concept of and approaches to national security.

In next Chapter 2 we examine empirically the military dimensions of Taiwan’s security. Our objective is to explore whether the probability of military confrontation across the Taiwan-Strait is increasing or decreasing by analysing different scenarios for the PRC’s use of force and the most likely military options to be employed by the PRC should it decide to attack Taiwan. On the ROC’s side we consider how capable Taiwan is of defending itself and explore several defence options available for Taiwan.

In Chapter 3 we extend the dimensions of security from military to political by examining the impact of the Taiwan independence movement on Taiwan’s security. We start by tracing the historical background for the emergence of Taiwan independence movement. We examine TIM’s theoretical justification for the claims on the uncertainty of Taiwan’s legal status and the right to self-determination and argue that Taiwan independence is neither feasible nor possible based on the domestic, cross-Strait and international factors. We then
push the analysis forward by exploring Taiwan’s political development and the implications of political reform for domestic stability and security and for the cross-Strait relations.

In Chapter 4 our attention turns to the economic dimensions of security. The novelty of the analysis is that, contrary to the traditional approaches to the study of the economic security, it uses the WTO (GATT) as a case study to examine the importance for Taiwan’s entering the major international economic organisations and the implications of membership for the government and economy of Taiwan. We begin by examining the need to enhance Taiwan’s legitimacy and defend its economic interests through membership of the WTO. We then investigate the consequences for and impacts on the economy of Taiwan. The impact of Taiwan’s WTO bid on cross-Strait relations is also explored in the final part of the Chapter. Conclusions are drawn about some policy recommendations and measures for the government to adopt in order to win a quick admission to the WTO.

In Chapter 5, after analysing the various dimensions of security, we further explore the variables affecting Taiwan’s future security, i.e., cross-Strait arms race and major constraints on Taiwan’s military modernisation. We first consider the PRC’s arms build-up as the primary impetus for Taiwan’s military modernisation. We review the evolution of Taiwan’s military modernisation from complete reliance on US as sole arms supplier to a search for autonomy in weapons supply through indigenous research, development and production. We then seek to test whether the much cited negative defence spending effect on economic development and social welfare found in most countries is valid in Taiwan’s context. Our new results, in contrast to evidence about the impact upon other countries, suggest that
Taiwan presents a deviant case to the cross-national generalisations about the relationships among defence burden, economic performance, and social welfare.

Although the research undertaken in this thesis focuses on a number of issues they are interlinked in a number of important ways. Although complex, the core argument of the analysis is that Taiwan’s security is critically contingent on the interactions between Taipei and Peking. Thus in the final Chapter 6 we offer some concluding remarks on the preceding Chapters and draw together some of the main contributions of the thesis.

Finally, it should be mentioned that we have made no attempt to give an exhaustive analysis of Taiwan’s security issues. However, we have attempted to unify the themes discussed in this thesis within a holistic structure. We hope that focusing on particular themes, examined through a series of inter-connected essays, helps develop an understanding of those particular features of security issues that we have highlighted.

The Wade-Giles system of Chinese Romanisation has been used in the thesis.
Chapter 1

National Security: A Conceptual Framework

In Chapter 1 we try to establish a conceptual framework for the analysis of national security. This Chapter is divided into five sections. We open the Chapter with a review of the existing literature. We then seek to explore the core values of the state in the second section and to survey the types of threats which define national insecurity across the military, political and economic sectors. In the fourth and fifth sections we examine the various approaches and policy instruments employed to enhance and preserve national security. Conclusions are drawn about the limitations of the traditional concept of and approaches to national security.

One primary concern of any type of state is and always will be how to guarantee its own security. As a rhetorical phrase for politicians and a conceptual term for security analysts and social scientists in describing policy objectives, the term "national security" has been widely used. Most studies of national security are state-specific and are usually executed from the perspective of the global powers. Many studies assume the meaning of national security to be obvious, while others define the concept too narrowly and fail to encapsulate the multifaceted nature of national security. The need to define the concept is even more necessary in regard to the Republic of China (ROC) on Taiwan, which is seldom explored comprehensively and in its own right. The concept of national security and its applicability to the ROC is of central importance to this study. Therefore, this chapter is directed toward an investigation and
explanation of the concept. Discussion will focus on these three questions: What is the goal of national security? What are the sources and nature of threats to national security? and How is national security to be preserved and enhanced?

1.1 The Concept of National Security

In his book *Discord and Collaboration*, Arnold Wolfers (1968, 147) characterised national security as an "ambiguous symbol that may not have any precise meaning at all". Alastair Buchan (1966, 24) writes, "Security is a word with many meanings". Helga Haftendorn (1991, 3-17) argues that the term "security" is as ambiguous in content as in format. Barry Buzan (1991, 3-15) considers it as an "undeveloped and essentially contested concept". As countless discussions of the concept have indicated, the idea of "security" is hardly precise. Different countries have very different concepts of security. Each concept of security corresponds to specific values, threats, and capabilities to meet the perceived challenges. Most developing countries emphasise the economic and social as well as the domestic dimensions of security. Some scholars consider that in a modernising society security means development. Robert McNamara (1968, 149-50) has suggested that the feeling of security involves not only confidence on the part of the state in its ability to maintain its prosperity and way of life, but also the freedom to develop and improve its position in the future. He points out that "Security is development and without development there can be no security...development means economic, social and political progress". As far as the individual and the state are concerned, security embodies freedom from fear, freedom of a
state to pursue its own interests by its own methods. Security implies a minimal measure of order and stability. Without internal development of at least a minimal degree, order and stability are impossible.

Judging by the sacrifices that many national states are willing to make when territorial integrity or national interests are threatened, it is evident that national security is highly valued by most people. "Few people would deny that security, whether individual, national, or international, ranks prominently among the problems facing humanity" (Buzan 1991, 1).

Any country, whether a mighty nation or a small one in the world, is inevitably subject to factors, actual or potential, which militate against her own security or even survival. If those factors have not been discovered, explored, and solved in an equitable and peaceful manner, they will exert a very serious effect on the country, the least of whose troubles would be threats to her social order, or serious potential disruption of national stability once she encounters conflicts within her own boundaries.

But by what yardstick can we measure national security? That could be gauged by the extent to which the people of the country have the ability to determine their own future without being influenced by any external power outside their own borders. Security is measured, objectively, "by the absence of threats to acquired values", and subjectively, "by the absence of fear that such values will be attacked" (Wolfers 1968, 150). On the other hand, a certain measure of national security is preserved and maintained through economic strength and independence. Then how much security should a state seek to achieve?

Security not only relies on a state's own capabilities, but also others' intentions. A state can control its own capabilities. It can decide how powerful it wants to be within limits. But it
cannot be certain in advance how others will decide. All will just try to make themselves more secure. Most states believe that greater strength will bring greater security. This is not necessarily correct. An increase in national strength can cause a provocative effect. "It can make an adversary at first warier, then more hostile, and, when it acts on its hostility, ultimately more threatening than it would have been had there been no increase in strength" (Mandelbaum 1989, 257). Even if this is the case, states still pursue the policies to be as strong as possible. And even if the policy of increasing strength turns out to be mistaken, it at least provides the means to rescue. Though the costs of excessive strength could be high, the costs of insufficient strength are all too clear. It therefore seems better "to err on the side of being too powerful than not being powerful enough" (Mandelbaum 1989, 260). This is the phenomenon which has been called the "security dilemma"--that is, an increase in one state's security decreases the security of others. (Jervis 1976, 62-76; Buzan 1991, 294-324; Job 1992, 17).

The security dilemma is "based on the fact that threats, and preparations to meet them, are interrelated in unpredictable and contradictory ways" (Mandelbaum 1989, 255). Those states that have some prospect of military rivalry and that wish to preserve the status quo do face the choice that it imposes. The main objective of each state's national security is to protect its interests from being violated and threatened. In the process of pursuing national security, it is impossible for any given state to obtain absolute safety. Wolfers (1968, 150) has maintained that security is a core value of which a state "can have more or less and which it can aspire to have in greater or lesser measure". "States, coexisting as they do with other states, must therefore learn to live with some insecurity" (Garnett 1972, 32).
To illustrate this point, a modest concept of security might suggest that a state should simply have military forces sufficient to offer substantial resistance to the forces of a potential attacker, while a more ambitious concept would require forces adequate to overcome and conquer a potential attacker. Judging which concept is appropriate depends on an estimate of what would be required to deter a potential attacker. This is always an issue of some uncertainty, and the amount of force required for deterrence may change over time. Future views of security may well differ radically from those generally held today. Moreover, since security is to a certain extent a subjective condition, different countries might feel equally secure under quite different objective conditions. Thus a more appropriate description on the extent of security would probably be that given by Walter Lipmann: "A nation is secure to the extent to which it is not in danger of having to sacrifice its core values if it wishes to avoid war and is able, if challenged, to maintain them by victory in such a war" (Quoted in Wolfers 1968, 150; Ahmad 1984, 329; Buzan 1991, 16).

1.2 The Core Values of the State

Many definitions of national security have addressed the question, What is the object or goal of national security? by identifying certain core values that must be protected. National security concerns arise when vital national values are perceived as being threatened by adverse foreign actions or events. What is regarded as "vital" is a matter of subjective judgement depending on a nation's hierarchy of values. For example, Arnold Wolfers (1968, 150) identifies national independence and territorial integrity as the minimum national core
values. In the same vein, Frank Traeger and Frank Simonie (1973, 36) assert that "the ultimate purpose of national security is to protect or extend certain national values which are considered vital". They identify the physical survival of the population as a distinctive entity and the territorial integrity and political independence of the state as the core values to be protected.

Several efforts have been made to broaden the definition of core values. For example, the definition of national security advanced by Stephen Krasner includes economic well-being as a core value to be protected under the label of national security. Krasner argues that:

"limiting the definition of national security to the core objectives—maintaining the political and territorial integrity of the state—ignores many other deeply held goals pursued by states. In a broader sense national security can be defined to include not only the core objectives but a number of other values as well, as some of which are economic. Economic well-being has become a basic goal of all political units in the last part of the twentieth century (1983, 320-321)."

The economic well-being of its citizens is certainly a fundamental objective of the modern state. Although national security policy is often portrayed as being aimed at safeguarding the physical security of the populace, this can be misleading if it is interpreted to mean that only physical violence or armed force can threaten physical security. "In non-conflict situations, welfare values themselves are of increasing importance, to the detriment of ones emphasising external military security" (Twitchett 1971, 12). Indeed, most citizens of most countries probably worry more about physical security in terms of economic affairs—that is, the day-to-day problems of economic life—than in terms of military attack. However, Colin Gray (1994, 25-39) argues that economic well-being "is so dependent upon other values (physical security,
political liberty, self-respect) that it requires holistic treatment if it is to make sense in its own terms.

1.3 Nature of Threats to National Security

The preceding brief survey and discussion of the objectives of national security indicate broad acceptance of the core values of physical survival and political independence, which implicitly or explicitly assumes that the state is the object of national security and that the concern is with the threats that come from the international environment. The external orientation may be justified in the case of the advanced industrialised states (though not in all cases, as shown by the domestic conflicts in the United Kingdom) where the process of modern state formation occurred over a period of centuries. Many of these states have had political expression and existence in one form or another since the Treaty of Westphalia in 1648. In most there is sufficient harmony among the interests of the individual, groups, and the state. The components of the state--that is, the idea of the state and its institutional expression, the physical base comprising both territory and population, and sovereignty--are accepted as legitimate both domestically and internationally (Buzan 1991, 57-96). Hence state authority in these countries has broad-based legitimacy, and this precludes massive challenges to the exercise of state authority. Consequently, the degree of internal vulnerability in these states is low, and both internal challenges to the state and external intervention in their domestic affairs are rare. As such, these states may be free to focus their
attention on the external environment to ensure that it is favourable for the survival and extension of their core values.

Such is not the case, however, with most of the developing states. To them, internal security problems are in fact the most pressing. Some policy-makers of these states are fortunate in having to contend with few if any credible immediate external threats, but they inherited fragile state structures which compel them to pay great attention to internal security. Many of these states are the products of imperialism and colonialism. Frequently, their physical constitution was rather arbitrary, and there is considerable disharmony between the interests of some individuals, groups and those of the states as they are constituted. Consequently, the components of these states are often subjected to internal and external challenges. For this reason the analysis of the nature of threats to national security must also focus on the domestic environment—that is, the levels below that of the state. Frequently, threats are stated in ambiguous and emotional terms. For the purpose of analysis, however, it is necessary to examine the nature of the threats to obtain a more accurate understanding of the magnitude and intensity of the threats confronting a state.

According to Ullman (1983): "A threat to national security is an action or sequence of events that (1) threatens drastically and over a relatively brief span of time to degrade the quality of life for the inhabitants of a state, or (2) threatens significantly to narrow the range of policy choices available to the government of a state or to private, nongovernmental entities (persons, groups, corporations) within the state". The sources of threats are divided by sectors as follows.
1.3.1 Military

There was a general tendency in the literature to emphasise the military dimension of threats to national security during the Cold War era. For example, Michael Louw (1978, 15) contends that it is really physical violence that is generally perceived as the real and tangible danger to survival. The United Nations Charter, whose primary purpose is to maintain international peace and security, implicitly identifies the threat or use of force as the primary danger and explicitly prohibits the use of force but for certain exceptions. In other words, it has been considered that the major source of threats to the security of a nation has come from other nations, especially in direct and military forms.

"Military action can, and usually does, threaten all the components of the state" (Buzan, 1991, 116-7). It can subject the physical base to dismemberment, damage, or subjugation. It can repress, subvert the idea of the state and distort or destroy the institutions of the state. Military action can bring about those changes rather quickly and therefore has traditionally been viewed as the major threat to national security. However, military action covers a wide spectrum, ranging from overt attack with special objectives to infiltration and subversion. As military action approaches the infiltration or subversion end of the spectrum, the threat itself becomes difficult to identify and articulate; it also becomes difficult to mobilise and sustain popular support to respond to such action.
1.3.2 Political

Political threats are invariably directed at the idea of the state and its institutional expression, though at times they can also endanger the physical base by providing the incentive for dismemberment (Ibid, 118-122). As the state is a political construct, it has cause to fear political threats. A clear perspective of the domestic dimension of national security may be obtained through a discussion of the idea of the state component that lies at the heart of the state. If the idea of the state and its institutional expression enjoy broad societal consensus, then the legitimacy of state authority is established and the subordination of individuals and groups to state authority poses only a few minor problems that do not merit consideration under the label of national security. If the idea of the state, however, lacks broad societal consensus, then the physical base of the state and its organising ideology and the legitimacy of the regime are frequently contested, and internal security becomes a primary concern.

In many states there is no close fit between nation and state. They are multinational or multiethnic states. The state is based on a dominant ethnic group at the centre, with ethnic minorities at the periphery. Differences in race are further complicated by differences in religion, geography, and historical experiences. The dominant ethnic group, which inherited or manipulated itself into effective political control of the state, takes the view that the constitution of the state at the time of independence is sacrosanct and therefore denies any further right to national self-determination. They use the political authority at their command and require the subordination of the interests of the other ethnic groups. This creates
grievances in the minority groups, and their response has ranged from attempts to change in their favour the structure and process of the political authority in the state to demands of separatism and irredentism. "Ethnic and other minorities within a state begin to press their own selfish demands when it is no longer necessary for such groups to be concerned about national security and the interests of the state as a whole" (Jensen 1982, 56). In the event that the political loyalty of the minority group is not directed toward the state, there is disharmony between the interests of the subgroup and that of the state. The subgroup may view the state as a threat to its security, whereas the dominant may view the effort of the subgroup to preserve its own identity and security as a threat to national security. Because ethnic conflict is based on the struggle between different groups for political power and status, it is fundamentally linked to the existence of states (Horowitz 1990, 453). Thus in these circumstances subgroup security and national security are incompatible; in the absence of acceptable mechanisms for conflict resolution, the differences may be transformed into a violent confrontation.

If it is impossible--or perceived to be impossible--to redress these grievances through legal or political channels, then violent conflict may result (Snyder 1993; Horowitz 1990, 455-6). Presently, a number of developing states in Asia are confronted with demands from ethnic minorities for national self-determination, as witnessed by the demands of the Sikhs in India; the Tamils in Sri Lanka; and the Muslims in southern Philippines.

Unresolved and unresolvable irredentist and separatist issues are threats to the territorial interest of many nations. Currently, most of the world's nation-states incorporate substantial minority populations. Thus, the potential for ethnic conflict is universal because there are
very few states in which only one ethnic group resides. Even after prolonged periods of apparent assimilation among other groups, many minorities continue to think of themselves as separate and distinct. This feeling of distinctness becomes a separate movement when a formal demand is made for territorial secession to form a state. "Nationalist conflicts may be latent and seemingly forgotten for prolonged periods, suddenly to emerge with renewed vigour as group identity reawakens" (Rosen and Jones 1980, 315). In this way, conflicts over separate demands become common causes of war.

At another level, there is a lack of consensus over the organising ideology of the state. The ideologies of many developing states have been imported from the West and therefore do not have deep historical roots, but because of its undue emphasis on the preservation of the status quo, it may be opposed by groups seeking changes in the political and economic order of the state. Since the organising ideology of the state is the basis for political order, it is keenly contested. However, open political competition on the basis of differing ideologies is explicitly or implicitly prohibited in many of the developing states, thus driving the opposing political forces underground. The absence of open and free political competition frequently results in the employment of violence to achieve political ends, as witnessed by the many ongoing domestic conflicts in the developing world.

The disagreement over the idea of the state and the struggle for political power make the state vulnerable not only to instability, internal conflict, and dismemberment but also to external intervention and even attack. "Since the state is an essentially political entity, political threats may be as much feared as military ones" (Buzan 1991, 119).
1.3.3 Economic

Political and territorial integrity has long served as the traditional focus of national security concerns. It is presumably still paramount. However, with the end of the Cold War, the perception of external military threats has diminished in the industrialised world. Yet, the weakening of the perception of military threat has also encouraged a growing sense of insecurity on other accounts. It might be more accurate to state that security concerns have not waned but have changed to include economic issues. This is especially the case when "the coercive employment of economic leverage is an option most likely to appeal to conflicting governments in issue areas in which military threats are inapplicable because their use would be regarded as illegitimate or otherwise disproportionate" (Knorr 1982, 116); and especially when "there is no guarantee that military means will be more effective than economic ones to achieve a given purpose" (Keohane and Nye 1977, 17). Therefore, it has been suggested that economic power is becoming, to a degree, a substitute for military power.

Economic threats are usually employed to modify the international conduct of a state by affecting its economic health. Economic threats differ from military and political threats in that only rarely are they directed toward altering the idea of the state or the physical base of the state. In the post-Cold War era, economic threats are more readily articulated and implemented than military threats. The relative ease with which economic threats can be initiated, however, does not always carry over into their effectiveness. Although economic threats such as a sharp cut-off of a strategic material like oil can have a dramatic impact, this is usually not the case with other resources. Normally, the effect of economic threat tends to
be neither quick nor radical and seldom has the potential to achieve the desired objective on its own.

Despite these failures, economic threats are widely used, and some developing countries, especially those dependent on a few export commodities, may be vulnerable to sudden disruptions in their economy with negative consequences for their internal security. Severe economic dislocation may give rise to or strengthen the cause of domestic threats to national security and also make the state vulnerable to exploitation by external forces.

The problem we shall now discuss is the relationship between economic issues and security issues in a world characterised by growing interdependence and increased politicisation of economic issues. As national economic trends and policies become more entwined with those of other societies, there is greater national susceptibility to disruptive and injurious impacts from abroad. With the increasing interdependence of national economies in trade, finance and foreign investment, the political autonomy, traditional values and social structures of states are directly and at times significantly influenced. Increased economic interdependence has greatly increased the number of ways in which external forces and actors may affect national economic conditions. In these circumstances, it becomes an increasingly realistic policy perspective to identify international trade matters with security concerns.

International economic relations are sometimes depicted as a threat to national security. International trade and financial ties are often seen as limiting a country's independence and making it vulnerable to external pressures. Sometimes in reaction to these fears, a desire to protect the economy is maintained on national security grounds. However, free international economic relations are viewed by liberals as strengthening national security. In the first
place, liberals hold that international trade should be organised in terms of national specialisation, the principle of comparative advantage, and a global division of labour. Such a system would work to the economic benefit of all. In addition, states should not pursue protectionist or interventionist policies such as import restrictions or export subsidies. If these liberal precepts were followed, liberals argue, a more efficient utilisation of the world's scarce resources and a maximisation of global wealth from which every society would benefit would ensue (Gilpin 1992, 51-68). The result, from this liberal perspective, would be true national security.

A second way international trade is viewed as making nations more secure is by increasing interdependence. For liberals, economic interdependence has a moderating influence on international relations. A number of positive outcomes are expected from an increasingly interdependent world. It tends to foster co-operation, create bonds of mutual vested interests, and promote harmony among nations. Interdependence is viewed as a device for lessening conflict between states. As Soloman Polachek (1980, 5-22) argues, trading countries with significant trade relations engage in less conflict. A state contemplating hostile activities may be deterred for fear that its foreign assets may be seized in retaliation and its economic interaction disrupted. As states invest more and more in foreign areas or increase their trade with another state, they become increasingly dependent on the economic and political stability of the foreign state.

It has been suggested that there are three ways in which interdependence can reduce the fear of military threats (Crawford 1994, 25-56). First, interdependence directly reduces incentives to use force as a means of settling disputes. Second, it increases incentives for states to
institutionalise co-operation and engage in rule-based international behaviour. Finally, it shifts economic priorities in ways that make territorial conquest less desirable. As countries become more dependent on one another, the opportunity costs of severing economic relations increase. Countries at war usually suspend economic relations with one another, so increased interdependence increases the economic cost of going to war. As Holsti (1992, 72) points out: "interdependence in a high technology age is tending to render war obsolete". However, the question of whether higher levels of economic interdependence make war less likely is controversial. It is a line of argument that has figured prominently in national security debates for decades (Baldwin 1985, 70-95; Gilpin 1982, 19-66).

Economic interdependence may also help reduce conflict in another way. Because there are presumed rewards in an interdependent economy, states may be more willing to tolerate undesirable policies on the part of other states, recognising that long-term co-operation is worth a temporary setback. Participants in an integrated society are likely to accept the notion that they cannot win in every instance, and will compromise with the expectation that others will reciprocate in the future. As Keohane (1984) points out, "reciprocity seems to be the most effective strategy for maintaining co-operation among egoists".

To mercantilists/nationalists, free trade, however, affects the long-term specialisation of a country, enabling an industrialised country to grow faster than an agricultural country. Accordingly, the free trade principle is more beneficial for industrialised countries. Edward H. Carr (1964, 60) argues that laissez-faire is "the paradise of the economically strong". There is far from a consensus regarding the benefits of free trade and economic interaction as a means of increasing interdependence and well-being among the nations of the world. The
idea of interdependence implies equality and symmetry between societies. From the perspectives of many developing countries, in contrast, asymmetries and inequalities are the most salient characteristics of contemporary international relations. "The picture of relations between societies in the dependency model is hierarchical, unequal, and exploitative" (Holsti 1992, 72). The inequalities in the trade structure between the developed and developing countries have come under considerable criticism, most notably from the Latin-American economist Raul Prebisch (1964). According to Prebisch, free trade favours the North, or the developed states, in contrast to the South, or the less developed countries (LDC), because of economic structural differences between countries at different stages of development. The South must engage in trade largely in terms of primary products. Because of this, LDCs are confronted with a situation of continuing weakness in the balance of trade. Developing countries hence face the challenge of how to change their comparative advantages and improve their terms of trade. As a result, many developing countries adopt neo-mercantile trading strategies in which the state plays a critical role in promoting exports as well as limiting imports. With greater interdependence, more and more countries are attempting to counter the domestic economic and political effects of that interdependence by increased interventionism. Most frequently, this state interventionism is carried out in the name of national security.

Thus, mercantilists believe that trade is another sphere of international competition, with economic dependence increasing states' insecurity and their vulnerability to external economic and political forces. They feel that economic dependence not only causes conflict and insecurity, but also creates dependent relations among states. "Any dependence on the
outside world for supplies that are vital to national economic life and that can be exploited in coercive attempts is a vulnerability raising security concerns" (Knorr 1982, 1-18). In principle, raw materials can be cut off, markets interdicted, critical goods denied, and domestic unemployment hugely increased with relative ease.

Interdependence has made states increasingly sensitive to occurrences beyond their borders. Sometimes this sensitivity is mutual and symmetrical, but more frequently, since states are unequal in size and endowments, it is asymmetrical and affects some states considerably more than others (Jacobson 1984, 203-210). "It is asymmetries in interdependence that are most likely to provide sources of influence for actors in their dealings with one another" (Keohane and Nye 1977, 10-11). Since economic interdependence is never symmetrical, trade thus becomes a means for the strong to increase their political power over the weak. In sum, trade is a source of political tension and economic leverage, and an instrument that lessens a society's ability to govern its own affairs. These sources of political and economic leverage can be and frequently are manipulated for economic and political advantage.

Waltz (1979, 138) believes that "close interdependence means closeness of contact and raises the prospect of occasional conflict". Albert Hirschman (1980, 16) further explains economic interdependence as "the power to interrupt commercial or financial relations with any country" and "the root cause of the influence or power position which a country acquires in other countries". Similarly, Gilpin (1987, 23) contends that markets are not politically neutral, but that they create power which one nation can use to exploit and manipulate another. Martin Staniland (1985, 95-96) also maintains that foreign trade inevitably makes a country more vulnerable to external political and economic pressures. Likewise, Richard
Cooper (1972, 160-64) believes that increased economic dependence erodes the effectiveness of national economic policies, hence threatening national autonomy in the determination and pursuit of economic objectives. Overall, the perception is that economic dependence allows dominant actors to affect the weaker's economic policy. Thus, the small power's high degree of reliance on foreign markets and on foreign sources of supply, coupled with the difficulties stemming from specialisation in exports and from having to retain a comparatively higher degree of diversification in imports, makes it particularly vulnerable to economic pressures and to economic sanctions and economic warfare.

More recently, several analysts (Buzan 1991; Buzan 1994; Bitzinger 1994; Baldwin 1985; Crawford 1994; Friedberg 1991; Goldgeier & McFaul 1992; Gilpin 1992; Knorr 1982; Kransner 1978; Luciani 1988; Moran 1991; Ullman 1983; and Vernon & Kapstein 1991) have explored the connections between trade and military security, and put emphasis on issues such as the restraints on trade arising from strategic considerations. Military power has always been an important means of achieving national security. In this context, national security requires autonomy in the use and supply of forces, superior technology and equipment supply. Thus the control of military and potentially military technologies and strategic supplies is a paramount objective of national security. However, viewed from another perspective of economic content of security, interdependence also increases military vulnerability because military resources are increasingly found in global commercial markets over which states have little control. As Barry Buzan (1991, 124-31) points out, markets are a constant source of insecurity; they threaten inefficient actors with extinction. The availability of resources for given purposes have an important impact on military policies.
Thus, for those states that will continue to seek their security predominantly through military means, increasing globalisation of production and exchange presents them with a new "economic security dilemma" (Crawford 1994, 1).

The globalisation of the arms industry entails a significant shift away from traditional, single-country patterns of weapons production toward internationalisation of the development, production, and marketing of arms. Globalisation raises a number of concerns about national security requirements, the military and commercial effects of global technology diffusion, and conventional arms proliferation. Bitzinger points out that:

The globalisation of arms production appears to be increasing not only in terms of the sheer number of collaborative arms activities but also in terms of depth, as armaments co-operation reaches down to the level of technology sharing and componentry; of sophistication, as defence firms around the world forge new, direct links with each other; and of geographic scope, as more countries in the developing world become players in international arms production as a result of increased collaborative arms programs (1994, 195).

Therefore, economic globalisation considerably weakens the ability of nations to rely on independent, autonomous defence policies as the sole basis of their security (Veron and Kapstein 1991, 4). The choice of which weapons system to emphasise and what level of armaments to strive for is influenced by available economic resources, which are not unlimited even in the wealthiest state, and hard choices often have to be made. Economic resources also play a particularly important role in whether a state is able to produce nuclear weapons. To the extent that a state has its own supply of fissionable materials, its prospects of producing nuclear weapons are greatly enhanced, especially in view of the fact that
imported fissionable products are likely to be subjected to strict controls to make certain they not diverted to military use.

Attempting to retain access to strategic raw materials that are in short supply also tends to be a major objective of states and can lead to conflict between them. Krasner (1978, 148) concluded that American policy-makers generally place broader foreign-policy aims above the security of the supply of raw materials, and an assured supply is viewed as more important than the ideological goal of guaranteeing competitive markets. "Market control has therefore become a new "threat" to replace the threat of territorial control" (Crawford 1994, 35).

Although the above discussion compartmentalises the possible types of threats to national security, in reality they interact and reinforce each other. For example, the threats which Taiwan confronts comprise political, military and economic dimensions. Of these, the military dimension is the most visible and tends to attract greater attention from policymakers and observers. However, in the long run, the political dimension is the most important one that has to be addressed if the conflicts--both internal and across the Taiwan Straits--are to be resolved satisfactorily.

1.4 Approaches to National Security

How is national security to be preserved and enhanced? Some states seek security by maintaining strict neutrality; others seek it by joining alliances. Some seek security by confronting potential adversaries with military force; others seek it by trying to be accommodating "good neighbours". As Wolfers (1968, 491) noted in the early 1950s, "In the
matter of means, the roads which are open may lead in diametrically opposed directions". Recalling that the security of a state is a function both of its own vulnerability and the threats posed by external sources, the approach to national security may take any one or more of the following forms:

1.4.1 Security Through Strengthening the State

Security through strengthening the state aims at minimising the state's own vulnerability. This would reduce the number and intensity of internal threats and also minimise the opportunities for external intervention in domestic affairs. There are, however, inherent limitations in the extent to which genuine strengthening of the state can be undertaken. It requires the institution of policies to promote the popular acceptance of the idea of the state and the establishment of mechanisms for popular representation and transfer of political power. This approach would also necessitate positive consideration of options, such as the right to national self-determination or political autonomy for ethnic minorities, and the acceptance of open political competition based on differing organising ideologies. Similarly, the enhancement of the legitimacy of state authority may require open and free competition for political power.

These policies could undermine the political dominance of the group or regime in power. Therefore, strengthening the state is undertaken in a limited context. Policies such as nation building, development of a national or state ideology, controlled elections, economic
development, and diplomatic offensive to neutralise external support for domestic dissidents are all aimed at selective strengthening—that is, preservation and promotion of the status quo.

1.4.2 Security Through Power and Alliance

Security through power has the functions of deterrence and containment. "Having to rely on their own strength for almost all the things they cherish, including their very survival, nations set limits below which they dare not drop in their quest for power and influence and their resort to power" (Wolfers 1962, 106). It is hoped that the development of state power will prevent the emergence of external threats, facilitate the containment of perceived threats, and enable the defeat of threats that have been actualised. States may seek to enhance their standing in the balance-of-power equation by developing their own power or by augmenting their power through alliance. For developing states, there are several limitations in the extent to which they can develop their own state power. Their resources are limited, and undue emphasis on the development of state power to counter potential external threats, which means a disproportionate expenditure on defence, would limit the resources available for socio-economic development (Deger & West 1987, 67-83; Ball 1988,161-386; Chan & Mintz 1992,163-178). Such a scenario could further increase their domestic vulnerability.

The development of nuclear weapons may to an extent ease the limitation imposed on the development of state power for some of the developing states. Although the cost and utility of a small nuclear force are controversial issues, development of nuclear capability will almost certainly bring about changes in the behaviour of global and medium powers toward
the states in possession of nuclear weapons (Handel 1981, 202-208). North Korea is a good example of this. However, only a small number of developing states have the potential to develop nuclear weapons. For the vast majority, the price tag for the development and maintenance of a modern and effective conventional armed forces is prohibitive, plus the difficulties of gaining access to nuclear technology and equipment for manufacturing weapons.

Therefore, many states seek to augment their power principally through alliance. Military alliances can be classified according to four criteria: "(1) the nature of the *casus foederis*; (2) the type of commitments undertaken by the alliance partners; (3) the degree of military integration of the military forces of the alliance partners; and (4) the geographic scope of the treaty" (Holsti 1992, 89). Although this approach has the advantage of limiting the resources expended on defence, the coupling of national security to the interests of alliance partners could result in the loss of control over the direction of national security policy. The state also becomes susceptible to new threats and constraints. Thus the action taken to preserve national security may itself necessitate a measure of compromise of state sovereignty because of the reciprocal need to provide bases, support facilities, and support for the cause of the patron power.

However, there is also the danger that the interests of the dominant member of the alliance could override the national security interests of the weaker members. The weak states frequently have no other suitable alternative and thus accept the shortcomings of this approach as a cost that has to be borne in the name of national security.
1.4.3 Security Through Regional Order and Co-operation

Security through regional order and co-operation has the objective of development and maintenance of a favourable regional environment to reduce or eliminate external threats to national security from states in the region. It is assumed that regional organisations have the potential to (1) prevent intervention by members in each other’s internal affairs, (2) create regulatory mechanisms to facilitate the resolution and adjustment of intraregional problems through peaceful means, (3) generally enhance the stability and solidarity of the region and thus minimise interference and intervention by extraregional powers. Although the merits of this approach as outlined above are important, the limits must also be recognised.

National security and regional security do not necessarily complement each other. In fact, they can be and frequently are perceived as incompatible. Differences in threat perception, competing economic interests, differing foreign policy role conceptions, and unresolved intraregional problems imply that the basis for regional co-operation is not deep-rooted and its development is likely to be placed in a difficult position, especially when subjected to stresses and strains from both within and external to the region. The dynamics of the national security of a member state may necessitate emphasis on an approach that may run counter to that articulated by the regional organisation, thus creating tension and imposing constraints on choice. Another consideration that is likely to limit the value of this approach is the power available to the regional organisation. If the organisation has only meagre resources at its command, then the attraction and value of the approach may be significantly reduced.
The approaches to national security analysed above are not mutually exclusive. When taken collectively, they address both the internal and external dimensions of national security. However, the approaches are not necessarily complementary either. The potential for contradictions is inherent, especially when choices are constrained by the linkage of national security to an external actor—be it a state or an organisation. In reality, many of the states employ a combination of these approaches with the total approach dependent on the circumstances of the individual state.

1.5 Policy Instruments

A variety of policy instruments may be employed to preserve national security. Given the nature of the threats, the policy response and the instruments of policy employed to counter them will be multifaceted and encompass political, socio-economic, military and foreign-policy dimensions. The combination of policy instruments chosen will, of course, depend on the nature and intensity of the threat.

1.5.1 Economic Development

Two common instruments of policy employed in countering internal threats are economic development and political democratisation. Economic development is perceived to serve several functions, among them to (1) eliminate conditions that are considered conducive to
the growth of insurgency, (2) facilitate integration by uplifting the economic well-being of the affected people, and (3) enhance the legitimacy of the regime in power.

Although economic development may well facilitate these functions, it is also necessary to recognise its limits and possible shortcomings. Unevenness in economic development may create differences between urban and rural areas or between regions usually favouring the centre at the expense or perceived expense of the periphery and thus further alienate the periphery. Distribution of the benefits among individuals and groups may be unequal, such an imbalance may provide fertile ground for exploitation by "subversive" groups or may itself provide the basis for organised resistance to the incumbent regime.

Economic development can create new political and socio-economic forces that demand participation and changes in the political framework--an outcome that may not be acceptable to the incumbent regime. There are many examples where rapid economic development, unaccompanied by corresponding political and social development, have worked to the disadvantage of the regimes in power. Finally, economic development requires the importation of capital and technical expertise--neither of which is often available locally. This creates a dependency relationship, with the external actors capable of providing such assistance, and may make the regime vulnerable to external pressures. The dependency relationship also contributes to the vulnerability of the local economy to international economic developments, and downturns in the international economy can make the regime vulnerable to challenges from within the state.

1.5.2 Political Democratisation
During Taiwan's past and recent major elections, issues such as ethnic consciousness, ethnic conflict, and the dispute over national identity have arisen and have drawn attention from both scholars and the public. A close observation of the elections indicates that the problem of provincial origin seems to have manifested itself through the phenomenon of ethnic voting.

In addition, both of the two major opposition parties, the Democratic Progressive Party (DPP) and the New Party (NP), have displayed inclinations toward becoming ethnically-based political parties. In the process of Taiwan's democratisation, long-suppressed identification with provincial origins and ethnicities have gradually revived since 1987, when martial law was lifted. They have become the base of political mobilisation by the DPP and various other social movements. Ethnicity has undeniably played an important role in Taiwan's political development, and we have to realise that Taiwan's democratisation is to be achieved in a multi-ethnic context. Yet, in the various elections, ethnicity and the mainlanders' sense of crisis were seemingly employed to promote ethnic politics. This implicit convergence of ethnicity and party politics may become a troubling obstacle in Taiwan's democratisation. Therefore, we have to seriously consider the ethnic issue in the process of political development and democratisation.

In principle, democratisation presents a potential opportunity for resolving ethnic conflict. As long as different groups continue to cohabit states, the potential for ethnic conflict remains. This raises two questions. How is it possible to prevent latent ethnic tensions from being inflamed? When ethnic tension is acute, how can these conflicts be mitigated? The key to answering both questions lies in creating an environment in which political moderation
prevails. Moderation has two definitions. In the context of democratisation, modernisation means support for negotiated settlements, rather than revolutions (Huntington 1991, 121). In ethnic disputes, moderation means avoidance of extremism and hostility in developing positions vis a vis other ethnic groups (Nevers 1993, 31-48).

Then how can moderation be promoted? If possible, it is best to prevent serious tension from developing, thus avoiding the situation in which a potential conflict becomes a real conflict. One way to do this is to structure the electoral system of the state so that most political parties and mainstream politicians cannot perceive a political advantage in adopting extremist positions on ethnic issues. For an electoral system to avoid or mitigate ethnic tension, it must be designed to ensure power-sharing among different ethnic groups. Arend Lijphart (1990, 491-509) suggests that for power-sharing to be effective, it must provide for the following: a joint exercise of power by the relevant groups in a given state, group autonomy, proportionality in representation and a minority veto. There is general agreement that the parliamentary model is more useful than the presidential model in ethnically diverse states; a system of power-sharing through proportional representation can best meet the needs of multi-ethnic societies (Quoted in Nevers 1993, 31-48). However, there is the danger that smaller groups may never have a share in power if political parties are formed exclusively on the basis of separate ethnic communities.

The process for democratisation tends to follow a general pattern (Third World Quarterly 1985, vii-xvi). First, in many cases, an external catalyst changes popular perceptions about the options available to non-democratic regimes and, thus, increases popular support for opposition movements. Second, authoritarian governments reject change, which then leads to
an expansion of popular opposition to the regimes. Third, the regimes recognise that they cannot continue to rule without including opposition forces in some way, which leads, fourth, to negotiations on new political structures between regimes and opposition groups. The fifth and final step is elections. In this respect, the means to achieve it are the expansion of political participation and the creation of stable democratic governments, established by competitive elections in which the majority of the population has the right to vote.

To prevent or dampen ethnic conflicts successfully, the forces pushing for democratisation must, "first, recognise and acknowledge the ethnic differences within the state and, second, accommodate the interests of different groups in a way that is perceived to be fair and even-handed" (Nevers 1993, 31-48). Because in most cases democratisation includes a negotiating phase, there is an inherent opportunity in the process to address issues raised by ethnic tensions--especially when constitution-building is part of the democratisation process. For democratisation to reduce ethnic tension, the inclusion of all relevant groups in the negotiating process is required; in addition, there must be a willingness by all parties to work for, and then accept, a mutually beneficial arrangement

1.5.3 Diplomacy

In countering external threats to national security, greater stress may be laid on diplomacy and military power; the emphasis is likely to change with the power of the adversary. Diplomatic instruments are skills and resources used by a government to represent itself and its citizens to foreign governments and international actors. "Its function [diplomacy], so far
as the sovereign states are concerned, is to provide them with a non-violent means to pursue their individual objectives, to accommodate or resolve their differences and to advance their common aims" (Armstrong, 1993, 248). Diplomacy may be directed toward the prevention of threats through anticipation of possible developments and the reaction of other states to such developments and designing policies to defuse the political situation or problem. Alternatively it may be directed at the resolution of security problems that have materialised by persuading the adversary state to drop its aggressive designs through the offer of suitable incentives and/or application of political, military and economic pressure (Craig & George 1983). Simultaneously, diplomacy may be directed toward the forging of alliances and treaties to improve the position of the state in the relative balance-of-power equation. Thus, diplomacy is an important instrument, and while it is not unrelated to military power, the relationship is not proportional either. States weak in military power could, depending on the circumstances, exert a disproportionate weight in diplomatic influence. However, diplomacy not backed by adequate military power has its limits. In such situations, the weak powers may have to couple their diplomatic effort with the military muscle of their alliance partner. Such a coupling may restrict their flexibility and power of initiative. In other words, the developing state has to operate within the given dynamics of the situation and has little or no influence to alter the dynamics itself. As such, flexibility, compromise, and accommodation must characterise the foreign relations of developing states so that they can come to terms with changes in the international alignment over which they have little or no control.

1.5.4 Military Power
Despite all the qualifications which have been made, the survival of the state has been and continues to be the most important single value perceived by statesmen and other policymakers. The primary safeguard of that value, moreover, is usually the possession of and if necessary the exercise of military power by a state. As Adam Smith wrote in 1776: "The first duty of the sovereign, that of protecting the society from the violence and invasion of the other independent societies, can be performed only by means of a military force" (Quoted in Kennedy 1983, 5; and World Economic Survey 1991, 171).

Alternatively, security might depend on economic factors or diplomatic skill rather than military strength. But these will not be sufficient to ensure survival if there are no restraints on hostile neighbours. In wartime when the very existence of a nation is at stake, however, its physical survival is of paramount importance. No nation can fail to prepare for this contingency. In this sense, defence capability does remain the pivotal element for national survival in time of crisis and war. "It is important not to exaggerate the importance of military power but it is even more important not to undervalue it" (Gray 1994, 37). Military power may serve a deterrent function in the threat-prevention stage, but it may assume a more dominant role in the containment and defeat of threats that have materialised. In short, deterrence and defence are the key elements to securing national security. To cope with imminent threats, either internal or external, a nation needs its own forces and enough of its resources converted into and maintained as immediately deployable military strength. Otherwise, national existence cannot be properly guaranteed. The once vanished Kuwaiti and the former Afghan governments unmistakably testify the validity of this proposition.
However, national security cannot depend upon military power alone. The specific military problem is only a narrow facet of the broader security problem. The overemphasis on military aspects of national security is especially prevalent in discussions of external threats and the means by which they can be countered. Nonetheless, military means are not the only way and are not always the best way to pursue national security goals. The geography, natural resources, population, public support and cohesion, the stability of the political system, economic strength and technological capability are also as important for national security as military power. As Buzan argues, "The different components of the state appear vulnerable to different kinds of threat, which makes national security a problem in many dimensions rather than just a matter of military defence" (Buzan 1991, 97). Richard Ullman (1983, 129-53) holds the same view that, "defining national security merely (or even primarily) in military terms conveys a profound false image of reality". "Military power is not the only source of national security, and military threats are not the only dangers that states face" (Walt 1991, 211-240). However, there are conditions of physical, political and economic insecurity, where military protection is indispensable.

It can be argued that powerful military forces are necessary to deter potential attackers and are therefore essential to a state's security. But it can also be maintained that powerful military forces in one state are likely to be viewed as threatening by other states and will tend to induce the latter to increase their own forces, thereby setting in motion a spiralling arms race that could make all states less secure (Jacobson 1984, 135-142).

According to Balding and Milner (1992, 29-50), two types of potential costs of excessive reliance on military statecraft in pursuit of national security deserve attention, especially in
view of the common belief that military build-up always increases security. The first is the risk of provoking an adversary to take some rash action, such as a massive arms build-up or even a preventative war. Second, massive military spending may have costs that are difficult to foresee or measure. In addition, the use of force has become more costly for major states as a result of at least four conditions. "One is the risk of nuclear escalation. Second, there is greater nationalism and greater resistance by people in poor or weak countries. Third, states find that the use of force may have uncertain and negative effects on achieving their economic goals. Fourth, domestic opinion opposed to the human costs of the use of force seems to have increased" (Nye 1989, 332). Therefore, "military power does not have to be used to be useful; it is sometimes most useful when it is not used" (Garnett 1972, 29). Strengthening military muscle too far beyond what a nation can afford may jeopardise its vitality and constitute a cause for its collapse. The preceding discussion is just an indication of the nature and the role of the variety of policy instruments that may be employed in the pursuit of national security. The specific combination and relative emphasis of the measures adopted will vary and be related to the source and nature of threat and the approach adopted to preserve the national security of the state.

The analysis advanced above argues compellingly that the traditional approach to national security is inappropriate to Taiwan as well as to developing countries. The body of literature on developing states' national security appears to suffer from relying on the Western experience to understand and apply national policy and security. Four major weaknesses can be singled out.
First, this literature has focused chiefly on the military dimension, especially threat perceptions of contending elites, doctrinal responses, security resources and capabilities to meet external threats to the state. However, defining the concept of national security in terms of physical protection of the nation-state from external military threats is not only narrow, but also misleading. The threats facing the developing states are diverse and complex, and so are the dimensions and content of national security.

Second, the accumulation, maintenance and development of military force is no panacea for security problems. Military strength is a necessary but insufficient guardian. The complex and multiple vulnerabilities of the developing states compel us not only to look at a deeper structure and a broader spectrum of security issues, but also to search for different resources and capabilities corresponding to each pertinent threat. Furthermore, excessive preoccupation with military power can entail extensive trade-offs with domestic social, political and economic issues, which could eventually undermine overall security posture.

Third, the security environment is important, but it does not necessarily determine or dictate the nature of security issues. Domestic factors such as legitimacy, integration, ideology, and policy capacity play equally important roles in shaping the national security posture. Security challenges in many parts of the developing countries are of endogenous rather than exogenous origin. Moreover, it is fallacious to understand the developing states' national security from the perspective of superpower rivalry. The superpowers may affect the parameters of national security in some countries, but they do not determine its nature. As current developments in many parts of the world illustrate, the superpowers are seldom able to contain, manipulate, or dictate regional and country-specific security problems, whether
military or economic. Finally, direct emulation and adoption of national security management tools and techniques from the West also appears unwise. The search for effective management techniques should be context-bound, taking account of problems, and requirements specific to each national security environment.

The foregoing does not suggest that the traditional approach to national security must be dropped. The traditional concept of national security is still valid in many parts of the developing world where significant, immediate external military threats characterise the security situation. Against this backdrop, this chapter has tried to refine and expand the concept of national security, suggest and expand the concept of security concerns, and elucidate the complex structures associated with them.

Conclusion

In this chapter, we tried to establish a conceptual framework for the analysis of national security. We found the need to define the concept is even more necessary in regard to the ROC on Taiwan, which is seldom explored comprehensively and in its own right. The concept of national security and its applicability to the ROC is of central importance to this study. Therefore, Chapter 1 was directed toward an investigation and explanation of the concept.

Judging by the sacrifices that many national states are willing to make when territorial integrity or national interests are threatened, it is evident that national security is highly valued by most people. However, as countless discussions of the concept have indicated, the
idea of "security" is hardly precise. Different countries have very different concepts of security. Each concept of security corresponds to specific values, threats, and capabilities to meet the perceived challenges. Most developing countries emphasise the economic and social as well as the domestic dimensions of security. The feeling of security involves not only confidence on the part of the state in its ability to maintain its prosperity and way of life, but also the freedom to develop and improve its position in the future.

For the purpose of analysis, it is necessary to examine the nature of the threats to obtain a more accurate understanding of the magnitude and intensity of the threats confronting a state. The sources of threats were divided and examined by military, political and economic sectors. Of these, the military dimension is the most visible and tends to attract greater attention from policymakers and observers. However, in the long run, the political dimension is the most important one that has to be addressed if the conflicts--both internal and across the Taiwan Straits--are to be resolved satisfactorily.

Since the security of a state is a function both of its own vulnerability and the threats posed by external sources, approaches to national security may take one or more of the following forms: security through strengthening the state; security through power and alliance; and security through regional order and co-operation. These approaches are not mutually exclusive. When taken collectively, they address both the internal and external dimensions of national security. However, the approaches are not necessarily complementary either. The potential for contradictions is inherent, especially when choices are constrained by the linkage of national security to an external actor--be it a state or an organisation. In reality, many of
the states employ a combination of these approaches with the total approach dependent on the circumstances of the individual state.

A variety of policy instruments may be employed to preserve national security. Given the nature of the threats, the policy response and the instruments of policy employed to counter them will be multifaceted and encompass political, socio-economic, military and foreign-policy dimensions. The discussion in this chapter is just an indication of the nature and the role of the variety of policy instruments that may be employed in the pursuit of national security. The specific combination and relative emphasis of the measures adopted will vary and be related to the source and nature of threat and the approach adopted to preserve the national security of the state.
From the analysis presented in Chapter 1, it is clear that the range of national security issues is wide, stretching across the military, political and economic sectors. However, the full richness and meaning of security is to be found in the interplay among them rather than the primacy of one. It is thus worth examining the character of threats within each of these sectors in order to try to get a general sense of the legitimate national security agenda. Therefore this chapter will start by exploring the military dimensions of Taiwan’s security.

This chapter is divided into two main sections. Our objective is to explore whether the probability of military confrontation across the Taiwan-Strait is increasing or decreasing by analysing different scenarios for the PRC’s use of force and the most likely military options to be employed by the PRC should it decide to attack Taiwan. On the ROC’s side we consider how capable Taiwan is of defending itself and explore several defence options available for Taiwan.

During his recent visit to Taiwan, former President Gerald R. Ford was asked how the United States might respond if the PRC attacked Taiwan. Ford replied, "The day [for an attack] is gone" (China Post, June 10, 1991). Howard Baker, former White House Chief of Staff, believes that "the likelihood of an invasion of Taiwan is very, very small, virtually impossible" (Free China Journal, November 12, 1990).
On the other hand, Martin Lasater, President of the Pacific Council and Research Associate at Pennsylvania State University's Centre for East Asian Studies, has warned that "Peking's threat to Taiwan in the 1990s will be somewhat higher than in the 1980s, despite greater interaction across the Taiwan Strait" (Lasater 1993, 39-58). Some ROC officials share Lasater's concern. Defence Minister Chiang Chung-lin believes that Peking's desire to take Taiwan "is as strong as ever" (Chung-yang Jih-pao, October 5, 1995).

Interestingly, Taiwan's population is equally divided in its assessment. In January 1993, public opinion polls revealed that 33.4 percent of the island's residents believe that Peking has stepped up its threat to invade Taiwan, but 20 percent believe that the danger of an invasion has declined. Moreover, when asked whether the threat from across the Taiwan Strait would escalate over the next decade, 29.7 percent replied that it would while 28.8 percent said it would not (Lian-ho-pao, January 22, 1993). The Peking leadership's recent behaviour has not helped to mitigate the fear. Military activities in and around the Taiwan Strait after President Lee Teng-hui's visit to the United States and the continuous waves of military exercises prior to Taiwan's presidential election have aggravated the already tense situation. The Taiwan and international press talks of a possible mainland military offensive, citing cases of PLA airforces jets flying over Matsu to intimidate the people of Taiwan, and military manoeuvres in the Taiwan Strait.

Is the probability of military confrontation across the Taiwan Strait increasing or decreasing? There is little doubt on Taiwan that the PRC will eventually invade the island if it is able to do so at an acceptable cost and if Peking is unable to gain control of Taiwan in any other way. The short-term variables inherent in those conditions are
infinite, but the long-term threat is itself a constant. In Chapter 2, therefore, we will consider five questions that lie at the heart of the issue: Under what conditions might the PRC attack Taiwan? Is the PRC capable of gaining control of Taiwan by force? What are the most likely military options to be employed by the PRC should it decide to attack Taiwan? How capable is the ROC of defending itself? And what defence options are available for Taiwan?

2.1 The Threat of the Use of Force by the PRC

2.1.1 Military Confrontation Between the ROC and the PRC

The conflict between the Kuomintang (KMT) and the Chinese Communist Party (CCP) has lasted for more than half a century, and confrontation between the ROC and the PRC dates back to 1949, when the KMT retreated to Taiwan and a few small islands off the south-eastern coast of mainland China after its defeat by the Communists in the civil war. Since then, both regimes have attempted several times to defeat the other and to reunify China.

Ever since 1949, the PRC's threat of invading the ROC has always been present. The CCP leadership has made it clear that the "liberation of Taiwan" remains at the top of the regime's agenda. Several military conflicts were initiated, including the Battle of Kunitou Beach, Kinmen (Quemoy) Island, in October 1949, the August 23rd Bombardment of Kinmen in 1958, and several sporadic guerrilla operations. In all cases, the violence was instigated by the PRC but successfully repelled by ROC forces. Despite being at a disadvantage militarily, the ROC continued its rivalry with
the PRC. During the 1950s, the ROC was actually much more active than the PRC, conducting a series of low-intensity military actions against mainland China. Many suspect that these hostile actions, besides being a response to Peking's threats, were also motivated by political considerations. It might have been the ROC's strategy to attract US attention and also to strengthen domestic control by exaggerating the extent of the external threat (Rosen & Jones 1980, 320; Hoole & Huang 1989, 142-63).

After the second armed conflict, relations between the two gradually relaxed. Although the PRC continued to shell the ROC off-shore islands of Kinmen and Matsu, the bombardment became ritualistic, taking place on a regular odd-number-day basis. However, the possibility of conflict over the reunification issue cannot be underestimated. The PRC is always ready to admit that it has a contingency plan to reunify China by force. At the same time, the ROC still has about one-fifth of its armed forces stationed on the offshore islands adjacent to the mainland (Huang, Kim, & Wu 1992, 35-58).

After US President Richard Nixon visited the Chinese mainland in February 1972 and signed the Shanghai Communiqué with Peking's premier Chou En-lai, propaganda leaflets replaced high explosives as the contents of shells flying across the Kinmen Strait. In December 1978, Peking decided, in view of its forthcoming establishment of diplomatic relations with the United States and the latter's termination of its defence treaty with the ROC, to adopt a "peaceful offensive" strategy as its fundamental policy toward Taiwan and dropped the three-decade-old slogan "liberating Taiwan by force" (Ma 1992, 1-10). In effect, this period of ROC-PRC relations was characterised by an approximate balance of power between the two rivals. Neither side seemed to have an advantage over the other. Each had the
backing of a powerful patron and ally: Peking had the Soviet Union, Taipei was shielded by the United States. The roughly equivalent power of Taiwan and the mainland probably accounted for the military stalemates of 1950s.

2.1.2 Scenarios for the Use of Force

Despite continued military threats from Peking against Taiwan, a number of analysts believe they are no longer credible (Klintworth 1991, 115; Lasater 1993, 39-58). The determining factors usually cited are: (1) the PRC lacks the amphibious capability to invade Taiwan; (2) Peking is deterred by the prospects of US military intervention (Lin 1993, 164); and (3) CCP leaders lack the incentive to attack because they believe peaceful unification is possible and that such an attack would harm mainland China's modernisation. Such analysis suggests that the probable costs to the PRC in attacking Taiwan far outweigh the probabilities of success. It seems irrational for Peking to use force against Taiwan. It has broadly been acknowledged that the chances of military conflict between the two have become increasingly slim. Even if the threat were real, others argue, no government on Taiwan—be it KMT or DPP—would be so foolish as to provoke Peking by an explicit declaration of Taiwan independence. Since a move to separate Taiwan from Chinese territory is thought to be the only trigger which would lead the PRC to use force against Taiwan, scholars from this school of thought therefore concluded that the probability of war in the Taiwan Strait is remote. It is even believed that "the danger of PRC military attack against the ROC on Taiwan is considerably less than the chances of naval battles in the South China Sea" (Jencks 1993, 114).
In its survey of 73 flash points around the world, *Jane’s Defence Weekly* (January 11, 1992; January 22, 1994), did not list the Taiwan Strait as an area of potential conflict or even as an area of tension. By way of comparison, the Kurile Islands, the Korean Peninsula, the South China Sea and Tibet were included. However, in matters of national security, it is better to be safe than sorry. Rather than finding reasons why Peking would not attack Taiwan, therefore, it may be more worthwhile to explore reasons why the PRC might resort to force in the Taiwan Strait. "Because the use of force can wreak major undesired changes very swiftly, military threats are traditionally accorded the highest priority in national security concerns" (Buzan 1991, 117).

From the speeches delivered by the PRC's leadership in recent years, there are as many as five different situations that the PRC would take as pretexts and/or opportune moments for the invasion of Taiwan. They included,

a. If and when Taiwan declares independence;

b. If and when Taiwan develops nuclear weapons;

c. If and when chaos breaks out on the island;

d. If and when Taiwan protractedly refuses to negotiate; and

e. If and when Taiwan forged an alliance with the former Soviet Union; (Nathan 1989, 14-30; Klintworth 1991, 115; *ROC National Defence Report 1992*).

Among these circumstances, the most likely one to lead the PRC to invade is if and when Taiwan declares independence; and that is also the most dangerous one to Taiwan. Taipei has perceived a growing security threat in the PLA's unusual movements after President Lee Teng-hui's visit to the United States in June 1995 and
prior to Taiwan's presidential election. Peking has never made explicit that its military exercises are threatening Taiwan, but they have often coincided in timing with its official denunciations of the Taiwanese independence movement and of Taipei's effort to expand its international presence. Typically, these operations conducted in areas not distant from Taiwan, and simulated air, sea or amphibious battles--conditions similar to Peking's possible military actions against the island and its offshore territories. Peking's recent waves of military exercises have caused grave concern across the Strait and was seen by the ROC Defence Ministry as a rehearsal for an assault against Taiwan.

Despite the continuous appeals from Taiwan, Peking has turned a deaf ear to the call that both sides should jointly or unilaterally renounce the use of force. The CCP leaders have been challenged over and over again, by the United States, by overseas Chinese journalists, and by the leaders of Taiwan to abandon this threat, and they have always refused (Nathan 1989, 14-30), although they nowadays urge peaceful unification. Peking stated that the CCP's refusal to rule out the use of military force in Taiwan was not directed against the Taiwan residents but only against potential foreign interference, and that the CCP would be willing to negotiate an agreement with the KMT that both sides would not use force against the other (Chien-chin Weekly, August 27, 1988). Peking's official journal Liao-Wang elaborated that "the CCP will never use force against patriots and those in favour of reunification of the motherland. If China must resort to force it will only be against aggressors and traitors" (Liao Wang Weekly, September 12, 1988).

The question of a mutual renunciation of force came up recently when President Yang Shang-kun of the PRC rejected outright the suggestion of a PRC-ROC non-
aggression agreement, patterned after the renunciation of force agreements between the two Germanys in 1972. This proposal was put forward by Cheyne Chiu, presidential spokesman and convenor of the Research Committee of the ROC's National Unification Council, in May 1992 (China Post, May 11, 1992). On May 30, Yang Shang-kun personally rejected the proposal, arguing that the signing of such a treaty would imply recognition of the existence of two Chinese governments, hence, talks between two governments are absolutely out of the question.

2.1.3 Causes of Concern

Several trends have given cause for concern that the PRC may be re-examining the utility of using force in the Taiwan Strait to achieve unification.

First, despite increased contacts across the Taiwan Strait, there is no indication that Taipei is willing to accept Teng Hsiao-ping's "one country, two systems" proposal. The advanced age of Teng and other senior CCP leaders necessitates that, if unification is to be achieved in their life times, some dramatic movement on the issue must be taken (Nathan 1989, 14-30).

Second, the PRC has lost considerable influence in world affairs because of the massacres around Tiananmen Square and the collapse of the Soviet Union. Peking no longer enjoys such a favourable international image or the ability to play the strategic triangle to its advantage. At the same time, Taiwan's prestige in the international community is growing steadily because of its economic strength, rapid democratisation, and flexible diplomacy (Chien 1991, 92).
Third, the United States is reducing its military presence in the Western Pacific. The possibility of US intervention in the Taiwan Strait has been an important deterrent to war in the region since the late 1950s. There are several current trends in US policy which suggest that Washington's intervention is becoming less likely (Lasater 1993, 39-58).

Fourth, the improvement of relations between the PRC and the Soviet, Vietnam, and India has resulted in increased security for China's border areas, contributed to the relaxation of tension in the region, and freed the PLA to concentrate on unresolved territorial issues such as Taiwan (Chang 1992, 56-73).

Especially as the Hong Kong and Macao issues have been settled in principle, the Taiwan issue will become more prominent. Although some believe that mainland China's efforts to acquire a blue-water navy are aimed at establishing a naval presence in the contested South China Sea, many of the operational requirements are similar to those required around Taiwan. Overall, these trends suggest that "the threat environment in the Taiwan Strait during the 1990s will be characterised by a degree of uncertainty and differences of perception in Washington, Taipei, and Peking" (Lasater 1993, 39-58). Certainly, the PRC threat will remain and it will be perceived by some as growing. All the factors mentioned above also suggest that the PRC must keep its military option open as a possible way to solve the Taiwan issue.

Then, what are the most likely military options to be selected by the PRC should it decide to attack Taiwan?
2.1.4 The Most Likely Military Options Employed by the PRC

Since the Korean War, preparations for invading Taiwan have been under way in the PRC. It has a variety of military options available (Lin 1993, 169-71; ROC Ministry of National Defence 1992, 56-57), and three are thought to be most likely: harassment; military blockade; and invasion. Although there is a tendency to view these separately, in reality they would be most effective in combination. These range from low-level harassment at one extreme, through blockade, to an all-out attack, invasion, and siege at the other extreme.

(1) Harassment could begin on a small scale with the PRC's aircraft and ships operating farther out into the Taiwan Strait and in larger numbers than in the past, challenging the ROC navy and air force to interfere with them. The PRC might then mount small raids against Taiwan. It could airdrop a few saboteurs or intelligence agents in Taiwan's mountainous regions. The purpose of such activities would be more political than military, producing fear and uncertainty. At a latter stage, harassment might be expanded to include artillery bombardment of the offshore islands, a determined effort to gain air and naval dominance over the Taiwan Strait, submarine attacks on the ROC navy, and even selective bombing of strategic targets on Taiwan.

Harassment would not be without cost to the PRC, which would lose ships and planes to ROC attack. The number would depend on how determined the PRC was to gain dominance over the Taiwan Strait and how determined the ROC was to prevent it. If the ROC was determined, the PRC would have to decide whether to persist with
an air war of attrition against the ROC. Much would depend on whether the ROC was able to obtain replacements for lost aircraft.

Militarily, the ROC could withstand low-level harassment indefinitely, but not without damaging effects on both the economy and, at least initially, morale. Although the cost to the PRC in lost aircraft would be high, the loss of air and sea dominance over the Taiwan Strait would severely shake morale in Taiwan, imperil the offshore islands, and decrease the ROC's ability to resist invasion.

(2) Most experts believe that the greatest threat to Taiwan is a blockade, but assessments vary as to whether a blockade would be successful in forcing Taipei to the negotiating table. Without question, such a blockade would severely damage the economy of the island, given its heavy dependence on trade. If that trade could be cut for a number of months, or even substantially reduced, the island might be brought to its knees, and would become an island under siege.

Yet one primary factor to be considered as the cost of a PRC blockade would be the adverse reaction of the United States, Japan, Western Europe, and perhaps even Russia if their trade and ships were interfered with in a blockade of the Taiwan Strait and Bashi Channel. These are international waterways of great importance in shipborne traffic between Northeast and Southeast Asia, as well as between the Indian and Pacific oceans. Moreover, given the close interdependence of world trading partners, which increasingly includes the PRC, a blockade of Taiwan would hurt the interests of far more countries than Taiwan. As a matter of fact, a PRC blockade of Taiwan would be a blockade of the PRC itself.

Thus, the international complications arising from a blockade would be much greater than those resulting from the policy of military harassment. Not only would foreign
economic interests be directly affected, but foreign governments would be compelled to decide how to react to PRC's attempt to throttle Taiwan's international trade in terms of international law. A blockade would probably increase international sympathy for Taiwan.

Some analysts feel that Peking could effectively impose a blockade on Taiwan merely by verbal announcement of a forthcoming blockade. Shipping companies serving Taiwan would immediately face a prohibitively high increase in insurance rates. The possibility of loss of ship, cargo, and crew would be sufficient to deter many international carriers from regularly visiting Taiwan. "Even before the actual execution of the blockade, the heavily trade-dependent Taiwanese economy will begin to suffer from the pains of economic strangulation" (Lin 1993, 170).

How long Taiwan could hold out would depend on a variety of factors, including international reaction to the blockade, the morale of the people, the conditions laid down by the PRC for ending the blockade, and the stockpiles of essential materials. A successful, sustained blockade might be very difficult to execute, however, without enormous expenditure of resources. In all likelihood, a blockade's outcome, as in other forms of attrition warfare, would hinge on the political wills of Peking and Taipei.

(3) Of the scenarios for a PRC attack against Taiwan, the one most likely to force Taipei to the negotiating table would be a successful amphibious invasion of Taiwan. But in many ways, this scenario is the least likely to occur because it is the most difficult, and also the most risky and costly for the PRC to implement. The first requirement would be a willingness to pay the price of gaining control of the sea and air over the Taiwan Strait. James Gregor believes one of the principal deterrents to
the PRC is the high cost of such a venture in terms of equipment loss. Gregor states, "How much they might be prepared to commit, and lose, in an invasion of Taiwan is difficult to determine. But it is clear that the higher the cost in such terms, the less likely the prospect" (Snyder, Gregor, and Chang 1980, 62).

The second requirement would be the determination to train large numbers of troops in amphibious and airborne operations and to build the specialised landing craft that would be needed to land men, tanks, and artillery on contested beaches. It is estimated that "the number of divisions required to invade Taiwan successfully range upward of 40 or more" (Lasater 1986, 145). Currently, Peking has deployed three army groups, consisting of 320,000 troops, 1,600 tanks and six reserve divisions, in the Nanking [Nanjing] military region--the military zone directly across the Strait from Taiwan and reportedly designated as the staging area for any PRC invasion of the island (Free China Journal, November 1, 1990). However, according to official ROC government estimates, the island's defence forces are "capable of repelling a Chinese Communist attack of 2,000 jet fighters, 200 warships and 20 divisions simultaneously" (China Post, April 11, 1989). Cognisant of Peking's calculations, ROC officials have revealed that a key element in Taiwan's defence strategy is "keeping a mainland invasion prohibitively costly in terms of casualties and materials" (China Post, March 29, 1993).

Therefore, the area of least concern to Taiwan seems to be Peking's amphibious invasion, although improvements in this category are being made through the training of additional Marine-type units, the acquisition of surface-skim craft, and the introduction of helicopters in amphibious operations (Chai 1990, 23). On the other hand, the submarine threat to the ROC is serious. Because of geographical factors
which expose Taiwan's flank to almost any sort of offensive from the mainland, Taiwan is extremely vulnerable and hard to defend.

Peking would, certainly, prefer not to invade Taiwan. Much of the island's impressive infrastructure and industrial facilities would be destroyed. The human cost, although replaceable, would be exorbitant. Besides, Taipei has created a web of relationships and situations which make PRC military attack increasingly counterproductive (Jencks 1993, 113). Not only would such attack be economically harmful to the PRC, it would also damage PRC relationships with Taiwan's global network of political and economic partners. Thus, invasion "is Beijing's least-desirable strategic option and is the least likely to occur" (Lin 1993, 171). Nonetheless, if Peking decided to proceed with a military solution to the "Taiwan Issue", its leaders could reasonably expect success, albeit at tremendous cost. Under such circumstances, how capable is the ROC of defending itself? Could Taiwan repel a Peking attack?

The armed forces of the ROC are credible, certainly. However, examined in the light of the potential threat from the PRC, ROC defence capabilities are in need of considerable upgrading. In view of the long-term threat facing the ROC—both in terms of PRC capabilities and intentions, the ongoing modernisation of the PLA, and the approaching obsolescence of Taiwan's current inventory of fighters and destroyers, it is questionable whether Taiwan, without significant upgrading of its military equipment, will be able to maintain an effective deterrent against the PRC much beyond the latter half of this decade (Lasater 1988, 50). It is almost impossible to conclude with any certainty. History is replete with examples of countries that pro-
voked confrontations on the assumption that they were going to win, but failed to do so. A great deal is going to depend on circumstances.

In addition to these military measures against Taiwan, the PRC could use, or threaten to use, nuclear weapons. Peking might calculate that the mere threat to use nuclear weapons would so intimidate people on Taiwan that the authorities would have no choice but to open negotiations. Taipei cannot guard against Peking's nuclear weapons, but it may not need to. The 1968 Nuclear Non-Proliferation Treaty signed by the United States and the Soviet Union guarantees non-nuclear nations protection from those with nuclear weapons. While none of the nuclear signatories recognises Taipei diplomatically, Taiwan still may be protected from nuclear attack under the broad terms of the agreement (Cooper 1990, 100). Peking is also constrained by world opinion from using nuclear weapons against a non-nuclear country. Ever since the PRC exploded its first nuclear device in 1964, it has stressed that it will never be the first to use nuclear weapons, and it has publicly stated that it will not use nuclear weapons against its own people. For these reasons, it appears there is little likelihood that PRC leaders would resort to such action.

2.2 ROC's Defence Policy Options

2.2.1 Insecurity Dilemma

The perception of the tangible and direct threats and the potential vulnerabilities ensued from the PRC in the past decades has brought Taiwan the sense of insecurity and also the impetus to remain strong militarily. Taiwan's insecurity stems from being
a weak state and the sharp asymmetry of power compared with the PRC (see Table 2-1).

Table 2-1

A Comparison of ROC-PRC Military Forces

<table>
<thead>
<tr>
<th></th>
<th>PRC</th>
<th>ROC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>1,148,593,200</td>
<td>21,265,000</td>
</tr>
<tr>
<td>Total Regular Forces</td>
<td>3,030,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Nuclear Forces</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICBM</td>
<td>8: 2CSS-4 (DF-5)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6CSS-3 (DF-3)</td>
<td></td>
</tr>
<tr>
<td>IRBM</td>
<td>60 CSS-2 (DF-3)</td>
<td></td>
</tr>
<tr>
<td>MRBM</td>
<td>50 CSS-1 (DF-2)</td>
<td></td>
</tr>
<tr>
<td>Army</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Troops</td>
<td>2,300,000</td>
<td>260,000</td>
</tr>
<tr>
<td>Armoured Divisions</td>
<td>20</td>
<td>6 bde</td>
</tr>
<tr>
<td>Infantry Divisions</td>
<td>84</td>
<td>22</td>
</tr>
<tr>
<td>Navy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Men</td>
<td>360,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Submarines</td>
<td>100</td>
<td>4</td>
</tr>
<tr>
<td>Destroyers</td>
<td>17</td>
<td>24</td>
</tr>
<tr>
<td>Frigates</td>
<td>37</td>
<td>10</td>
</tr>
<tr>
<td>Large Patrol Ships</td>
<td>100</td>
<td>3</td>
</tr>
<tr>
<td>Missile Craft</td>
<td>207</td>
<td>52</td>
</tr>
<tr>
<td>Coastal Craft</td>
<td>100</td>
<td>3</td>
</tr>
<tr>
<td>Minesweepers</td>
<td>130</td>
<td>13</td>
</tr>
<tr>
<td>Amphibious Type</td>
<td>461</td>
<td>426</td>
</tr>
<tr>
<td>Air Force</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Men</td>
<td>470,000</td>
<td>70,000</td>
</tr>
<tr>
<td>Total Aircraft</td>
<td>6280</td>
<td>486</td>
</tr>
<tr>
<td>Bombers</td>
<td>520</td>
<td></td>
</tr>
<tr>
<td>Fighter/Bombers</td>
<td>2450</td>
<td></td>
</tr>
<tr>
<td>Fighter/Interceptors</td>
<td>1830</td>
<td>298</td>
</tr>
<tr>
<td>Reconnaissance</td>
<td>130</td>
<td>35</td>
</tr>
</tbody>
</table>


"Weak state" is commonly agreed upon as the central feature of a state's insecurity dilemma. And "the condition most feared among governments as a cause of war is the power asymmetry—that is, an unfavourable tilt in the distribution of power" (Rosen &
Jones 1980, 308). Strength and weakness are always relative. Where a state stands on the spectrum of power depends on the rivals it has to confront. Power is "the ability of an actor ... to use tangible and intangible resources and assets... to influence the outcomes of international events to its own satisfaction" (Ibid, 203). It is a means to an end, an instrument to achieve objectives. The possession of power is meaningless if its application is unable to enhance a state's security. A state is powerful not in the abstract but in comparison with its adversaries. Many small or thinly populated states are not weak because they do not confront obviously superior enemies. This is unlike the current situation of Taiwan. What makes Taiwan weak is not simply inequality of power. What makes Taiwan distinctive is the margin of superiority that the PRC enjoys.

There has been a considerable amount of literature on the relationship between the relative capabilities of nations and the incidence of war. Some argue that the equal distribution of power among nations leads to peace (Claude 1962; Kaplan 1964; Morgenthau 1973), whereas others suggest that power parity increases the likelihood of war (Garnham 1976, 379-94; Kim 1989, 255-73). Although the so-called power parity and power preponderance schools present competing arguments and contradictory empirical findings, they both indicate that the initiation of conflict is in some way connected with the balance of national capabilities between a pair of rivals. In a situation where the power distribution between the two sides is roughly equal and animosity between them is deep, an increase in national capabilities by one side might discourage the other side's potential aggression (Huth & Russet 1984, 496-526). On the other hand "an explicit and visible parity based on offensive means would amplify insecurity" (Buzan 1991, 318). The ROC-PRC confrontation is a special case on
account of its apparently asymmetrical attributes. The PRC rates as a great Asian, if not global, power because of its sheer physical size and its large population. Moreover, it meets several of the traditional criteria for great power status. It also has a substantial economic base and significant reserves of most minerals and other natural resources, while the ROC on Taiwan, controlling only 0.38 percent of Chinese territory as a whole and less than 2 percent of the Chinese population, is clearly at a disadvantage despite its dynamic economy since the 1960s.

As table 2-1 demonstrates, a comparison of the total military capabilities of the ROC and the PRC shows an overwhelming superiority on the part of the mainland. When total numbers of men and weapons possessed by the PRC and the ROC are compared, the PRC appears to have the overwhelming military advantage. In several categories—all strategic nuclear forces, submarine chasers, naval bombers and fighters, and air force bombers—the PRC commands a complete ascendancy. In other key areas—such as their total armed forces, infantry divisions, submarine and fast attack craft, and fighters/interceptors—the PRC has enjoyed an almost 10:1 advantage over the ROC. These figures, although only approximate, give an idea of disparity in numbers and equipment between the two sides. Clearly, in any all-out conflict, the ROC would be defeated militarily. The military capabilities on both sides of the Taiwan Strait will be further discussed in chapters 5.

Studies of power in international relations recognise that power comes from three sources: "natural, socio-psychological, and synthetic" (Rosen & Jones 1980, 205). Of the natural resources of power, geography is among the more important. Sheer size can multiply the defensive capabilities of a state and reduce its vulnerability to enemies. Taiwan is separated from the Chinese mainland by the Taiwan Straits, which
are about 140 nautical miles at their widest point and only 72 at their narrowest. "It takes only 5 to 10 minutes for the enemy's [the PRC] combat aircraft from the other side of the Straits to enter our [the ROC] air, and about 2 to 4 hours for their combat ships to reach us" (ROC National Defence Report 1992, 174). Within 750 nautical miles of Taiwan, the PRC has deployed 495 bombers, 3500 fighters, 410 transport planes, 209 helicopters, and 134 other military planes (The Military Balance 1992-93, 144-162). Adding to the threat is the fact that additional air reinforcements can be flown in on short notice. Thus, the answer to the question whether Taiwan Strait can be used as a natural barrier against the PRC's invasion is quite clear. "Although wealth, skill, socio-political cohesion and will power can compensate for smallness to some extent...they cannot compensate in the long run for the lack of a broader physical base" (Buzan 1991, 113).

In the discussion of geography, a second critical component of power is natural resources. Relative endowments of natural resources and raw materials may affect the power of a nation significantly. There is no doubt that plentiful natural resources have helped to create the superpower status of the United States and the former Soviet Union, and may some day do the same for the PRC. However, this should not obscure the fact that there are many poorly endowed nations which have great power and richly endowed countries which are weak. Japan, for instance, imports most of its critical raw materials and yet has been one of the most important economic and growing military powers. Nations poor in raw materials are more dependent on the outside world and hence more vulnerable to sanctions such as blockade, boycott, and so forth... A nation that can effectively mobilise its economic and industrial capacities may adjust well to the scarcity of raw materials by importing primary products.
Critical strategic materials can be stockpiled against the possibility of war blockade. Then, how long could Taiwan bear and last once the PRC conducted an indefinite or long-term blockade? For "weak powers...will have a particular vulnerability to military threats because of their limited resources" (Ibid 1991, 114).

After analysing Taiwan's insecurity dilemma and assessing the threats, it is necessary to explore further how Taiwan could cope with them and what national security policy Taiwan should establish. All states must choose between an emphasis on offensive and defensive military operations. Some states seek security by maintaining strict neutrality; others seek it by joining alliances. Some seek security by confronting potential adversaries with military force; others seek it by trying to be accommodating "good neighbours". In view of the real situation, the most direct and most serious threat that would endanger Taiwan's existence at present is still the PRC's use of force. Therefore, to resist such a threat and protect national security has become the most critical task of Taiwan's national defence.

2.2.2 The Feasibility of Alliance

Alliances serve as a substitute for internal sources of national capability. The formation of alliances increases the likelihood that allies will help defend one another militarily or provide economic or political support. A very important factor for the smaller states is the ability to attract and retain allies willing to pool resources for mutual security. Most weak states seek to affiliate themselves with third parties that are powerful enough to offset those much more powerful opponents. Though diplomatic means can play significant roles in protecting the security of small states, and
should be encouraged as worth-while endeavours in the pursuit of peace, they are not at least so practical and applicable to Taiwan, since Taiwan has been isolated internationally, banned from various important international organisations, and regarded as a pariah. Besides, "diplomatic manoeuvres do not guarantee protection in case of actual attack" (Mandelbaum 1989, 228). Therefore, an independent war capability and sufficient forces are essential for safeguarding Taiwan's security. "The requirements of national security dictated that states maintain military forces and a large array of weapons systems adequate to the perceived military threat" (Haftendorn 1991, 3-17). For "the existence of stronger states will not by itself guarantee security, but their continued absence will certainly sustain insecurity" (Buzan 1991, 106).

At the same time, Taiwan can simply not rely on the PRC's good-will or its renouncing the use of force against Taiwan. "States have rarely if ever been naively willing to rely for their security only on the disposition of other states to act morally or lawfully..." (Jackson 1992, 87). "If one rests one's security on restraint by others in offering threats, then one's security is at the mercy of changes of mind by others" (Buzan 1991, 335).

During the Cold War era, both superpowers, the United States and Soviet Union, were willing to risk confronting each other in order to protect their allies from the aggression. However, maintaining this kind of asymmetrical alliance relationship is costly for the superpower as well as for their protégés. In order to keep their respective protégés in line, the superpowers have to provide security protection, while for the protégés, security dependence implies some limitations on their freedom of action. Taiwan's attempt to counter-attack the mainland by taking advantage of the
Korean War, which was checked and repressed by the US under the "Mutual Defence Treaty", is a vivid example of this (Kindermann 1989, 2).

Taiwan may benefit from the lowering of tensions among the great powers after the end of the Cold War, which hopefully may decrease the PRC's threat to take the island by force as well. It may also possibly lead to a US-PRC diplomatic deal to resolve the so-called 'Taiwan issue' in favour of the PRC. The fact of the abolition of the US-Taiwan defence treaty following Carter's acceptance of PRC's demand that Taiwan was 'part of China', has remarkably enhanced Taiwan's sense of insecurity.

Therefore, Taiwan simply can not count on others coming to its rescue in the event of attack by the PRC. Thus considering the central fact of international relations that the sovereign state is almost exclusively responsible for its own defence, it is understandable that "states are hesitant to rely upon other states for ensuring that their defence is effective when the moment for putting it into operation arrives" (Northedge 1974, 19). At the same time, "as long as international politics remains anarchic, the ultimate recourse for states will be self-help, and the ultimate self-help is military force" (Nye 1989, 331). Since survival and independence are essential to Taiwan, in addition to the pursuit of economic growth and development, Taiwan has to acquire the strength and capability required for self-defence. As a motto says: "If you want peace, prepare for war". In order to reach this goal, military modernisation is the only option. This will be considered in Chapter 5. As Buzan (1991, 294) points out, "States that fail to look after themselves risk at best loss of power, and at worst loss of independence, or sometimes loss of existence."
2.2.3 Nuclear Weapons Dilemma

Judging from the analysis made above with respect to Taiwan's security concern and the perception of threat, then we come to the core question as to whether Taiwan needs nuclear weapons for security. When a country like Taiwan is seriously endangered by the PRC, and when conventional defence cannot be relied upon, nuclear weapons may enhance its sense of security. Taiwan's strategic interests in acquiring nuclear weapons are not dissimilar to North Korea's. Taiwan perceives itself to be under threat from both the conventional and nuclear forces of a major adversary. Like North Korea, it no longer feels that it can rely on its superpower ally.

Taiwan's security planners know that they cannot hope in the long run to prevail militarily over the PRC, and that they cannot count on receiving military assistance from the United States or any other country if the island is attacked. So it would be surprising if military planners had not given serious consideration to the nuclear option. Nuclear weapons remain the ultimate strategic equaliser for states that consider themselves to be out-gunned by more powerful adversaries. In the worst-case threat—a PRC invasion of Taiwan—nuclear weapons would surely be a more powerful deterrent than the island's defensively oriented conventional forces.

Although the acquisition of nuclear weapons may create risks, "they [countries] may prefer to adopt a posture that involves some risk of nuclear mutual destruction but may provide security, rather than one that entails a high risk of conventional defeat without any real risk of destruction" (Dror 1981, 97). From the perspectives of Taiwan, therefore, the acquisition of nuclear weapons seems quite rational. However, there are more sound reasons to discourage Taiwan from going nuclear.
Reasons for Not Going Nuclear

Since Taiwan is facing pressure and threats from PRC, whilst possessing only medium conventional capabilities, why has it repeatedly declared several times that it has no intention of acquiring nuclear weapons? The first such declaration was made by the then Premier Chiang Ching-kuo in 1977. He declared that "though Taiwan is capable of developing nuclear weapons, it will never do so". The latest one was made by the Minister of National Defence Chen Li-an. He said that "The development of nuclear weapons requires high technology, it is not such a simple thing, the military alone can not make it. Besides, where can Taiwan find a place for a test explosion?" (Chung-yang jih-pao, November 7, 1992). It seems reasonable and enticing for Taiwan to develop and own nuclear weapons, but it should be noted too that the mere possession of nuclear weapons cannot protect it from nuclear threat by a superior nuclear power like the PRC. " Many philosophers have conceded, on utilitarian grounds, that nuclear deterrence has brought some benefits (of peace and security) but others have argued that the peace is fragile and the sense of security is based on fear... the use of nuclear weapons in retaliation would add to the evil already done" (Rumble 1985, 216). Therefore, "are nuclear threats a reasonable way to pursue military security when they might lead to national suicide?" (Buzan 1991, 103).

In addition to the reasons mentioned above, there are at least three more to discourage Taiwan from going nuclear.

(1). Financial and Technological Constraints
Any nation that decides to develop a new weapon system must commit huge resources to it. The requirements depend upon its sophistication and the technology. Certainly, "going nuclear" involves any country in significant costs, such as "direct investment in nuclear activities, super-power pressures and sanctions, the increased risk that neighbours may also "go nuclear", with possible catastrophic results for all" (Dror 1981, 96). Thus desires and motives are one thing, the actual ability to carry them out is another. It is a long process beginning from the very initial stages of research, development, testing to production and deployment. The amount of capital available for investment is a key determinant. In the case of Taiwan, "not only is a substantial portion of its GNP disbursed to sustain that (military) establishment, but about 42 percent of the national budget is employed (annually) in the support of the military and foreign affairs" (Gregor 1986, 312). The national budget for defence has increased sharply from the mid-80s (see Chapter 5). It would mean the budgets used for education, people's welfare and national construction would be relatively reduced. At the same time, it would impede Taiwan's economic development, though it still prospers. As Buzan argues, "defence dilemmas of cost involve straight trade-offs between resources devoted to defence, and resources available to meet other security objectives" (Buzan 1991, 273). In the light of this, how could Taiwan afford such a complicated project as nuclear weapons?

Then come the technological constraints. Taiwan does enjoy high economic growth. However, its industrial base seems not strong enough to meet the requirements of nuclear weapons. Taiwan is notably weak in technically trained manpower and a research base, and institutions for educating technicians as far as nuclear weapons technologies are concerned. Though there is one Nuclear Engineering Department at
Ching-hua University, one Atomic Energy Council monitoring civil nuclear operations and maybe some R & D conducted in the Chung-shan Institute of Science and Technology, it is still limited and insufficient. Taiwan does not even have the basic capability to manufacture propellants for missiles, engines for cars and for airplanes, not to mention nuclear weapons. Taiwan has neither a uranium enrichment capability nor the ability to reprocess spent reactor fuel into plutonium. Thus, "dependence on imported know-how and materials will normally only increase with the degree of sophistication of the weapons" (Brzoska & Ohlson 1986, 283).

(2). Fears of Provoking an Attack from the PRC

It is argued that even endangered countries may be better off with conventional inferiority than with an unstable nuclear balance stimulated by their own active nuclear-weapons policy (Dror 1981, 97). "The more a state relies upon the threat of retaliation the more it gives its opponents an incentive, whether through fear or opportunism, to try to eliminate its deterrent in a pre-emptive attack" (Ceadel 1987, 82). If the PRC's threats are to be taken seriously, a Taiwan bomb could provoke the very war it was intended to prevent. Therefore, at the very least, a non-nuclear defence policy for Taiwan will lessen the risk of suffering a nuclear attack from PRC. "To pose an unacceptable risk to the enemy automatically poses the same risk to oneself" (Rumble 1985, 265). It is unwise to do so. The greater Taiwan's confidence that it can defend its vital national interests with conventional weapons, the fewer its incentives to seek nuclear weapons. "Given the uncertainties involved in the possession and control of such weapons, many individuals conclude that the weapons
themselves, and the system of relations they create, detract more than they contribute
to the pursuit of security" (Buzan 1991, 275).

(3). US Pressure and Intervention

For more than two decades, Taipei tried to acquire the facilities to produce
plutonium. In every case, either direct or indirect pressure from the United States
prevented it from succeeding. US leverage derived partly from Taiwan's dependence
on American nuclear technology and fuel services, and partly from the island's
security dependence on the United States. Taiwan both signed and ratified the Non-
Proliferation Treaty, and shows no interest in acquiring nuclear weapons at the
present. Though Taiwan often declared it did not have this intention in the mid-
1970s, the US government became suspicious of activities at Taiwan's largest nuclear
research centre and feared that Taiwan was trying to move closer to a nuclear weapons
capability (Yager 1985, 193). In 1988 the deputy director of the Nuclear Energy
Laboratory at the military's Chungshan Institute vanished, reappearing shortly
afterward in the United States to reveal that his country was still seeking to build the
bomb. As the result of US pressure, and also the fear of US economic sanctions and
endangering its security connection with the US, Taiwan yielded to US wishes and
voluntarily dismantled a reprocessing laboratory and accepted restrictions on the
operation of a research reactor. Since then, there have been no further reports of
Taiwan's nuclear weapons development.

According to Khan, there are a number of incentives which can be given to those
countries which are in a position to make, or feel compelled to undertake, the
production of nuclear weapons, to refrain from going nuclear. (Khan 1986, 420). In this context, if the US could continuously provide Asia and Pacific regions (including Taiwan) with some sort of security promise, then Taiwan would naturally lack reasons for going nuclear, and concentrate its resources on national development projects. So long as the ROC continues to be heavily dependent on the United States for the security and prosperity of Taiwan, the possibility that its leaders will oppose the US by developing nuclear weapons is remote.

(4). The Impact on the International Community

Taiwan's possession of nuclear weapons would also have an international political impact. If, for example, ROC leaders, confronted by the threat of invasion and feeling abandoned by the United States, were to declare Taiwan an independent state and announce their determination to defend its independence with nuclear weapons, the importance of their declaration of independence would be magnified. If Taiwan became a nuclear power, the nations of the world, particularly those nearby such as Japan, would be much more deeply concerned with preventing a nuclear exchange between the PRC and Taiwan than they are now in preventing a resumption of hostilities with conventional arms.

It would also undermine Taipei's efforts to win over the international community to support Taiwan's sovereignty and its right to refuse Peking's reunification offers. Thus Taipei seems genuinely to have abandoned this alternative.
2.2.4 The Strategic Shift from the Offensive to Defensive

Since seeking for alliance and nuclear weapons has proved impractical, what alternative measures could Taiwan adopt in order to reduce its vulnerability and prevent threats? The choice is straightforward for Taiwan. Because Taiwan does not have the resources to conquer and hold territory beyond its borders, what it has to do is defend what it already has. Especially in a world that appears to be shifting from military to economic competition, and with its own growing economic status, Taiwan must once again evaluate its strategic alternatives. And that is the main reason why for the first time in the past four decades, the ROC's Minister of National Defence stated publicly that "from now on, the concept of national defence strategy will shift from being offensive-oriented to defensive" (*Chung-yang jih-pao*, November 3, 1993). Though "the renunciation of offensive options...narrows the military choices available to the defender...and imposes some serious limitations and vulnerabilities on security policy" (Buzan 1989, 284), however, given its limited war capability, a small state like Taiwan has mostly been following the policy of defence rather than offence.

According to Ceadel:

Defencism seems both realistic and humane. It seems realistic because it recognises the importance of the state, and takes account of the anarchic and power-political features of the international system, and it seems humane because it rejects aggression, and works for order, stability, and co-existence. (Ceadel 1987, 100).

The goal of such a state is not the pursuit of power but the protection of whatever it possesses. And "the first concern of states is not to maximise power but to maintain
or improve their relative positions in the system" (Haftendorn 1991). Owing to its status as a weak state, structural incapacity for offence, and the power asymmetry compared to the PRC, a more appropriate policy for Taiwan to adopt in order to survive is "non-provocative defence", which means "making the country hard to attack, expensive to invade, and difficult to occupy" (Buzan 1989, 277). Although war-fighting ability is critical important, the ability to prevent war is equally important.

Non-provocative defence has been defined as: "The build-up, training, logistics and doctrine of the armed forces... such that they are seen in their totality to be unsuitable for offence, but unambiguously sufficient for a credible defence..." (quoted in Mack 1990, 171). There has been much controversy over offensive and defensive strategies. Proponents of offensive strategy argue that non-provocative defence is at best naive, at worst a form of appeasement; it undermines deterrence and so increases the risk of aggression, while non-provocative defence proponents counter by arguing that offensive strategies undermine "crisis-avoidance" and "crisis stability" (Ibid, 176-184). Thus, offensive strategies designed to enhance deterrence may increase the risks of inadvertent war.

A state like Taiwan whose aim is defensive will prefer deterring an adversary such as the PRC to having to fight. Deterrence concerns the credibility of threats, and affects the intentions of the adversary. It bears on the other's calculations as well as its capabilities. Those calculations concern "not only the likelihood of success, but also the price that the attacker will have to pay to succeed" (Mandelbaum 1989, 229). In order to make deterrence credible, Taiwan has to devote considerable effort to trying to persuade the PRC that it would indeed defend itself despite the odds against it.
Like most states, Taiwan prefers not to have to fight. Fighting is not always necessary. But "its goal in fighting must be to make the cost of victory higher than the gains of victory can justify" (Ibid, 235). As mentioned earlier, "A nation is secure to the extent to which it is not in danger of having to sacrifice its core values if it wishes to avoid war, if challenged, to maintain them by victory in such a war" (Quoted in Wolfers 1968, 150; Buzan 1991, 16). The question for Taiwan thus is how resolve to resist aggression and commitment to principles is best communicated when the PRC thinks that its threats might result in compromise. Relative military potential is only one variable which determines each country's fear of war. The other is courage and will. Determination is an especially relevant issue when the weak try to deter the strong. "A state with limited resources and support may be able to prevent asymmetry by showing a resolute determination to utilise its capacities fully" (Rosen & Jones 1980, 309). Even though "...non-provocative defence is unfortunately not likely to find more than limited application..." (Buzan 1989, 288), Taiwan still should signal its resolve regardless of its true intentions, "because signs of weakness will be interpreted as weakness and the failure to take costly actions invites attack" (Niou 1992, 82-95). For the peace to be preserved, it is important that signals conveyed to the PRC should be clear, steady and unambiguous.

By employing non-provocative defence strategies, Taiwan could signal to the PRC unambiguously defensive intentions. Such strategies act to dispel the suspicion, tension and hostility which can not only minimise the probability of crises occurring, but remove entirely all incentives for the PRC to resort to pre-emptive or preventative war.
2.2.5 Strategies and Tactics of a Non-Provocative Security Policy

Military

Providing an effective defence against the PRC's attack clearly represents a major challenge for the ROC's defence planners. The strategy and operational concepts most appropriate for this remain the subject of considerable debate. Do the offshore islands still need the deployment of such a big proportion of forces? What kind of force structure is considered reasonable? How to extend the strategic depth and preserve combat strength? All these issues are worth of consideration.

A. Defence Dilemma of the Offshore Islands

Occupation of the offshore island groups of Kinmen (Quemoy) and Matsu by the ROC has advantages and disadvantages for both sides across the Strait. For both Peking and Taipei, the islands constitute a link between Taiwan and the mainland, symbolising the "one China" position maintained by both governments. For Taipei, they also serve to bottle up the ports of Amoy and Foochow, preventing their use as assembly points for forces preparing to invade Taiwan. For the PRC the islands offer a convenient target for controlled military pressure on the ROC at an acceptable cost. An invasion of the islands, however, would be extremely costly for the PRC. The ROC stations nearly one-fifth of its army on the two principal islands. The defending troops are so well protected in deep fortifications that an attacking force would be at a great disadvantage. The PRC is deterred from invasion not only by the high military
costs but also by the political disadvantage of severing the link between Taiwan and the mainland.

By keeping one-fifth of its army on Kinmen and Matsu, the ROC may reduce the risk that the PRC would attempt to invade the islands, but at the same time it may increase the risk that the PRC will interdict their resupply and block the islands, which would contain the defending troops in extremely passive position, and thus become a hostage for the PRC useful in negotiations. No doubt there are enough supplies on the islands to enable them to hold out for a long time, but sooner or later the ROC would be compelled to try to break the blockade. In order to breach the blockade, the ROC navy and air force would be forced to join battle with PRC forces at locations relatively favourable to the PRC, which would result in a gradual attrition of the ROC's air force and navy at minimal cost to the PRC.

The ROC could strengthen its military position by drastically reducing its garrisons on Kinmen and Matsu. Converting these islands into relatively lightly defended forward outposts would eliminate the ROC's risk of losing one-fifth of its army as well as a large part of its air force and navy in a vain effort to break the blockade (Nai 1992, 225).

Some agree that too large a portion of ground forces is stationed on the offshore islands, and regard it as a waste of strength. Many senior military officers would oppose the move because they have a vested interest in preserving a large force structure designed to defend the offshore islands. Powerful critics in the KMT party and the armed forces would denounce proposals for further reductions. Consequently, despite the military disadvantage of leaving too large a part of the army in exposed positions, no substantial change in deployments seems likely in the near future, unless
a Mutual Non-aggression Pact were signed by both the ROC and the PRC, or the offshore islands were converted into an armistice region.

B. Extending Strategic Depth

In view of the fact that, as an island long and narrow in shape, Taiwan is confined by limited space latitudinally and doesn't have enough strategic depth in wartime, it has to strive for more depth of defence, so as to preserve its effective strength and to withstand sustained attacks from the PRC.

To do so, a layered defensive strategy of denial proposed by Paul Dibb could be considered (Babbage 1990, 214). This would require, in the first layer, a quality intelligence system to monitor military developments on the mainland. The second defensive layer would be composed of aircraft and ships operating offshore tasked with identifying potential air and surface targets in the air-sea gap and possessing a capability to arrest or destroy hostile elements moving towards Taiwan. The third layer would be composed of air, naval and ground force elements tasked with preventing hostile landings, air attacks and mine operations. The fourth defensive layer would comprise ground force elements assigned the task of denying the enemy access to Taiwan's northern population centres and military and civil infrastructure.

To effectively implement the layered defensive strategy, the following measures should be adopted:

a). Strengthen the long-range early-warning system and use more advanced high-tech electronic equipment, so as to broaden the scope of alert, closely monitor the PRC's troop movements, and lengthen the time for early warning and reaction.
b). Deploy air-control and sea-control missiles on the offshore islands so as to acquire more operational depth forward, and strengthen air and naval defence capabilities. Thus the defence operation should firstly lay stress on air domination and sea control; but the ground battle remains the decisive theatre.

C. Preserving Combat Strength

In the new technology environment, as it becomes more and more easy to hit a target once acquired, and a target hit is more likely to be destroyed, it is obvious that the capacity to remain untargeted is becoming an increasingly central determinant of battlefield outcomes. If Taiwan has not concealed, dispersed and protected key elements of its defence structure, then new generations of precision-guided weapons will make it increasingly susceptible to rapid and decisive defeat. If ships, aircraft, armoured vehicles, artillery pieces, communication, command and control facilities are grouped in unconcealed and unprotected concentrations, it is becoming very easy for them to be targeted and destroyed by long-range terminal guided weaponry.

To cope with such weakness, major weapons and equipment as well as logistic support facilities have to be moved into underground shelters constructed around military bases or in tactical positions. This will not only offset the limitations of Taiwan's small physical size, but give Taiwan the leeway of defence in depth, and preserve combat strength.

In order to secure military personnel, equipment, and facilities from surprise attack, some defensive measures have been taken recently. In July 1988, General Liu Chih-chung revealed that the Defence Ministry "has moved the nation's key military
installations underground in an effort to prevent missile attacks from Communist China" (China Post, July 27, 1988). This multi-billion-dollar project, code-named Chia Shan, includes underground shelters for fighter aircraft and submarine facilities (it was completed in late 1991). The General also announced that major military bases have been relocated to Taiwan's east coast, which is shielded from the PRC by the Central Mountain range.

The implementation of a non-provocative defence policy will doubtless raise new issues for policy-making and public debate. Will the ROC defence posture become too defensive, or, on the other hand, might not some policies and programs contribute to heightened suspicion and increased arms acquisition across the Taiwan Strait - and hence diminish Taiwan's security? Are the ROC's security and defence decision-making processes properly structured for designing a viable posture for the defence of Taiwan? Indeed, given Taiwan's small size, limited economic and population resources, a self-reliant non-provocative posture for the defence of Taiwan has to be a national effort requiring broad public support and participation.

Diplomatic

A. Taiwan's Diplomatic Isolation

Since the establishment of the PRC in October 1949, confrontation in the diplomatic field between Peking and Taipei has never ceased. Peking's chief objective has always been to gain the status of sole legal representative of China and then to force the ROC government to yield by isolating the latter from the international community. Blocking
Taipei's participation in international activities is an important means employed by Peking to force Taipei to accept its unification formula. The 1970s were a critical time in the diplomatic confrontation between both. During this period, Peking not only took over the ROC's UN seat in 1971, but also established formal ties with the United States, the ROC's most important ally, in 1979. It was during this period that Peking gained much leverage over the Taiwan issue (Ross 1986).

To international bodies (such as the United Nations) that wanted the PRC as a member and to foreign governments (such as the United States) that desired diplomatic intercourse, Peking presented them with an either/or option. They must choose between Peking and Taipei; they could not pursue official relations with both. Confronted with this dilemma, most chose the PRC. By the end of the 1970s, all the world's major nations had severed formal relations with Taipei. However, Peking's subsequent proposal of the "one country, two systems" formula for China's unification met with resolute opposition from the ROC. Thus, to force Taipei to accept this formula, Peking has tried to isolate Taiwan completely, including "blocking its pragmatic foreign policy, downgrading its status to the level of local government, and preventing it from purchasing arms" (Lee 1992).

By criticising the ROC's pragmatic diplomacy, Peking charged that Taipei is trading money for diplomatic recognition and that its purpose is to create "two Chinas" or "one China, one Taiwan"; that is, to transform Taiwan into an independent political entity (Liu 1992). Taiwan's continuous efforts to rejoin the United Nations and its peripheral organisations has drawn Peking great concern. "Ever since we declared our intention to participate in the UN, [Beijing] has become even more adamant in its attempts to downgrade our [ROC] status and evade reality" said Fredrick Chien, ROC's Foreign
Minister (Jane's Defence Weekly, January 22, 1994). Therefore, when the ROC's Legislative Yuan adopted on June 18, 1991, a resolution requesting the government to apply at an appropriate time for readmission to the UN under the name of the "Republic of China", there was a very strong reaction from Peking, and severe criticism of the resolution was published in the mainland Chinese media (Wen-Wei-Po, June 15, 1991). Peking claimed that the attempt of some people in Taiwan to squeeze into the UN in order to realise their objective of splitting China and the Chinese nation will surely fail (People's Daily, July 10, 1991). Moreover, all of the PRC's embassies and consulates were ordered to do their utmost to stop Taiwan from participating in any UN-related organisations or conferences (Independent Evening News, January 10, 1992).

Though Winston L. Y. Yang, a professor at Seton Hall University in New Jersey, put forth a proposal that both sides should be given equal opportunity to take part in international organisations, it has clearly not been accepted by the PRC (Yang, 1988). Peking has never abandoned the policy of isolating Taipei in the international community. Fearing that any parallel recognition of two Chinese governments by a third state might psychologically and legally contribute to a deepening of China's division, the PRC has warned repeatedly that Peking would regard such any acts of dual recognition as a move inimical to the national interest of the Chinese people and that it would react with a termination of diplomatic relations with that state or with economic sanctions against it. Peking has maintained this policy with comparative rigidity.

B. Controversy over Sovereignty and Legitimacy
Despite the conflict and hostility between Peking and Taipei, both sides still share the same view that there is only "one China" of which Taiwan is a part. The issue at stake is: which of the two parties is the legitimate government of that "one China". The ROC government in Taipei claimed de jure legitimacy and referred to the PRC government as a rebel regime. However, Peking also claims that it is China's only legal government because the establishment of the PRC in 1949 effectively ended the ROC's existence as an entity in international law. Therefore, there are two mutually exclusive claims to be the legitimate government of the whole of China in a situation in which one side does not have any de facto control over Taiwan and its adjacent islands, and the other side has no control over the Chinese mainland.

Since the governments in Peking and Taipei each claim to be the legitimate ruler of China, the recognition question is indeed a zero-sum game. If one of them is admitted to an international organisation or establishes diplomatic relations with another country, it automatically excludes the other. There are two features to be pointed out here: the first is that the sovereignty problem still exists, despite the increase in exchanges across the Strait. The second is that although the two sides are still in conflict over the sovereignty issue, Taipei's gradual acceptance of a "one country, two governments" or "one country, two regions" solution to the problem shows that it has accepted the reality of national division even though it has not given up the principle of "one China" (Baum 1990).

This "One China, Two Governments" stance has been condemned by Peking officials "as an effort to garner international recognition of Taiwan's separate identity from the mainland" (Stutter 1993, 24). If the CCP were to accept this initiative, unification would never take place, Peking asserts. Taipei, however, sees "two governments" or
"two regions" as temporary formulas to be applied only in the transitional period before national unification; as the social and economic gap between them narrows, Taiwan and mainland will merge together naturally. In other words, Taipei hopes to put the sovereignty issue aside for the time being. It believes that both sides should make efforts to broaden functional exchanges and avoid thwarting each other's participation in international activities.

Peking's reluctance to make any concessions on the sovereignty issue is also understandable. In spite of the easing of tensions across the Strait, unification seems even more uncertain due to changes in the political climate in Taiwan. Peking fears that the main opposition party, the DPP, supports Taiwan independence, and several important DPP leaders did make calls for independence during the various election campaigns. Diplomatic frustrations have left the ROC's international status uncertain, and this uncertainty has had a direct impact on domestic politics. The PRC's policy to isolate Taiwan from the international community would help the elements of the "Taiwan Independence Movement" to promote their cause. The DPP members have repeatedly expressed that only when Taiwan becomes independent can it break its present international isolation. Though they explained that self-determination is different from independence, both the ruling KMT and the CCP, however, assert that independence is the DPP's real goal (Hoon 1988). Currently, the independence question is an uncertain variable in the issue of reunification. Since it is the only excuse for the PRC's use of force, therefore, its impacts on Taiwan's security and stability are deep and profound. If Peking continues to block Taiwan's participation in international affairs, independence sentiment is likely to grow, and this will erode the improved relations between both sides.
The sovereignty problem is clearly an important source of distrust and misunderstanding that hinders the further improvement of Taiwan-mainland relations. It casts a shadow of uncertainty over functional exchanges and interaction, let alone the unification of the country.

C. Flexible and Pragmatic Diplomacy

The ROC's isolation in international society could be attributed to two principal factors. First, the ROC government did not modify its ideological one-China policy before Peking's admission to the United Nations. Second, the PRC persists in exerting pressure through all channels to isolate the ROC and to force its leaders to negotiate with Peking. If the ROC had softened its one-China policy before the coming of the détente period, it would have forestalled a series of diplomatic setbacks in the 1970s. As its diplomatic isolation has increased, the KMT leadership has been eagerly seeking an identity in the international community. Since the late 1980s, the ROC has pursued a "flexible and pragmatic diplomacy". It has worked for the development of intergovernmental relations with other countries no matter whether or not they have formal diplomatic relations with Peking. In other words, if a country which has formal ties with Peking wants to establish or resume formal relations with the ROC, then Taipei will not refuse to do so. Similarly, if the ROC is allowed to use an appropriate name and given appropriate status, it is willing to join or rejoin various international organisations even if Peking is already a member. "The desire to end a decade of diplomatic isolation is understandable, as are the benefits that success here might confer on an incumbent government facing a democratic election" (Niou 1992).
D. Diplomatic Context of Non-provocative Policy

Indeed, focusing on diplomatic recognition would assure Peking of victories and work to Taipei's disadvantage. There is little prospect that the major states will recognise Taipei at the expense of their relations with Peking. The diplomatic recognition game is one that Taipei can not win. Peking's goal is to further isolate Taipei and force it into its embrace and its strategy is to signal its resolve by withdrawing recognition from anyone who establishes formal ties with Taipei. Moreover, by focusing on states that matter little in international power politics, Taiwan may be paying too much for recognition. However, if the diplomatic initiatives contribute to Taiwan's access to international organisations such as GATT which impact on its economic performance, then those initiatives are worthwhile.

Hostility between Taipei and Peking has decreased in recent years, although the danger of war still exists. At present, both sides should try to avoid provoking each other on the sovereignty issue. Taipei must be careful not to lapse into a "two-Chinas" policy, while Peking should cease trying to isolate Taipei internationally as long as it adheres to "one-China". Peking's insistence on sovereignty is clearly incompatible with Taipei's emphasis on security. The more Peking emphasises sovereignty, the less comfortable Taipei feels about dealing with the mainland government, while Peking inevitably feels that Taipei's pursuit of security conflicts with its insistence on sovereignty. We are strongly convinced that any shift away from the "one-China" position, especially the context of a unilateral Taiwanese declaration to the contrary, would be viewed as highly threatening by Peking in a most fundamental way and thus would be immediately
destabilising. At best it would cause severe political turmoil with significant economic implications. At worst, it could plunge the region into war. Continued adherence to the “one-China” policy, therefore, appears to be in everyone’s political, economic and security interests.

2.2.6 The Search for Security Through Regional Collective Co-operation

Strategically placed between two of Asia’s most important sea lanes, the Taiwan Strait and the Bashi Channel, Taiwan’s security is closely related to that of the rest of Northeast Asia and indeed to the entire Asian-Pacific region. As a glance at the map would indicate, many view Taiwan as occupying a crucial nexus between the industrialised nations of Northeast Asia and the resource-rich countries of Southeast Asia and the Middle East. Today, the PRC and the United States are two key factors influencing Taiwan’s external security environment. However, to understand the ROC’s strategic value to the region and its own need for security, it is necessary to look at Taiwan from a broader perspective: the major trends and the developing sense of community within the Asian-Pacific region and the various factors that influence Taiwan’s role in the proposed regional groupings.

It is commonly recognised that "the Asian-Pacific region will be the dominant growth centre of the world by the end of this century; that is, a global shift in importance away from Europe to the Pacific is currently underway" (Ahmad 1980,11). A study by the Brookings Institution of Washington, DC, noted that "the Pacific Basin is the most dynamic region of the world" (Quoted in Rostow 1980, 18). And more.
than one commentator has pointed to the prophetic wisdom of US Secretary of State John Hay when he said, "the Mediterranean is the ocean of the past, the Atlantic is the ocean of the present, and the Pacific is the ocean of the future" (Cited in Lien 1994, 3).

Asia is unique in many important respects. It is probably the most heavily militarised region in the world and, unlike the European case, its security arrangements are predominantly bilateral. In this region neither has any multilateral security regime received much enthusiastic response, nor do there exist formal arms control agreements among the Asian countries comparable to those in Europe (Segal 1992, 83-101). Economically, Northeast Asian nations together with the members of the Association of Southeast Asian Nations (ASEAN) have registered the world's fastest economic growth. Despite the recent world-wide relaxation of tension, however, defence expenditures have tended to grow faster in both Northeast and Southeast Asia, as a result of their economic dynamism and vitality. The strategic situation in the region is fluid at this time. Contributing to that instability are the lack of a clearly articulated and consistently applied Asian policy by the United States, the shifting balance of power in the region, uncertainties surrounding Peking's leadership and its military expansion, the growing independence of Japan and the intensity of its defence debate, potential conflicts in the Korean Peninsula and the Taiwan Strait, the increasing vulnerability of vital sea lines of communication, and the disputes over the South China Sea. It is these strategic factors that make an analysis of the Asian-Pacific environment all the more important.

Countries in the region are relieved that the danger of global conventional or nuclear war involving the superpowers has been eliminated. Some have argued that Asian
countries would be free to concentrate on economic development or internal security without the problems of superpower rivalry spilling over into the region. Nonetheless, the security challenges that the Asian states face have become more complex and give rise to troubling dilemmas. "The cost for East Asia of its freedom from foreign rivalries is that it now has to deal with indigenous insecurities that have deep roots of their own" (Buzan and Segal 1995, 7). Now more than ever, the Asian countries are being compelled to direct attention and resources to external defence as the United States readjusts its presence in the region. The fear is that the United States may leave Asians to their own devices (Segal 1993, 47-60; Strategic Survey 1991-92, 211-218), and could create instability that may encourage external intervention. It seems that it is time for Asians to sort out their own security problems. "But so far there has been little serious thought in the region about how security might be handled" (Ibid, 53) and "what the regional pattern of security relations will be" (Buzan and Segal 1995, 8). Although various measures for security co-operation in the region have been proposed in recent years none has made any real progress. Regional economic co-operation is a fact of life in the Asia-Pacific, but while multilateral economic regimes like the Pacific Economic Co-operation Council (PECC) and Asia-Pacific Economic Co-operation (APEC) flourish, on the security front, co-operation has been far more difficult to achieve. The following examines some of the proposals for establishing security/dialogues and regimes in the region.

A. Proposals for Regional Security Co-operation
In addition to the economic forces of integration, there are also important political and strategic forces at work that are stimulating a renewed interest in multilateral security arrangements. These forces include:

-- The importance of sea transportation to countries bordering the Pacific Ocean.

-- The relative decline of the US Navy presence in the region and the emergence of the PRC.

-- The growing interdependence of the countries in the region, especially in economy and trade.

-- A growing sense of threat throughout the region caused by unresolved civil wars in the Korean Peninsula and Taiwan Strait, and potential violence in South China Sea.

-- A recognition of the need to cooperate in matters of security because of the lack of strategic depth in the region and the various geographical relationships that make the defence of one nation in the region dependent upon the security of another.

However, until now there has never been a region-wide multilateral security dialogue in Asia-Pacific. Even at a subregional level such dialogue has, until very recently, been rare. Regional security issues have been almost exclusively dealt with bilaterally. The establishment of a multilateral security dialogue in the Asia-Pacific region has therefore been a painstaking process. ASEAN had traditionally refrained from dealing with security or military issues. Additionally, most Asian states denied that there was a need for regional security dialogue, arguing that they had other
priorities, such as economic development and internal stability, and a different notion of security.

It was ultimately ASEAN which seized the initiative and brought the regional security dialogue concept to fruition. With greater exposure to the concept of common security, regional policy makers seemed to see a genuine need for managing their security dilemmas--such as the Spratly Islands dispute--to avoid creating misconceptions of intention, instigating a regional arms race, or, in the worst case, triggering armed conflict (Henderson 1992, 12). Since ASEAN has long been reluctant to engage in formal multilateral discussions on security issues, the elevation of security onto the ASEAN, PMC and ARF agenda represent a considerable shift in regional security thinking. There are a number of reasons for this. Perhaps the most important factor driving ASEAN to seize the initiative, however, was its realisation that if such a development was as inevitable as it now seemed, then it would be in ASEAN's interest to be in the vanguard. Moreover, the ASEAN states had come to realise that their organisation was beginning to enhance their influence both individually and collectively.

There is no doubt that support for the idea of multilateral security dialogues is much greater in Southeast Asia than Northeast Asia. Most of the regional proposals for security co-operation have come from Southeast Asia. While the ARF offers great promise, its contribution to forming a multilateral security institution for Northeast Asia is as yet unclear and remains in its nascent stages. Why have the Northeast Asia states been so much less forthcoming?

Perhaps the single most important reason is that relations between the key Northeast Asia states--Japan, the Koreas, the PRC and the ROC--are very different from those
between the ASEAN states. First, "at a first glance, relations among Northeast Asian
governments lack certain critical prerequisites for the establishment of such
institutions: a modicum of trust and mutual confidence and consensus on what the
means of co-operation should be" (Gill 1994, 149).

Second, the key security issues in Northeast Asia are nearly all bilateral. Most
regional states see the solutions to these problems lying primarily, if not exclusively,
in the relevant bilateral relationships.

Third, the absence of such institutions is rooted in complex factors of culture,
politics, identity and history (Higgott & Stubbs 1995, 516-35; Higgott 1996, 1-38),
upon which must be overlaid the more contemporary complexities of post-World War
II animosities, territorial disputes, and cold war legacies (Buzan and Segal 1995, 4-7).

In addition, the ARF does not include two key players from Northeast Asia--Taiwan
and North Korea--a situation which will take some time to resolve. The fact that
Taiwan is not a member makes discussion of Taiwan Strait security difficult.
Economic issues tend to be less sensitive than security issues, which may explain why
Taiwan has a place at the APEC table but not at the ASEAN PMC nor the ARF. Until
these membership gaps are resolved, crucial security-related problems cannot be fully
addressed. It is in Northeast Asia that the implantation of habits of dialogue on
security issues--and broader regional co-operation--will be most difficult to achieve.

B. The Regional Role of Taiwan

Irrespective of the erosion of its international diplomatic status, Taiwan has
maintained fairly extensive security relations with the nations of ASEAN. In fact, the
ROC shares critical security interests with the nations of Southeast Asia. The major sea-lanes of communication that pass through the Malacca Straits and along the Philippine Palawan, also traverse the Bashi Channel and the Taiwan Strait adjacent itself. In addition, the PRC has been unyielding in its insistence that it has sovereign control over almost all of the South China Sea, where these waterways are found—a claim that conflicts with those of the Philippines, Thailand, Malaysia, Singapore, and Brunei, as well as those of the ROC. Any effort to defend this area from a major navy would require naval capabilities that, at present, are notable in their absence. In such circumstances, small, high-speed missile boats would be ideal force supplements in the cluttered waters and narrow straits of the region, and Taiwan has the production facilities, the servicing capacity, and the disposition to supply them at affordable cost. Thus, in some areas, the ROC has the potential to become a major arms supplier. ASEAN may soon feel the necessity to provide for the defence of the narrow but strategically critical waterways.

Taiwan has so far been excluded from regional security dialogue, because none of the countries in the region recognise it as an independent political entity. Taipei is a member of APEC, but security matters are always kept off the agenda of APEC summits. The major obstacle to ROC participation in regional groupings is the sensitivity on the part of some Asia-Pacific nations to the views of Peking. It appears to many that under present conditions of improved relations among the United States, Japan, and the PRC, Taiwan's participation as an official member of any political based regional grouping would require careful consideration of the views of the PRC leaders.
ROC officials, however, refuse to accept the view that Peking's opinion should in any way influence Taiwan's participation in the various groupings suggested for the Asia-Pacific region. They insist that Taiwan's future role should be based upon the reality of its regional contributions and not be subject to pressures from Peking. Economically, the ROC is a newly industrialised country and stands midway between ASEAN and the more fully developed nations of the region. In addition to having excellent economic relations with the developed states, Taiwan's experience in economic development and intermediate technology is of great value to ASEAN and other developing nations. No matter from which perspective one views the situation, progress and prosperity in Taiwan are intimately bound up with the Asia-Pacific region. As an Asia-Pacific country, Taiwan cannot and should not place itself outside the integral development of the region. Thus Taiwan is seeking the establishment of an Asia-Pacific regional security organisation as a guarantee of its own security.

C. Taiwan’s Security Strategy

Apart from the Sino-American Mutual Defence Treaty, which was in force between 1954 and 1978, Taiwan has not managed to form any military alliances. Past attempts to join the Southeast Asia Treaty Organisation (SEATO) and ASEAN ended in failure. Although Taiwan assists Singapore in training its troops and its fleet does visit Indonesian ports from time to time, Taiwan is far from achieving the idea of a multilateral military consultation mechanism with the Southeast Asian countries. The Institute for National Policy Research has proposed a strategy of “connecting with South, approaching the North, and maintaining peace with the West”, which involves
allying with the countries of Southeast Asia, but the emphasis here is on economic co-operation rather than a military alliance (Hsu, Li & Shiau 1991, 152-60). ASEAN wants to preserve Southeast Asia as a zone of peace, freedom, and neutrality, and despite the fact that these countries have recently been paying more attention to military and security issues, it would be difficult for them to form an alliance with Taiwan for fear of upsetting the PRC.

Even though, President Lee Teng-hui has put forward the proposal of building an Asia-Pacific regional security organisation on many occasions, even going so far as to suggest certain concrete measures, such as a collective security guarantee fund, military cutbacks in Asia, and economic co-operation and the joint development of resources. These shared economic interests, Lee believes, would ensure peace and security in the region. Lee holds that this security system should not be directed at any one enemy and that all nations in the region, regardless of their ideological differences and political systems, should have the opportunity to join (Chung-yang jih-pao, September 18, 1992; Chen 1993).

Regarding the question of funding, Taiwan would certainly have to share the financial burden of collective security, as Washington’s allies did during the Gulf War and as Japan and South Korea are doing today by helping foot the bill for American troops stationed in their countries. Disarmament is also important as collective security will not function well without it; yet countries will be unwilling to disarm if collective security does not work. As for the role of the United States and Japan, under the Bush administration, the Asia-Pacific security structure was like a fan, with the US at the base and its bilateral alliances forming the slats. These were connected by the fabric of shared economic interests provided by the APEC process (Baker...
Bill Clinton favours the institution of multilateralism for security consultation in the Asia-Pacific. Turning to the question of joint development of resources, Taiwan has persistently encouraged countries with territorial claims in the South China Sea to set aside their disputes and discuss joint development. Unfortunately, yielding to the PRC's pressure, ASEAN has excluded Taiwan from ARF. However, Taiwan's absence will damage the functional integrity of the Forum, because such issues as the security of the Taiwan Strait and sovereignty over the South China Sea directly involve Taiwan (Lien-ho-pao, April 17, 1993).

Undeniably, without the PRC's support and participation, it will be hard to achieve a formal, structured regional security organisation. Fortunately, there is a growing consensus among the Asia-Pacific countries in favour of a loose dialogue mechanism similar to the Conference on Security and Co-operation in Europe (CSCE). This might be achieved in two ways. One is to include security issues in the APEC agenda; the other is to establish a regular security dialogue based on ASEAN and including its dialogue partners and observers. Therefore, Taiwan must continue to support the APEC process and make active efforts to become an ASEAN dialogue partner.

It is in Taiwan's interest to be included in the Pacific Basin Community. Taiwan's trade position would be enhanced, especially with the ASEAN nations, and it would no doubt benefit from any defence arrangements that might evolve. Also of great importance to Taipei is the fact that participation would give the ROC government renewed legitimacy in the eyes of the world community. Whatever limitations, if any, may be placed on the ROC's political participation in regional organisations, Taiwan will in all probability continue to play an important and influential role in economic affairs. "The primacy of economics over military power must be established as a
means for exercising regional influence" (Higgott 1996, 1-38). In a region characterised by economic growth and interdependence, Taiwan's economic strength can be translated into a degree of political influence. In addition, Taiwan has important historical, cultural, and strategic links with many of the region's most dynamic members. However, its positive contribution to regional affairs depends heavily upon continued prosperity and security.

Conclusion

In Chapter 2, we considered the military dimensions of Taiwan's security. The Chapter started by asking: Is the probability of military confrontation across the Taiwan Strait increasing or decreasing? There is little doubt on Taiwan that the PRC will eventually invade the island if it is able to do so at an acceptable cost and if Peking is unable to gain control of Taiwan in any other way. The short-term variables inherent in those conditions are infinite, but the long-term threat is itself a constant. The Peking leadership's recent behaviour has not helped to mitigate the fear. Military activities in and around the Taiwan Strait after President Lee Teng-hui's visit to the United States and the continuous waves of military exercises prior to Taiwan's presidential election have aggravated the already tense situation.

Despite continued military threats from Peking against Taiwan, a number of analysts believe they are no longer credible. It has broadly been acknowledged that the chances of military conflict between the two have become increasingly slim. Even if the threat were real, others argue, no government on Taiwan-be it KMT or DPP-would be so foolish as to provoke Peking by an explicit declaration of Taiwan independence.
Since a move to separate Taiwan from Chinese territory is thought to be the only trigger which would lead the PRC to use force against Taiwan, scholars from this school of thought therefore concluded that the probability of war in the Taiwan Strait is remote. Nevertheless, several trends discussed in Chapter 2 have given cause for concern that the PRC may be re-examining the utility of using force in the Taiwan Strait to achieve unification. These trends suggest that the threat environment in the Taiwan Strait during the 1990s will be characterised by a degree of uncertainty and differences of perception in Washington, Taipei, and Peking. Certainly, the PRC threat will remain and it will be perceived by some as growing. All the factors mentioned also suggest that the PRC must keep its military option as a possible way to solve the Taiwan issue. However, a major use of force against Taiwan seems unlikely without severe provocation on the part of Taiwan, although limited PRC military pressure to speed up the unification negotiating process may be possible.

A comparison between the military capabilities of Taiwan and the PRC is illuminating because it establishes one fact. The PRC is so overwhelmingly superior to Taiwan in virtually all categories of military force that the outcome of a struggle between the two Chinese governments is more likely to be decided by Peking's determination to pursue the fight than by an actual contest of military superiority. In other words, the cost of taking Taiwan would be enormous, but Peking has, or will have by the next decade, enough resources to accomplish the task if it elects to do so. Then, what are the most likely military options to be selected by the PRC should it decide to attack Taiwan? It has a variety of military options available. These range from low-level harassment at one extreme, through blockade, to an all-out attack, invasion, and siege at the other extreme.
After analysing Taiwan's insecurity dilemma and assessing the threats, it is necessary to explore further how Taiwan could cope with them and what national security policy Taiwan should establish. Some states seek security by maintaining strict neutrality; others seek it by joining alliances. Some seek security by confronting potential adversaries with military force; others seek it by trying to be accommodating "good neighbours".

Since seeking for alliance and nuclear weapons has proved impractical, what alternative measures could Taiwan adopt in order to reduce its vulnerability and prevent threats? The choice is straightforward for Taiwan. Owing to its status as a weak state, structural incapacity for offence, and the power asymmetry compared to the PRC, a more appropriate policy for Taiwan to adopt in order to survive is "non-provocative defence", which means "making the country hard to attack, expensive to invade, and difficult to occupy".

A state like Taiwan whose aim is defensive will prefer deterring an adversary such as the PRC to having to fight. In order to make deterrence credible, Taiwan has to devote considerable effort to trying to persuade the PRC that it would indeed defend itself despite the odds against it. Like most states, Taiwan prefers not to have to fight. Fighting is not always necessary. But its goal in fighting must be to make the cost of victory higher than the gains of victory can justify. As mentioned earlier on page 5, "A nation is secure to the extent to which it is not in danger of having to sacrifice its core values if it wishes to avoid war, if challenged, to maintain them by victory in such a war".

By employing non-provocative defence strategies, Taiwan could signal to the PRC unambiguously defensive intentions. Such strategies act to dispel the suspicion,
tension and hostility which can not only minimise the probability of crises occurring, but remove entirely all incentives for the PRC to resort to pre-emptive or preventative war.
Chapter 3

Political Dimensions of Taiwan’s Security:

The Impact of the Taiwan Independence Movement on Taiwan’s Political Stability and National Security

Although Taiwan’s security suggests a focus on the military sector, the idea cannot be properly comprehended without bringing in the actors and dynamics from the political and economic sectors. Taiwan’s security problem turns out to be a systemic security one in which political and economic sectors are as important as military ones. The concept of security binds together these sectors so closely that it demands to be treated in an integrative perspective. Therefore, in evaluating the security problem of Taiwan, one should also take into account the peculiar features of politics in Taiwan.

In Chapter 3 we extend the dimensions of security from the military to the political by examining the impact of the Taiwan independence movement on Taiwan’s security. We start by tracing back to the historical background for the emergence of Taiwan independence movement. We examine the TIM’s theoretical justification for the claims on the uncertainty of Taiwan’s legal status and the right to self-determination and argue that Taiwan independence is neither feasible nor possible because of the combination of domestic, cross-Strait and international factors. We then push the analysis forward by exploring Taiwan’s political development and the implications of political reform for domestic stability and security and for cross-Strait relations.
In just a few years, self-determination has accelerated the collapse of the former Soviet Union and Yugoslavia, replaced totalitarian and authoritarian regimes with democratising or democratic regimes, and ignited and sustained civil wars all around the globe. It threatens to tear apart such newly formed or reborn states as Russia, Georgia and Moldova, and even to trigger regional wars in the Balkans, the Middle East and the Caucasus. As Hedley Bull observed a decade ago: "The territorial integrity of many states old and new is now more threatened by separatist violence within their frontiers than by violence from outside" (Quoted in Chubin 1989, 246). According to Rosen and Jones, nationalism (separatism) and nationalist movements are the second among the twelve causes of war, and the main link between nationalism and war has been the survival of separate identities among populations whose geographical distribution differs from the international boundary lines (Rosen & Jones 1980, 309-310). Thus the link between nationalism and war today operates most importantly through militant territorial and political demands organised around certain principles of ethnic, linguistic, religious, and racial we-group identities. Hence, "it is clear that national identity is a central component of the security problematique whether or not it lines up with the state" (Buzan 1991, 72).

To the PRC, Taiwan is an integral part of the territory controlled by the sole legal and legitimate government of China. Any advocacy or movement of Taiwan independence which violates the "One China" principle would be rejected by the PRC. Based on the scenarios for the use of force by the PRC illustrated in Chapter 1, the most likely one under which the PRC would invade is if and when Taiwan declares itself independent; and that is the most dangerous one for Taiwan, because an
independent Taiwan would have implications for China's hold on Tibet, Sinkiang, and Inner Mongolia and there would be strong reaction inside the PRC to any Chinese leader who acquiesced in an independent "Republic of Taiwan" (Klintworth 1994). At the same time, Taiwan independence might cause internal upheavals on the island and thereby limit the ROC's capacity to mobilise resistance against external threats, and consequently might invite PRC aggression. In history, it has been extremely seldom that a government with internal chaos can successfully repulse a formidable enemy's invasion.

Therefore, how did the Taiwan Independence Movement (TIM) emerge and evolve? What is its theoretical framework? What may be the impact of the TIM on Taiwan's social and political stability, national security, and on the cross-Strait relations? What are the attitudes from both the ROC and the PRC toward the TIM? Will it be possible and feasible for Taiwan to declare independence? What measures should the ROC government adopt in order to pacify the increasing TIM? And what are the critical issues confronted by the KMT regime as it proceeds with democratic evolution and political liberalisation? All these will be discussed in detail in this chapter.

3.1 Historical Background for the Emergence of Taiwan Independence Movement

3.1.1 Domestic Political Factors
When Taiwan was returned to the ROC in 1945, the Taiwanese welcomed the Chinese Nationalists with open arms. However, facing the large-scale civil war activities in many provinces of China, and having been surprised by the sudden end of the war against Japan, the then Nationalist Government (ROC) was ill-prepared for the tasks of take-over and psychological reintegration of Taiwan, which since the Sino-Japanese War of 1895 had been for half a century under Japanese rule. On October 25, 1945, General Chen Yi, a former governor of Fukien, was installed as governor in Taipei. Chen Yi was regarded as a liberal member of the political science clique of the KMT. He was welcomed by the local Taiwanese, but within months the native population complained that "the dogs go and the pigs come" (Lin 1993, 19). Chen Yi's administration treated Formosa as a conquered province and its inhabitants as a subjugated people.

Wartime poverty caused many of the administrators and soldiers arriving from the mainland to engage in acts of corruption or extortion. There was a severe language barrier, because few of the arriving mainlanders were able to speak or to understand the local Taiwan dialects, while the Taiwanese had mostly not been taught to speak Mandarin. The breakdown of the Japanese administration was followed by inflation and economic chaos. In addition, the political and economic systems had not yet been put back on the rails. The mainlanders, who were seeking to assert their leadership role in all spheres of public life, lacked the knowledge and competence necessary for dealing with this particularly difficult situation. The millions of Taiwanese very soon felt disappointed and antagonised. Inefficiency and corruption ruined the prosperity of the island and drove the people to revolt. To suppress the rebellious and bitter Taiwanese, the mainlanders used blackmail, bribery, secret police, and ultimately
cold-blooded murder. On February 28, 1947, the mishandling of investigations by the Taiwan Tobacco and Wine Monopoly Bureau into the private selling of contraband tobacco led to protests and rioting. It snowballed into a major uprising, and precipitated the so-called "Tobacco Massacre" in which hundreds of intellectuals and innocent Taiwanese were killed. The number of victims is still not clear today. In the early stages, the government sent in the army to restore the order. But it was only when the incident was over and things were gradually calming down that reasons were found for arresting and executing many of the Taiwanese elite. Though General Chen Yi was recalled and executed for his brutality, the incident had happened, an irremediable tragedy of history had been made.

During the Japanese rule most uprisings and home rule movements reflected the participants' anti-Japanese attitude instead of any intention on their part to create an entity permanently divorced from China (Shaw 1979, 24-30; Wang 1993, 1). The post-1949 independence movement, however, no longer has loyalty to the "great China unity" concept, but has been instead a secession movement not unlike those found elsewhere in the world. The incident cast the shadow of separatism over the Taiwanese people. The incident was blown up and magnified by Taiwan Independence advocates. Although that rebellion was ruthlessly put down, leaving bitter memories behind, which accentuated the cleavage between mainlanders and Taiwanese, herein lies the root cause of conflicts that have plagued Taiwan society ever since. It was thus that, with living together having already given rise to much friction, added to the occurrence of the bloody incident, the scars between the two newly integrated groups grew ever larger and the suspicions deeper.
The tragic February 28 Incident was clearly an act of civil disobedience against repression and in no way represented an effort on the part of the Taiwanese to seek independence from China. It has, however, been regarded by TIM groups as their first revolutionary action against "foreign" Nationalist Chinese rule. On the other hand, the Nationalists considered the Incident communist-inspired because the Taiwanese Communist Party was instrumental in leading the uprising in Central Taiwan (Kerr 1965, 278-280). Interestingly, the Chinese Communist Party regarded the incident as one of its achievements during the civil war of 1946-1949 with the Nationalists. During the 1970s, Peking-supported leftists in the US competed with TIM groups to commemorate each year February 28 by organising various activities. Meanwhile, it is noticeable that Taiwan Independence advocates have commemorated and played up the incident every year and take it as a means to oppose the ROC government.

The "February 28 Incident" (Erh-Erh-Pa Shih-Chien) took place more than 40 years ago. The taboos surrounding it have been gradually lifted but the passions are still not completely exhausted. Abundant source materials are streaming out and victims are still around, but the truth about the incident often gets distorted for the sake of politics. "This dead-lock must be resolved, otherwise, it will become the everlasting invisible wound in the deepest parts of hearts of Taiwanese people, and the inflammatory excuse of conspirators" (Lin 1993, 19).

Since July 1992, the ROC government has set up a task force to register the number of victims of the February 28 Incident and make preparations for public apologies, paying compensation, and building a memorial. Official historical material and research reports on the incident are also coming to light in a steady stream. All these activities show that the ROC government is sincere in coming to terms with the
feelings of this painful period. By doing so, not only will this not lose government prestige, on the contrary, many of the irrational barriers will disappear without a trace.

3.1.2 The Interplay of International Factors

Where the international background is concerned, Japan and the United States played a major part. Before World War II, Japan regarded Taiwan as an unsinkable aircraft carrier, and as a launching pad for the invasion of China. After her surrender, Japan was unwilling to abandon Taiwan. The Japanese thought that if the colony of Taiwan became independent, then reversion of Taiwan to Japan might take place. So Japan instigated, cultivated, and stirred up undercover activities of the Taiwan Independence Movement from every angle.

All the parties in Japan asserted and maintained the policy of "One China, One Taiwan", and explained that "the ROC Peace Treaty with Japan in 1952 only served to detach Taiwan from Japan but fell short of attaching Taiwan to Nationalist China" (Ma 1988, 17). As a matter of fact Japan was obliged to give up Taiwan under duress, but could not really acknowledge the retrocession of Taiwan to China. On February 28, 1956, the Japanese Premier made a public statement in order to prove the theory that Taiwan did not belong to the Chinese, and he opposed the Cairo Declaration. He said it had no legal status since Japan renounced her sovereignty over Taiwan and the Pescadores (Wang 1993, 5). In other words, Taiwan's status was ambiguous and undefined. From the Japanese point of view, even if Taiwan could not be returned to Japan, it should become a Japanese satellite state.
Therefore, the initiators of the TIM were, ironically, the Japanese. When the Japanese Emperor broadcast, on August 15, 1945, to his subjects to surrender to the Allied Forces, certain Imperial Army officers in Taiwan denied the authenticity of the announcement and planned to fight to the last man. General Rikichi Ando, then governor general of Taiwan and commander-in-chief of the armed forces on the island, insisted upon a peaceful capitulation (Kerr 1965, 62). Those intransigent officers, along with their Taiwanese collaborators—most of them were great landlords, financial tycoons, highly placed functionaries—and criminal elements of the Japanese army, who were loyal to Japan at that time, then proposed an "independence movement" to head off potential retaliation by the newly liberated Taiwanese. Rebuffed by General Ando as "a mischievous and dangerous suggestion" (Ibid, 65), they secretly formed the first TIM organisation.

During the February 28 Incident in 1947, some TIM advocates were involved in the uprising. When these TIM elements got wind of troop reinforcements coming from the Chinese mainland, they fled the island to Japan, and established there a "Taiwan Democratic Independent Party" in 1950, a "Provisional Government of the Republic of Taiwan" in 1956, and set up an intermediate regime whose national flag was the picture of a sun and a half moon which implied Japan and Taiwan. They placed emphasis on the self-determination of the Taiwan people. They called for overthrowing the Nationalist government and setting up an independent state of Taiwan to be governed by Taiwanese. Their publications elaborated the historical and legal arguments for regarding Taiwan as a political entity separate from China.

Under the impact of the incident and the approaching defeat and fall of the Nationalist Government on the mainland, a small group of Taiwanese separatists and
some American authorities began to draft reports and develop scenarios for a separation of Taiwan from the rest of China to be legitimised by a UN- or US-supervised plebiscite of the Taiwanese people. Ambitious American elements utilised the disappointment and discontent of the Taiwanese toward the mother country as well as the cleft brought about by the February 28 incident to launch a movement to separate Taiwan from China. Moreover they also encouraged public opinion to favour the placing of Taiwan under trusteeship, saying that since the ROC Government was incompetent even to rule China proper, naturally it could not rule Taiwan successfully. From the above fact we can plainly see the attempts of ambitious American elements.

"They are availing themselves of the critical war situation in China to carry out their design of positively winning over the gentry in Taiwan to promote the movement for placing Taiwan under trusteeship" (Pilcher 1972, 474).

Led by Dr. Liao Wen-i (Thomas Liao), the separatists formed in 1948 a "League for the Re-Emancipation of Formosa". This organisation sent out appeals to the UN and to many other authorities in the US and abroad suggesting an American military occupation of Taiwan for the dual purpose of preventing its conquest by the Chinese Communists and of becoming a trusteeship (Lin 1993, 39). Liao voiced an appeal that the US would assist a Taiwanese revolt and stressed his hope that, following the revolt, American army units in Formosa would assist in disarming Government forces (Cabot 1974, 276). In a memorandum from the Formosan Democratic Independent Party to the US Consulate General at Taipei entitled "Appealing for a Prompt Action", Chen Fong-chu claimed that "the duty and responsibility of protection of Formosa must fall upon USA to drive out the unwanted KMT elements from our island" (Edgar 1974, 334).
Surprisingly, similar proposals were developed and discussed internally by American authorities. From the strategic viewpoint, the control of Taiwan would enhance the potential value to the United States as a war time base for staging troops, strategic air operations and control of adjacent shipping routes. Thus the policy set forth in "Draft Report by the National Security Council on the Position of the United States With Respect to Formosa", NSC 37/1, 37/2 and 37/5 all concluded that "It would be in the interest of US national security if Communist domination of Formosa could be denied by the application of appropriate diplomatic and economic steps" (Foreign Relations of the United States 1949, 1974, 271-75), meanwhile, the US should "put itself in a position to intervene with force if necessary" and added that the US Department of State had supported this position. The report also recommended that the US should "seek discretely to maintain contact with potential native Formosan leaders with a view at some future date to being able to make use of a Formosan autonomous movement should it appear to be in the US national interest to do so" (Ibid, 274-295).

George F. Kennan, the influential director of the State Department's Policy Planning Staff, argued in a secret memorandum of July 6, 1949 that "the only reasonably sure chance of denying Formosa and Pescadores to the Communists and insulating the islands from mainland authority would lie in the removal of the present Nationalist administrators [by force] from the islands and in the establishment of a provisional international or US regime..." And he also pointed out that "Formosan separatism is the only concept which has sufficient grass-roots appeal to resist communism" (Kennan 1974, 356-362). Although scenarios of this nature did not become the official policy of the US government due to the basic reforms carried out by the Nationalist Government on Taiwan and the outbreak of the Korean War, they were quite indica-
tive of certain American trends of thought considering ways and means by which effective control of Taiwan could be denied to either Communist or Nationalist China.

The earnest US support for the TIM not only appeared in words, but in action as well. The US even attempted to persuade General Sun Li-jen, a Virginian Military Academy graduate, to betray Generalissimo Chiang Kai-shek and declare Formosan autonomy (Flexer 1974, 263), which resulted in General Sun being put under life-long house arrest (Wang 1993, 4). The US became the base for the TIM in the late 1960s. Besides the US government, the TIM has been strongly backed by American scholars such as John King Fairbank, George Kerr, Kent Christiansen, Robert Wesson, Michael Reisman, and politicians such as Claiborne Pell, Ted Kennedy, Stephen Solarz and Jim Leach. They were all sympathetic to the goals of TIM. Fairbank, a professor at Harvard University, often advocated a policy of "One China, One Taiwan". In support of Taiwan Independence, some organisations were established in America. However, the American government looked upon those organisations as illegal, and inciting riot and unrest (Kupperrman & Trent 1979, 186).

3.2 Theoretical Justification

3.2.1 Taiwan Nationalism

The TIM advocates claim that the Taiwanese are indigenous to the soil and have farmed the land for four hundred years with a population of about fourteen million people, who diverged in the history of self-development from the Chinese
mainlanders in that they were possessed of special attributes acquired through half a century of Japanese occupation (Li 1980, 79). In other words, Taiwanese culture is closer to the Japanese one. Furthermore, Taiwan had experienced such a considerable period of colonial rule that the result was a hybrid culture composed of Japanese and Taiwanese elements. Robert Wesson contends that the people on Taiwan and those on mainland China have a different culture, different languages, literature, music, and arts (Quoted in Tzou 1992, 70-84).

The TIM advocates insist that the Taiwanese are distinct from the Chinese. Because of this insistence, the inference was drawn that Taiwan should become an independent country outside of China, according to George Kerr, a friend of Taiwan Independence advocates. He argued that, as a result of their special history, the Taiwanese were only as "Chinese" as the Americans were "British" (Kerr 1966, 453). He pointed out that the Taiwanese were a mixed by-product of Indonesian, Malaysian, Spanish, Dutch, English, and French rule. Some independence advocates declared that the Americans of 1776, though descended from English stock, were distinctly American by then. Thus the Taiwanese for a long time were not Chinese (Li 1980, 79).

The Taiwan Independence advocates considered that Taiwanese and mainlanders are heterogeneous elements which cannot be easily combined, so the Taiwanese had the right of self-determination and independence. However, the advocates gave a variety of justifications for Taiwanese separateness (Ma 1988, 30). They divided Taiwanese residents into two kinds. One was the ruling class, who were immigrants from the Chinese mainland, and they comprised a population of about 600,000 at most. The other was the ruled class which counted 400,000 aborigines organised into ten clans or tribes, and native Taiwanese numbering fifteen million which consists of Chinese
immigrants long since domiciled in Taiwan and their descendants. The second theory defined the true Taiwanese as immigrants from the mainland who have pioneered agricultural settlements for several generations. These Taiwanese shared the same language, living environment, culture, and experienced a common struggle for survival for a long time, thus differentiating Taiwanese society from Chinese society more and more.

3.2.2 Uncertainty of Taiwan's Legal Status

The uncertainty of Taiwan's legal status has long been the focus of argument and controversy. The advocates of it are not only the people who support the TIM, but also Americans and Japanese (Foreign Relations of the United States 1949, 1974, 273; Lin 1993, 58). Kent Christiansen claims that Taiwan residents have the right to self-determination and proposes that Taiwan should be placed under UN trusteeship so that its future status can be determined (Quoted in Tzou 1992, 70-84). Michael Reisman interprets international pacts to conclude that Taiwan does not belong to China (Reisman & Weston 1976, 224-5). The purpose of their platform is to find common ground for Taiwan Independence.

They have conceived the idea that the status of Taiwan is still an unresolved problem arising out of World War II. Their view is that Taiwan was not a part of the territory of the ROC at the conclusion of World War II and that it has not been Chinese territory in this century, since Japan took over the island in 1895 as the result of the Sino-Japanese war. The Cairo Declaration of 1943 announced as a war aim the return of the island to Chinese sovereignty, and the Japanese renounced its sovereign claim.
upon it in the San Francisco Treaty in 1951 and the Sino-Japanese Peace Treaty in 1953 but the ownership of Taiwan and Pescadores was not specified.

Another point raised by some Taiwan Independence advocates is that China ceded the territory of Taiwan to Japan under the Shimonoseki Treaty. However, Japan has not returned Taiwan to the ROC according to any official treaty.

3.2.3 The Right to Self-Determination

Self-determination has always been strongly advocated by opponents of the ruling party. The slogans of such advocates have been that Taiwan's future should be determined by all of the Taiwan people and that they should enjoy the freedom to advocate Taiwan Independence (Li 1980, 85). They consider "the right of peoples and nations to self-determination is a fundamental human right" and "all peoples have the right of self-determination" (General Assembly Resolution 2200, 1966, 49-58). No government is possessed of the right to decide on its own the political future of Taiwan. According to its declaration in April, 1988, the DPP will stick to the advocacy of Taiwan Independence under four conditions: (1) if the KMT should seek a compromise with the CCP; (2) if the ruling party should "sell out" the interests of the people of Taiwan; (3) if the PRC should endeavour to take Taiwan by force; or (4) if the KMT should fail to implement genuine political reforms (Hoon 1988, 52).

3.3 Criticism of the Theories

3.3.1 Taiwan's Historical Origins
From any point of view, especially those of history and demography, Taiwan is part of China. Archaeological studies show that mainland Chinese culture was the main basis for Taiwan's culture (Chang 1977, 11). Chinese historical records reveal that Ho Man, a Chinese navigator, arrived in Taiwan during the Sui Dynasty in the year 605 AD (Quoted in Tzou 1992). Chinese settlement in Taiwan dates back as far as the twelfth century AD, but not until the seventeenth century did large groups of Chinese begin to enter Taiwan. When the Dutch were colonising Taiwan, China was going through a period of strife. In 1644 China was invaded by the Manchus, who overthrew the Ming Dynasty in the north; the struggle continued for many years in the south, and the people suffered. In addition, Japanese pirates constantly ravaged Chinese coastal provinces. Consequently, thousands of people began to pour across the Taiwan Strait to the island. During the years from 1624 to 1644, over 25,000 Chinese families emigrated to Taiwan (Hsieh 1967, 90).

From the 1500s, Taiwan was successively invaded by the Portuguese, the Spanish, and the Dutch. The Portuguese were the first to sail into the Taiwan Strait in 1517. Moved by the beautiful Taiwan coastline, they excitedly called the island "Ilha Formosa" (the Beautiful Island). In 1626, the Spanish occupied the northern part of Taiwan and they were driven away by the Dutch in 1642 who then occupied the entire island. In 1661, Cheng Chen-kung, a Ming general, recovered Taiwan from the Dutch. After the Ch'ing Dynasty took over Taiwan in 1683, efforts were made to develop the island. However, defeated in the 1895 Sino-Japanese War, the Ch'ing Dynasty ceded Taiwan to Japan by the Treaty of Shimonoseki.
Whether the island was under the rule of Dutch or of the Japanese, the majority of the population of the island were, as now, Chinese. During the 50 years of Japanese rule, the Japanese represented only about 5 percent of the population; the rest were Chinese. The view raised by the TIM advocates that Taiwanese are not Chinese ignores Taiwan's situation; for the true Taiwanese or the Formosans are the aborigines, who now live in the central mountains and represent only about 2 percent of the total population. The so-called Taiwanese are the Chinese who were born on the island and who are descendants of the mainland Chinese. The early migrants came from China's overpopulated coastal provinces of Fukien and Kuangtung in the seventeenth century; the latter ones (so-called mainlanders) came during the years between 1945 and 1949. After World War II, when Taiwan was returned to China, many of the inhabitants of the island--after 50 years of Japanese rule--had forgotten their Chinese language and customs. They spoke Japanese and clung to Japanese customs. Naturally there developed misunderstandings and suspicions, inspired by the Japanese remaining on the island. At present, the younger generation all speak Chinese, and much intermarriage has occurred between the "mainlanders" and "Taiwanese".

In addition, China is a vast country with more than 100 dialects. Varied geographical and climatic conditions have ensured that the Chinese people do not have identical habits and customs. Chinese opera and other arts, for instance, have distinct local characteristics. Nevertheless, a unique Chinese culture has developed. By suggesting that Taiwan is not Chinese because the mainland and Taiwan have different literatures, music, arts, and languages, the TIM elements and Robert Wesson merely show their ignorance of China.
Moreover, Chinese culture served as the melting pot for different cultures, which combined harmoniously into a homogeneous whole. Even if Taiwanese were not Chinese, it does not mean that Taiwanese cannot become Chinese through natural assimilation. Even if it is a fact that a Taiwanese clan system exists, it cannot justify the claim that Taiwan does not belong to China. The reason is that people of mixed stock can combine to form one country. And the insistence that the Taiwanese are distinct from the Chinese goes clear against historical evidence, for Taiwan belonged to China during the Ming and Ching Dynasties and the Cairo Declaration made this a fact. It is also a fact substantiated by all evidence that the ROC has been developing Taiwan for more than forty years. From what has been mentioned above, it is clear that those theories are fallible and legally untenable. The Taiwan nationalism employed by the TIM elements is merely one among many tools designed to acquire political power, it represents a search for political identity rather then a reaffirmation of cultural identity (Breuilly 1982, 44-45).

3.3.2 Taiwan's Legal Status

As noted above, Taiwan was originally Chinese territory and was ceded to Japan by the Treaty of Shimonoseki. The 1943 Cairo Declaration jointly issued by the heads of government of the United States, Britain, and the ROC clearly stated that: "all the territories Japan has stolen from the Chinese, such as Manchuria, Formosa, and the Pescadores, shall be restored to the Republic of China" (Foreign Relations of the United States 1943, 1972, 448). This principle was reiterated in 1945 in Postdam by
the heads of the three governments (Foreign Relations of the United States 1945, 1974, 1474).

Article 4 of the 1952 Sino-Japanese Peace Treaty reads: "It is recognised that all treaties, conventions and agreements concluded before December 9, 1941, between China and Japan have become null and void as a consequence of the war (Chiu 1979, 245-48). The Treaty of Shimonoseki was thus legally annulled by this later treaty signed between China and Japan. Article 2(b) of the Multilateral Peace Treaty of Allied Forces with Japan also states: "Japan renounces all rights, title, and claim to Formosa and the Pescadores" (Nicholls 1972, 724-41; Aandahl 1977, 1025). When Japan gave it up, it should thus logically be returned to its original owner, China. At the time of Cairo Declaration, however, the Chinese government was that of the Nationalists. The Japanese renunciation obviously could not specify any particular government or regime. In October 1945, the ROC officials formally accepted the surrender of the Japanese forces in Taiwan and took the island over from Japan, declaring it to be once more incorporated into the territory of China.

Yet why did the 1951 Peace Treaty with Japan not specify Taiwan's restoration to China? It was mainly because of the complicated international situation at the time of the treaty's conclusion. With the June 1950 outbreak of the Korean War, the US dispatched the Seventh Fleet to defend the Taiwan Strait to prevent the Chinese Communists from "liberating" Taiwan. The US policy at that time was: if Taiwan is openly recognised as part of China, then the US Navy's defence of Taiwan would be interference in China's civil war, so all the better to leave Taiwan's status undetermined. Besides, "there appeared to be a real possibility that the General Assembly of the United Nations would recommend turning the island over to the
Chinese Communists...and it had been thought advisable to leave the status of Formosa undecided" (*Foreign Relations of the United States* 1951, 1977, 932). When drafting the Peace Treaty with Japan, the US thus deliberately avoided specifying the return of Taiwan to China and just stated Japan's renouncement of all rights, title, and claim to Taiwan and the Pescadores. It was "with a view to avoiding dispute as between "China" and "the Republic of China" and also to avoid a result which would end any basis for international concern regarding the future of Formosa such as was the basis for the President's order to the Seventh Fleet" (Ibid, 1052). The US and Britain agreed that neither the Nationalist government nor the Chinese Communists would be invited to the San Francisco Conference, and neither of them should be included as a signatory of the treaty (Ibid, 1105-1348).

However, the 1954 Sino-American Mutual Defence Treaty specified that the US recognised Taiwan as China's territory (Chiu 1979, 227-29). The notion that Taiwan's status was an unsettled question was also denied in three communiqués jointly issued by the US and the PRC. The 1972 Shanghai Communiqué stated that "the US acknowledges Taiwan as a part of China". This principle was reiterated in both the 1978 Joint Communiqué on the Establishment of Diplomatic Relations and the Joint Communiqué issued on August 17, 1982. Thus, the legal status of Taiwan is clear and certain. Taiwan is part of China; no other country can claim sovereignty over it.

### 3.3.3 The Applicability of Self-Determination to Taiwan

The end of the Cold War was accompanied by a resurgence of nationalism. In most parts of the world, there exist states that have either already split or are on the verge of
doing so. Because in many of these cases (in Quebec, as much as Lithuania and Ukraine) nationalists claim to be democrats, the conventional interpretation of the principle of national self-determination is now under more intense pressure than at any time since World War II.

The evolution of the concept of self-determination is often traced back to the American and the French revolutions in the eighteenth century. Then it quickly spread to Latin America and the rest of Europe, sparking wars of national liberation which ultimately led to the emergence of new states. It was, however, only after the First World War that self-determination started taking a definite shape. US President Woodrow Wilson was a pioneer in contributing to the theory of self-determination during this period, by incorporating it in his famous fourteen points (Lansing 1921, 314-5). Self-determination was offered as a formula for a peaceful and harmonious world. It would give each 'people' living in the former territories of the defeated empires (German, Austro-Hungarian and Ottoman) their own state with their own government.

Two Articles of the United Nations Charter specifically mention the principle of self-determination. Article 1(2) states that one of the purposes of the organisation is "to develop friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples..." (Hajnal 1978, 331; Evans 1991, 8). Article 55 states that the United Nations will promote certain objectives:

"with a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples" (Ibid, 341).
According to Cobban, "...the principle of self-determination is, in general terms, the belief that each nation has a right to constitute an independent State and determine its own government" (Cobban 1969, 4). Starke argues that "it connotes freedom of choice to be exercised by a dependent people through a plebiscite or some other method of ascertaintment of the peoples' wishes" (Starke 1972, 136). These definitions leave one in the dark with respect to the exact concept of self-determination and raise questions. Who are these 'selves' who are entitled to self-determination and what is the precise nature of 'nation', 'groups' and 'people'? "The expression itself gives no clue to the nature of the self that is to be determined; nor does it provide any enlightenment concerning the process of determination or the source and the extent of the self's putative right to this process" (Buchheit 1978, 9-10).

No attempt has been made to define self-determination, specially because the UN General Assembly never got around to defining precisely what a 'people' is and what are the criteria for identifying a 'people' as such. Thus, the answers to these questions have changed radically over time and there is still no consensus. TIM elements have repeatedly claimed that Taiwan's future should be determined by all of the Taiwan people. However, according to Sir Ivor Jennings: "On the surface it seemed reasonable: let the people decide. It was in fact ridiculous because the people cannot decide until somebody decides who are the people" (Jennings 1956, 56).

TIM elements also claim that all peoples have the 'right' to self-determination. Nonetheless, there has been and still is much debate and controversy over whether self-determination is a right or a principle. Rosalyn Higgins concludes from her twenty years of study of United Nations practice that "it seems inescapable that self-determination has developed into an international legal right" (Higgins 1969, 103).
Brownlie holds the same view that self-determination is a "legal principle" (Brownlie 1979, 577). Sureda also points out that within certain limits "there has been a consolidation of the right of peoples to self-determination as a legal right" (Sureda 1973, 17).

On the other hand L. G. Green has maintained that it is a political right and not a right under international law (Quoted in Buchheit 1978, 129). Leo Gross finds that nowhere in the UN Charter has the right to self-determination in the legal sense been established (Gross 1971, 19). So far as self-determination within the traditional colonial situations, existing at the end of Second World War is concerned, the development of the decolonisation process leaves no doubt that it has achieved the form of a principle.

Nevertheless, "the recognition of this principle in a certain number of international treaties cannot be considered as sufficient to put it upon the same footing as a positive rule of Law of Nations" (Quoted in Alston 1992, 126). Gros Espiell believes that the right to self-determination is *jus cogens*, but only in a very limited form:

The United Nations has established the right of self-determination as a right of peoples under colonial and alien domination. The right does not apply to peoples already organised in the form of a State which are not under colonial and alien domination, since resolution 1514 (XV) and other United Nations instruments condemn any attempt aimed at the partial or total disruption of the national unity and the territorial integrity of a country (quoted by Hannum 1990, 46).

Thus, existing states which have been invaded or controlled by foreign powers have a right to self-determination, i.e., the right to overthrow the invaders and re-establish independence. However, this does not imply that any non-colonial 'people' within an existing state such as Taiwan could acquire the right to independence or self-
determination under international law. "The principle of self-determination would be invoked only for the liberation of colonial peoples and territories. It was not to be construed as implying the right of individuals within nations to express their special ethnic, cultural or religious characteristics or the exercise of the democratic method in internal affairs" (Moskowitz 1968, 160-1). Emerson also concludes that "what emerges beyond dispute is that all people do not have the right of self-determination. They have never had it, and they will never have it" (Emerson 1971, 464).

Since Taiwan is an existing independent sovereign state and not under colonial or alien rule, the claim of Taiwan Independence and the right to self-determination is unjustifiable and should not exist. Moreover, the lack of popular support for a separatist movement from the results of various central and local elections has clearly revealed that the TIM lacks both the power, and the right, to succeed.

3.4 The Feasibility and Possibility of Taiwan Independence

On the crudest level, the TIM elements' demand for self-determination may be seen as a simple rhetorical flourish with at best some moral appeal but wholly lacking in legal significance. The concept of the right of self-determination of peoples, "on the face of it, appears to be quite obvious and self-evident, but in reality, it is one likely to cause greatest upheavals in the modern world" (Saxena 1978, 21). Robert Lansing concluded that self-determination:

is one of those declarations of principle which sounds true... but which, when the attempt is made to apply it in every case, becomes a source of political instability and domestic disorder and not infrequently a cause of rebellion (Lansing 1921, 101)
Eleanor Roosevelt also raised questions by asking:

Does self-determination constitute a right of fragmentation or a justification for the fragmentation of nations? ...regardless of the effect upon their internal stability and their external security, regardless of the effect upon their neighbours or the international community? Obviously not (Lent 1971, 293).

Nevertheless, is it possible for TIM and DPP elements to declare Taiwan independence? It is fair to say that historically the TIM did have its political and social roots. However, as Taiwan progresses toward economic prosperity, political democratisation, and social equality rarely found in other parts of the developing world, people on the island have become increasingly content with the status quo and accordingly abhor violent change as advocated by TIM leaders. In other words, the TIM's very appeal is disappearing, if still existing. Although pro-independence sentiment has grown on the island, public opinion polls (see Table 3-1) consistently reveal that a vast majority of the island's populace still do not support such a move.

Nevertheless, some have argued that "given a free choice...a sizeable majority of Taiwan's 19.5 million people would support the idea" (Far Eastern Economic Review, May 14, 1987). The KMT's disappointing showing in the 1992 Legislative Yuan election should not be interpreted as a vote for separatism. Furthermore, Taiwan's military might not tolerate independence. Former Premier Hau Pei-tsun, formerly ROC's Defence Minister, has cautioned that "the ROC armed forces will not defend Taiwan in the cause of independence" (Free China Journal, December 25, 1989). He has also warned that "if our country's name and national flag are changed by advocates of independence, they are not worthy of our loyalty" (Ibid).
### Table 3-1

**Percentage of Taiwan's Population Pro-and Against-Independence**  
(September 1989-January 1995)

<table>
<thead>
<tr>
<th>Month</th>
<th>Pro (very)</th>
<th>Pro</th>
<th>Total</th>
<th>Con (very)</th>
<th>Con</th>
<th>Total</th>
<th>No Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep/89</td>
<td>5.4</td>
<td>10.4</td>
<td>15.8</td>
<td>28.4</td>
<td>28.9</td>
<td>57.3</td>
<td>25.2</td>
</tr>
<tr>
<td>Dec/89</td>
<td>1.3</td>
<td>6.9</td>
<td>8.2</td>
<td>25</td>
<td>37</td>
<td>62</td>
<td>24.4</td>
</tr>
<tr>
<td>Mar/90</td>
<td>4.5</td>
<td>11.3</td>
<td>15.8</td>
<td>28.9</td>
<td>33.4</td>
<td>62.3</td>
<td>13.7</td>
</tr>
<tr>
<td>Jun/90</td>
<td>4.3</td>
<td>8.2</td>
<td>12.5</td>
<td>37.4</td>
<td>29.6</td>
<td>67</td>
<td>14</td>
</tr>
<tr>
<td>Dec/90</td>
<td>3.8</td>
<td>8.2</td>
<td>12</td>
<td>31.1</td>
<td>30.6</td>
<td>61.7</td>
<td>21.7</td>
</tr>
<tr>
<td>Jun/91</td>
<td>1.9</td>
<td>10.8</td>
<td>12.7</td>
<td>28.6</td>
<td>36.7</td>
<td>65.3</td>
<td>20.9</td>
</tr>
<tr>
<td>May/92</td>
<td>5.3</td>
<td>4.7</td>
<td>10</td>
<td>50.4</td>
<td>28.7</td>
<td>79.1</td>
<td>8.8</td>
</tr>
<tr>
<td>Oct/92</td>
<td>4.7</td>
<td>10.4</td>
<td>15.1</td>
<td>29.5</td>
<td>33.8</td>
<td>54.3</td>
<td>20.5</td>
</tr>
<tr>
<td>Nov/93</td>
<td>3.8</td>
<td>16.2</td>
<td>20.1</td>
<td>14.</td>
<td>39.9</td>
<td>40.3</td>
<td>39.7</td>
</tr>
<tr>
<td>Apr/94</td>
<td>9.8</td>
<td>17.2</td>
<td>27</td>
<td>16.3</td>
<td>29.3</td>
<td>45.6</td>
<td>25.4</td>
</tr>
<tr>
<td>Jan/95</td>
<td>5.4</td>
<td>5.4</td>
<td>20.4</td>
<td>23.4</td>
<td>38.8</td>
<td>62.2</td>
<td>15.8</td>
</tr>
</tbody>
</table>

Source: Conducted by Gallup Poll and Public Opinion Poll Foundation.  
Quoted in *Chung-yang jih-pao*, January 5, 1995.

Besides the pressure from the domestic and the ban from the ROC government, the primary difficulty confronted will be: will the PRC tolerate Taiwan independence? In reality, the DPP's stance has been a major irritant to Peking. Peking's Taiwan policy priority in recent years has in fact shifted from early unification to preventing Taiwan independence. When support for independence was on the rise in the beginning of the 1990s, PRC officials issued a series of warnings, the most serious of which were nothing short of naked threats. For instance, PRC President Yang Shang-kun said that "if Taiwan tries to gain independence, we will not rule out the possibility of using force" (*China Post*, June 9, 1990). Shortly thereafter CCP general secretary Chiang Tse-min argued that maintaining the PRC's threat of a military invasion against Taiwan could help to promote China's unification by exercising pressure on the forces.
of separatism and preventing foreign intervention to the disadvantage of China (China Post, July 2, 1990). It is evident in the repeated confirmations that Peking will not use military force to attack Taiwan unless Taiwan declares formal independence. In other words, military threats are no longer aimed at the liberation of Taiwan or the unification of China, but preventing Taiwan's independence (Tsai 1991).

When the DPP publicly advocated Taiwan independence during the election campaign at the end of 1989, the PRC severely criticised this view. An article published in the Liaowang (Outlook) weekly stated that:

"Taiwan independence" or the "Republic of Taiwan" will not be permitted by the PRC authorities and will not be accepted by the absolute majority of compatriots in the mainland. If it really happens, the PRC authorities must respect the will of the people and react forcefully...To conclude, "Taiwan independence" can only bring disaster to the Taiwan people, not well-being (Liao-wang 1989).

At the third session of the Seventh National People's Congress held in March 1990, PRC Premier Li Peng made harsher threats, saying that the people of China would resolutely oppose the "adverse current" of independence and that the PRC government would not sit idle and watch it grow (People's Daily, June 14, 1990). On October 13, 1991, at its fifth national convention, the DPP adopted an amendment of its party platform calling for the creation, through a national plebiscite, of a "Republic of Taiwan" separate from China (Chung-yang jih-pao, October 14, 1991). The response from Peking was swift and unambiguous. On October 14, a spokesman for the Taiwan Affairs Office under the State Council announced that "the Chinese government will not sit idly by and remain indifferent to the activities to separate the nation and sell out the territories" (People's Daily, October 15, 1991). On October 17, the People's Daily published an article condemning the DPP amendment, accusing the DPP of "a conspiracy to splinter the nation and betray the Chinese people". The
article warned that unless the DPP refrained from its advocacy of independence, its fate would be that of "total destruction" (People's Daily, October 17, 1991; China Post, October 18, 1991). In November, it was reported that PRC military regions contiguous to Taiwan had been ordered to stand at "battle readiness" (Chung-kuo shih-pao, November 1, 1991), and the commander of the PRC navy had indicated that Peking would conduct a naval blockade of Taiwan if the latter sought independence (Lian-ho-pao, November 14, 1991).

The DPP members have claimed that the argument that the PRC would use force against Taiwan if it declared independence is sheer fabrication on the part of the KMT for the sake of staying in power. Once it has declared independence, they seem to believe, the international community will extend recognition to Taiwan, forcing Peking to accept reality. At present, some people in Taiwan still think that by relying on factors such as support from the United States, even if Taiwan announces independence, the PRC will not dare to use force. Yet the international community does not support or only weakly supports Taiwan's separation. Most nations favour the status quo and have not considered policy choices (Cooper 1990, 117).

Another important reason for DPP claims for Taiwan independence is that it brings with it international recognition and status. It is their wish that by becoming an independent state, Taiwan can be recognised as a legitimate participant in international relations, and self-proclaimed territorial entities can seek recognition of their statehood. Such recognition opens up membership in international organisations, and gives direct access to foreign governments through diplomatic recognition. However, is it feasible for Taiwan to declare independence and gain diplomatic recognition? Will the major powers support Taiwan independence? Will the
advocates of TIM continue to claim that their cause can definitely gain the support of the majority of countries?

On the basis of the August 12 communiqué, it is clear that the US will not support Taiwan independence or support self-determination. The US only hopes that the two sides across the Taiwan Strait can peacefully resolve their problems. TIM elements think that because the TRA is an American law, the US has an obligation to support Taiwan. They do not understand that the TRA was devised as compensation for the ROC after the US and the PRC established diplomatic relations. Furthermore, according to precedent, whenever there is a conflict between domestic laws and international treaties, the US usually decides in favour of the international treaties.

Every country knows that it is necessary to acknowledge first that "Taiwan is a part of China" before establishing relations with the PRC. What country would be willing to intervene in the "domestic politics of China?" Therefore, under the present circumstances, there is nothing to gain and much to lose by declaring Taiwan's independence. Neither the United States nor Japan would be likely to recognise the new state formally because of the damage it would do to their relations with the PRC. If the United States and Japan declined to recognise the new state of Taiwan, few other countries would be likely to do so. Thus, by declaring independence, Taiwan would have hurt rather than improved its international position (Clough 1978, 170-1).

Besides, the UN Charter guarantees the territorial integrity and 'political independence' of its member states, though Taiwan currently is not a member of it. As such, it is common sense that any step towards self-determination that leads to revolution and ultimate secession will never get support from that organisation. In a report to the
Council of the League of Nations, a Commission of Rapporteurs was even more explicit in its rejection of a legal right to separatist self-determination:

To concede to minorities either of language or religion, or to any fractions of a population, the right of withdrawing from the community to which they belong, because it is their wish or their good pleasure, would be to destroy order and stability within States and to inaugurate anarchy in international life; it would be to uphold a theory incompatible with the very idea of the State as a territorial and political entity (Quoted in Saxena 1978, 10; Buchheit 1978, 71; Hannum 1990, 30).

Whether the recognition of the Baltic Republics, Croatia, Slovenia and Ukraine will trigger a world-wide epidemic of successful secessions and a wave of new states is more doubtful. Nonetheless, there is no doubt that the resurgence of militant nationalism poses a major challenge to the political and economic arrangements of international society and to the security of its members (Mayall 1995, 21). TIM does have as its express goal the dismemberment of a previously unified, independent state. As such, it clearly constitutes a matter of concern for the world community on a number of levels. First is the impact of independence on the present structure of interstate relations (Time, October 30, 1995). A political entity lacking the accepted requirements of statehood is a foreseeable result of an unqualified acceptance of a right of independence. This would involve at a minimum some serious rethinking of current practices in the areas of recognition, jurisdiction, diplomatic customs, membership in international organisations, and so on. Secondly, the world community must recognise that a favourable international reaction, even to a single independence attempt, may constitute a dangerous precedent potentially applicable to any state.
containing racial, religious, linguistics, or political minorities. As Lee Buchheit points out:

"the present reluctance to accommodate the claims of secessionist groups within the principle of self determination seems to be motivated primarily by a fear on the part of most independent States that such a principle would constitute an unmanageable threat to inter-State harmony and consequently have an adverse effect upon the stability of the international system" (Buchheit 1978, 19).

Unlike the Yugoslav case, it is the horror of a sustained civil war, not a commitment to the principle of self-determination, that pushed Western governments into recognising Slovenia and Croatia (Mayall 1995, 24). No country, however well intentioned, can recognise an unlimited right to self-determination and expect to survive as a unified nation. Based on the above study, the future of Taiwan independence seems neither optimistic, nor feasible.

3.5 The Implications of Political Reform

Currently, there are several domestic factors causing instability in the ROC. Among all of them, it goes without saying that the TIM is the most important factor resulting in social conflicts. Naturally, it is easier to criticise the approach taken by the DPP to the right to self-determination and independence than to suggest an answer to the problems thus identified. Taiwan's stability and security are not simply dependent on its economy and military, they are also contingent on the domestic political situation. Thus the best hope probably lies in seeking to make independence seem less attractive
by stressing the right of all the people on Taiwan to participate in the governance of that state and the right of minorities to respect for their separate identities. It is for the ROC's good to have a legal opposition party within the political system rather than an outlawed and terrorist group with the aim of overthrowing the KMT regime. If Taiwan's political dissidents believe that they can achieve their political interests through party politics, the chances of their resorting to violence are slim. This would also soften their tone in advocating the Taiwan independence and make the TIM less prone to challenge the ROC. Political reform has therefore become especially important and significant. The success or failure of reform measures may have profound implications not only for the island's internal political stability, but also for the future evolution of its relations with mainland China.

3.5.1 Political Democratisation

Since the Nationalist government moved to Taiwan in 1949, the KMT has been the sole ruling party. Before 1986, the KMT was a mass political party that had deeply penetrated Taiwan society, including government bureaucracies, the military, the judiciary, schools, and non-governmental organisations. Key political decisions were made by the party, and most high-level official appointments were handed out by party leaders. Based on Sartori's classification of party systems, Taiwan's system before the 1986 democratisation drive can best be characterised as one-party and as having a party-state structure, rather than reflecting political pluralism (Sartori 1976, 36-51). With the declaration of the Temporary Provisions Effective during the Period of Communist Rebellion and the implementation of martial law, civil and political
rights in Taiwan were highly restricted, and there was a ban on new parties or associations. Freedom of the press was curtailed, and the public was excluded from the policy-making process. The constitution, enacted in 1947 on the mainland, was superseded by the "Temporary Provisions" which vested enormous power in the hands of the president and the executive branch. Elections to the parliament, which consists of three bodies—the Legislative Yuan (administration), the Control Yuan (censorate), and the National Assembly (electoral college)—were suspended. Accordingly, all the parliamentarians elected on the mainland had life tenure.

Although conditions in Taiwan were relatively advantageous for the Nationalist government, its political system has been beset by severe strains, "arising particularly from Taiwanese resentment at mainlander domination and from the restiveness of intellectuals under the tight security controls imposed to prevent Communist subversion and Taiwanese opposition activities" (Clough 1978, 34). The peak reached in 1986 presented the KMT authorities with both a potential domestic crisis and an opportunity for major political reforms. Street protests organised by the Tangwai (literally, "outside the party") were rapidly escalating the level of political conflict. The DPP was formed despite repeated warnings from the authorities. In the face of these critical challenges, plus "his [Chiang's] desire for a reconciliation between the regime and the majority Taiwanese population" (Ferdinand 1994a, 138), the KMT reformists under President Chiang Ching-kuo apparently saw much to be gained by stepping up political liberalisation and democratisation.

Liberalisation could provide an environment conducive to democratic development. Democratisation "is an evolutionary political process that gradually puts into practice the ideals of popular sovereignty and political equality" (Tien 1989, 105-133).
Reforms can offer the advantage of improving the ROC's ability to legitimate itself, reducing social conflict, eliciting the confidence of foreign investors and trade partners, and projecting a much-needed favourable image in the international community (Chou & Nathan 1987, 283-5). Hence, a number of bold steps have been taken by the KMT to revamp the nation's ailing polity.

Martial law was lifted in July 1987 and the first democratic multi-party elections since 1949 were held in December 1989. Other important measures introduced by the KMT included the lifting of press restrictions; reform of the judicial system; legalisation of opposition political parties; the retirement of the tenured parliamentarians at the end of 1991; and further Taiwanization of the KMT. As a matter of fact, Taiwan had made steady progress in liberalisation and democratisation even before the major breakthrough in 1986. This can be illustrated by the emergence of progressively stronger opposition political forces, the spreading of journals critical of the authorities, more open and fairer coverage in daily newspapers, greater tolerance of protest movements, and the enlarged scope of electoral activities. To be sure, progress has come at a cost, and development is not always smooth. In fact, severe setbacks have occurred periodically. But taking the changing events as a whole, one sees a positive trend over time. Although the democratisation process has yet to be completed, it has considerably expanded the scope of public contestation and political participation. These reform measures as a whole indicate remarkable breakthroughs in Taiwan's political development. All these have provided a fresh outlook for a democratic future for Taiwan.
3.5.2 Taiwanisation

Taiwan's political reform is also reflected in the "Taiwanization" of KMT organisations and the government at all levels. Taiwanization, means the creation of a more pluralistic KMT power structure and parliamentary reforms to enhance native Taiwanese participation in the elite and legislative process. During the first two decades of Nationalist rule in Taiwan, the KMT was an exclusively authoritarian party under the mainlanders' domination. Almost all of the key posts in both the party and the government were held by mainlanders who had followed President Chiang Kai-shek to the island in 1949. The Taiwanisation of the political system--initiated in the mid-1970s with the recruitment of increased numbers of Taiwanese into the upper ranks of the ruling party--has reached the highest level of party and government (see Table 3-2).

Table 3-2

<table>
<thead>
<tr>
<th>Year</th>
<th>Taiwanese</th>
<th>Mainlander</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963</td>
<td>4</td>
<td>32</td>
</tr>
<tr>
<td>1972</td>
<td>8</td>
<td>18</td>
</tr>
<tr>
<td>1978</td>
<td>8</td>
<td>21</td>
</tr>
<tr>
<td>1984</td>
<td>12</td>
<td>23</td>
</tr>
<tr>
<td>1988</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>1990</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>1993</td>
<td>11</td>
<td>14</td>
</tr>
</tbody>
</table>

For the first time in Taiwan's history the President is a Taiwanese, and the party Central Standing Committee (CSC) and the new cabinet, both formed in July 1988, were each more than one-half Taiwanese in composition. As Table 3-3 shows, the number and percentage of Taiwanese in the CSC has steadily increased since 1973.

Table 3-3

Composition of the KMT Central Standing Committee, 1952-94.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Taiwanese (%)</th>
<th>Military (%)</th>
<th>Representative (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1952</td>
<td>10</td>
<td>0</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>1957</td>
<td>10</td>
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<tr>
<td>1960</td>
<td>16</td>
<td>2</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>1964</td>
<td>18</td>
<td>2</td>
<td>6</td>
<td>6</td>
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<td>1969</td>
<td>21</td>
<td>2</td>
<td>5</td>
<td>9</td>
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<td>1973</td>
<td>21</td>
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<td>1976</td>
<td>22</td>
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<tr>
<td>1979</td>
<td>27</td>
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<td>1984</td>
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<td>1986</td>
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<td>1993</td>
<td>35</td>
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<tr>
<td>1994</td>
<td>35</td>
<td>21</td>
<td>3</td>
<td>8</td>
</tr>
</tbody>
</table>


Currently, over 70 percent of the 2.7 million KMT members and almost all cadres of local Party branches are Taiwanese (see Table 3-4) (Lu 1989, 29-41). A similar pattern of change in elite composition has taken place in major government appointments. Until the 1970s, only the Interior Minister was Taiwanese. Even the provincial governor was a mainlander. Since then, there has been a steady increase in the number of Taiwanese-held cabinet posts and other key administrative offices. As
far as the government itself is concerned, four of the five Yuan heads-the Executive, the Legislative, the Judicial and the Examination-are Taiwanese. Taiwanese now hold nearly half of the cabinet posts, including that of Premier.

Table 3-4

<table>
<thead>
<tr>
<th>Year</th>
<th>Taiwanese</th>
<th>Mainlander</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>374,666</td>
<td>576,327</td>
</tr>
<tr>
<td>1972</td>
<td>553,215</td>
<td>645,203</td>
</tr>
<tr>
<td>1975</td>
<td>764,961</td>
<td>683,145</td>
</tr>
<tr>
<td>1977</td>
<td>954,145</td>
<td>732,579</td>
</tr>
<tr>
<td>1980</td>
<td>1,180,352</td>
<td>753,659</td>
</tr>
<tr>
<td>1983</td>
<td>1,346,014</td>
<td>774,965</td>
</tr>
<tr>
<td>1986</td>
<td>1,552,025</td>
<td>804,017</td>
</tr>
<tr>
<td>1989</td>
<td>1,713,377</td>
<td>822,153</td>
</tr>
<tr>
<td>1992</td>
<td>1,810,392</td>
<td>807,259</td>
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</tbody>
</table>

Source: Quoted in Huang 1995, 105.

Taiwanization is a clear and irreversible trend in the ROC's political development. It is a function of generational change as well as of the KMT leaders' desire to foster ethnic harmony through political democratisation. The political unity between Taiwanese and mainlanders can be further promoted by expanding the scope and level of elections. "This provides legitimate channels for politically ambitious Taiwanese to pursue upward mobility in ways that lead to identification with the country" (Tien 1989, 105-33). Through the recruitment of more Taiwanese into the upper echelons of government, the party, and national legislature, the roles of Taiwanese in decision-making will be steadily enhanced, which will result in raising their common stake in Taiwan's future.
3.5.3 Emergence and Evolution of the Opposition Party

After the "February 28th Incident" in 1947, most prominent local politicians in Taiwan were either killed or frightened. Political opponents generally were then too weak to pose any significant threat to the KMT. Since the formation of new political parties was also forbidden, the KMT was easily able to collect, regulate, and distribute political and economic interests according to its own concerns. Furthermore, the legal ban on forming new parties guaranteed the KMT's dominant position in Taiwan. For instance, in 1960, the government cracked down on the Chinese Democratic Party on the eve of its formation. Lei Chen, the principal organiser, and some of its followers were arrested on a dubious charge of patronising Communist agents (Pan 1989 52-55; Peng 1986, 46-56). Two parties, the Young China Party and the Chinese Democratic Socialist Party, were allowed to continue operating because they posed no threat to the KMT.

Even so, the KMT is not immune to challenges from political opposition. According to Dahl, political democratisation or the democratic transition of authoritarian regimes mainly refers to institutionalising the political opposition's participation and competition in both national and local political arenas (Dahl 1971, 4-14). In order to maintain the short-term political stability and the appearance of effective governance, the KMT has usually tried to repress or restrict the opposition's scope of political participation and competition. Under such circumstances, further organising of political opposition indeed becomes a serious threat to the KMT's rule. Then how has the DPP been able to emerge to challenge the legitimacy of the KMT's authoritarian regime?
Since the early 1980s, tangwai politicians were able to attract the support of approximately 25-30 percent of the electorate. However, these opposition politicians appeared not to be able to exert enough political pressure on the government to change its policy. In fact, in addition to prohibiting the tangwai from becoming an island-wide organisation, the KMT's policy of cracking down on prominent opposition figures left the tangwai with little chance of becoming a real political party. In 1979, the KMT banned *Mei-Li-Tao (Formosa Monthly)*, which was used as a front for organising opposition activities. The key leaders of the group were charged with sedition and were sentenced to long years in prison (Peng 1987, 81-82). By early 1986, it had become public knowledge that President Chiang Ching-kuo was determined to lift martial law, and open up the political system by permitting opposition, among other things. Opposition politicians seized the initiative and suddenly announced the birth of the first opposition party, the DPP, that September 28. The establishment of the DPP came in a climate of a possible government crack-down. However, the government took no repressive measures against the DPP organisers. The rise and development of the DPP had a considerable impact on Taiwan's political democratisation movement and set the stage for party competition in Taiwan's politics. Table 3-5 illustrates the evolution and formation of the DPP.

The Legislative Yuan elections at the end of 1986 provided the opportunity for the newly-formed DPP to test public acceptance of a competitive political party system. Election results showed that the DPP could indeed survive under harsh conditions. The DPP gained 33 percent of the popular vote, while the KMT won 66 percent. The 1989 election was the first in which the DPP competed as a legal party. The DPP won
31 percent of the total popular vote and many seats at all levels of government. The KMT "only" won 60 percent.

### Table 3-5
The Foundation and the Evolution of the DPP

<table>
<thead>
<tr>
<th>Year</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>1949</td>
<td>Tsu-you Chung-kuo (Free China Monthly)</td>
</tr>
<tr>
<td>1957</td>
<td>Tangwai hou-hsuen-jen lien-yi-hui (Non-Party Candidates Association)</td>
</tr>
<tr>
<td>1960</td>
<td>Chung-kuo min-chu-tang (Chinese Democratic Party)</td>
</tr>
<tr>
<td>1970</td>
<td>Ta-hsueh (The Great Learning Monthly)</td>
</tr>
<tr>
<td>1975</td>
<td>Taiwan Cheng-lun (Taiwan Political Forum)</td>
</tr>
<tr>
<td>1978</td>
<td>Tangwai Chu-hsuen-tuan (Non-Party Electoral Assistance Corps)</td>
</tr>
<tr>
<td>1979</td>
<td>Mei-li-tao tsa-chih (Formosa Monthly)</td>
</tr>
<tr>
<td>1983</td>
<td>Tangwai Chung-yang hou-yuan-hui (Non-Party Central Back-up Society)</td>
</tr>
<tr>
<td>1986</td>
<td>Min-chu chin-pu-tang (Democratic Progressive Party)</td>
</tr>
</tbody>
</table>


In the December 1992 Legislative Yuan elections, the KMT suffered a serious setback, its nominated candidates winning only 53 percent of the total vote. The DPP won a record high 31 percent of the vote for its nominees. The ruling party retained almost a two-thirds majority in the legislature, but the representation of the DPP more than doubled from the previous legislative session. Such a division of power between ruling and opposition parties means little in a Western multi-party democracy, but it assumes great importance in Taiwan's context because the official policies of the parties are diametrically opposed in key areas. The main implication of this political development for Taiwan's future is that the issue of Taiwan independence, a major
part of the DPP platform, would become a disruptive force in both Taiwan's domestic politics and in relations with mainland China.

In addition to the factors mentioned earlier, the independence issue also arises out of the ROC's long-standing claim that it is the sole rightful government of all China. Given the political reality across the Taiwan Strait and the ROC's increasing diplomatic isolation, this claim hardly sounds persuasive. Hence the DPP, in defiance of ROC law, offers the alternative of complete independence from mainland China, which many advocates contend is the only way Taiwan can survive in the international community. Especially followed by the increasing numbers of dissidents speaking in favour of an independent Taiwan and increasing numbers of native Taiwanese winning legislative seats in recent years, the independence movement is becoming more active and gaining momentum. They proclaim that Taiwan and the mainland are two different countries, that both sides should develop bilateral diplomatic relations, and that Taiwan should

--Give up the "one China" principle and adopt a "one China, one Taiwan" policy;

--Get rid of the PRC's influence internationally, ignore the PRC factor, adopt an independent foreign policy;

--Return to the United Nations and other international organisations under the name of "the Republic of Taiwan";

--Follow a "two Germanys' model" and pursue "dual recognition"

It is natural that these separatist demands usually are resisted by the authorities because of the threat perceived to the state's political and territorial integrity. In the first two years after its establishment, the DPP preferred to use the ambiguous term
"self-determination" rather than independence, and this tactic helped avoid an immediate showdown with the KMT. However, the rise of a strong pro-independence faction within the DPP in 1991 upset this delicate balance. By October that year, the DPP formally incorporated Taiwan independence into its party platform, thus pitting the two parties against each other. Despite the violation of the National Security Law, the KMT did not take any action against the DPP, hoping that voters would reject the DPP's independence appeal in the upcoming National Assembly election as indeed they did.

The 1994 mayoral and gubernatorial elections and 1996 presidential elections were widely seen as a milestone in Taiwan's political democratisation and as the KMT's biggest legitimacy test in its decades rule of Taiwan. The main appeal of the KMT to voters during the campaign was its support for "stability, prosperity, and the unification of China", while that of the DPP was the "independence of Taiwan and the establishment of a new Republic of Taiwan". Of the 8.5 million ballots cast, 56.22 percent were for the KMT, 38.72 for the DPP (Chung-kuo shih-pao, December 4, 1994). The 15 percent drop in the DPP's share of the ballot in comparison with the 1992 election was a clear message from the electorate. The presidential election result was even worse for the DPP, which only gained 21 percent of votes. This has caused the party chairman to resign over the defeat.

After the election, the DPP realised that its advocacy of Taiwan independence is probably the major stumbling block on its road to power at national level. The party has called a national congress so that the clause in its platform that provoked such public suspicion can be modified. However, this will be a painful process for a party which has adhered to the independence ideal for so many years. "The DPP cannot
afford to renounce this ambition [independence] since it remains the single most potent identifying feature of their appeal" (Ferdinand 1994b, 18). The difficulty was highlighted when Chiu I-jen, the DPP's long-serving deputy secretary-general and the top leader of the New Tide faction, suggested that in future elections the DPP should be even more aggressive on the Taiwan independence issue rather than avoiding it altogether (Lian-ho-pao, December 18, 1994).

The KMT's overwhelming victory shows that the majority of voters rejected the DPP's call for Taiwan independence or self-determination. The electorate seems to understand that a formal declaration of independence would be a costly, risky venture with few payoffs. The voters prefer to promote continued political reform at home that will increase their power in the political system, and innovative diplomacy abroad that will increase their government's international political profile and influence and hence their own convenience in travelling around the world and doing business (Nathan 1989, 14-30). This may mean that while politics will necessarily become even more competitive as participation increases, in the short term, issues such as Taiwan independence may lose some of their salience as the major proportion of the people support political change through incremental reform. This will be particularly true if the KMT continues on its present path to further opening up the political system.

So far, the DPP has refused to make any change at all, in spite of the election results and pressure from the KMT. The DPP's uncompromising stand may seem irrational from the point of view of the party as a whole, after all, what is the good of clinging to a lost cause? Why do the DPP elements still insist on the advocacy of Taiwan independence and self-determination even though they are well aware that the
possibility of it is slim and there exists risk and threat? Primarily because it is an effective mechanism to mobilise the population they seek to lead, and because it allows them to bring together a number of different and disaffected factions. Partly because of the sheer ambiguity of the term, it is the one unifying aim in a coalition of otherwise competing political forces. Therefore, most of the advantages of claiming Taiwan Independence and the right to self-determination are harvested in internal politics. It is evident that DPP politicians would never hesitate to use the ambiguous terms to attract needed votes and have a strong incentive to curry favour with the "independence" voters, even if Taiwan independence is more an emotional symbol than a real goal.

3.5.4 A Successful Transition from Authoritarianism to Democracy

Elections are the most important mechanism in the operation of a democratic political system. Governments are formed and changed as a result of free and fair competition among political actors. In brief, democracy cannot function without regularly held elections to reflect public preferences with regard to government officials, representatives, and policies. For elections to run effectively, political parties are necessary, for they articulate, aggregate, and represent the different interests and ideas of the people. Electoral victories empower political parties to form governments as well as to formulate and implement public policies.

Taiwan has held regular elections ever since the Nationalist government retreated to the island. However, the elections held prior to the lifting of martial law in 1987 could hardly be described as free and fair because no opposition party was permitted
and parliamentary elections were restricted to a small proportion of the seats. Elections for the national legislature (Legislative Yuan), for example, could not alter the fact that the majority of legislators had been elected in mainland China. The KMT was able to dominate the legislative chamber regardless of the election result. Also, none of the key government offices, including the president, premier, cabinet ministers, and provincial governor, were open to public competition. The KMT's domination of these offices, through its guaranteed majority in the national legislature, deprived Taiwan of democratic credentials in spite of the regularly held elections.

Authoritarian regimes will usually seek to consolidate their legitimacy by holding elections that present little serious threat to their power. But by providing the political opposition with ample opportunity to mobilise and organise, such elections eventually accelerate the transition from authoritarian rule to democracy, and this is the pattern that has been followed in Taiwan. From the election results for the period 1986-1995 we can trace the further decline of authoritarianism on Taiwan. With the exception of the 1991 National Assembly election, the percentage share of the votes and seats gained by KMT candidates has increased significantly since 1986, the year the DPP was founded (see Table 3-6). And in the 1993 elections for country magistrates and mayors and the 1994 Provincial Assembly and municipal council elections the KMT's share of the votes dropped below 50 percent. The 1995 Legislative Yuan elections can only be described as disastrous for the KMT, which narrowly retained its majority by three seats. The KMT won only eighty-five seats (46.06 percent of the total, down from 53.0 in 1992). The rest went to the DPP, with fifty four seats, the NP, with twenty one seats. The defeat inflicted a hard blow on the KMT, which may find it extremely difficult to regain its dominance in the future. These findings provide
further evidence that the emergence and development of the DPP contributed to the final collapse of authoritarian rule.

Table 3-6
KMT’s Share of Seats and Votes in Major Elections, 1972-96

<table>
<thead>
<tr>
<th>Legislative Yuan Elections</th>
<th>% Votes</th>
<th>% Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1975</td>
<td>77.61</td>
<td>81.08</td>
</tr>
<tr>
<td>1983</td>
<td>70.7</td>
<td>83.0</td>
</tr>
<tr>
<td>1986</td>
<td>66.9</td>
<td>77.2</td>
</tr>
<tr>
<td>1989</td>
<td>58.5</td>
<td>71.3</td>
</tr>
<tr>
<td>1992</td>
<td>53.0</td>
<td>58.4</td>
</tr>
<tr>
<td>1995</td>
<td>46.06</td>
<td>51.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Magistrates’ and Mayors’ Elections</th>
<th>% Votes</th>
<th>% Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1972</td>
<td>75.59</td>
<td>100.00</td>
</tr>
<tr>
<td>1977</td>
<td>70.43</td>
<td>80.00</td>
</tr>
<tr>
<td>1981</td>
<td>56.40</td>
<td>78.95</td>
</tr>
<tr>
<td>1985</td>
<td>60.93</td>
<td>80.95</td>
</tr>
<tr>
<td>1989</td>
<td>56.11</td>
<td>66.67</td>
</tr>
<tr>
<td>1993</td>
<td>47.31</td>
<td>61.90</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Presidential Elections</th>
<th>%</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>54.0</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Huang 1995, 95-96; and various newspaper reports.

The emergence of the New Party (NP), founded in August 1993 by a group of dissident KMT members, accelerated the decline in the electoral performance. The NP appealed to traditional supporters, particularly mainlanders who had retreated with the government in 1949 and their descendants, who saw themselves caught between the DPP’s advocacy of Taiwan independence on the one hand and the KMT’s...
"Taiwanization" movement on the other. These voters' unwavering loyalty to the Chinese "motherland" turned them away from the locally-oriented KMT toward the NP, which touched their hearts by proclaiming that Taiwan should remain a part of China and that it would fight against any separatist movement. Although it won no seats and only 3.1 percent of the votes in the 1993 elections for county magistrates and city mayors, the NP became a much more significant force in the 1994, 1995 and 1996 elections. It gained 7.7 percent of the votes in 1994 gubernatorial and mayoral elections, 6.1 percent in the Provincial Assembly and municipal council elections, and 13.67 percent in 1996 National Assembly elections.

In the race for Taipei mayor, the NP's share of the votes was 30.2 percent, higher than that of the KMT. The party also won eleven seats on the fifty-two-member Taipei Municipal Council with a 20.8 percent share of the votes. As a result, none of the three main parties holds a majority of seats, the first time that the KMT has been deprived of a majority in any representative body at any level of government since 1945. The NP was considered the only winner in the 1995 Legislative Yuan elections. Above all else, this indicates a successful transition from authoritarianism to democracy on Taiwan.

Conclusion

In Chapter 3, we dealt with the political dimensions of Taiwan's security. The chapter began by exploring the domestic political factors and the interplay of international factors to provide the historical background for the emergence of TIM. It then moved to examine and criticise the TIM's justification for their claims based
on Taiwan nationalism, the uncertainty of Taiwan’s legal status and the right to self-determination. Judging by the lack of the domestic support, the difficulty of gaining international recognition and the pressure from Peking, it argued that Taiwan independence is undesirable.

To the PRC, Taiwan is an integral part of the territory controlled by the sole legal and legitimate government of China. Any advocacy or movement of Taiwan independence which violates the "One China" principle would be rejected by the PRC. Based on the scenarios for the use of force by the PRC illustrated in Chapter 2, the most likely one under which the PRC would invade is if and when Taiwan declares itself independent; and that is the most dangerous one to Taiwan, because an independent Taiwan would have implications for China's hold on Tibet, Sinkiang, and Inner Mongolia and there would be strong reaction inside the PRC to any Chinese leader who acquiesced in an independent "Republic of Taiwan". At the same time, Taiwan independence might cause internal upheavals on the island and thereby limit the ROC's capacity to mobilise resistance against external threats, and consequently might invite PRC aggression. In history, it has been extremely seldom that a government with internal chaos can successfully repulse a formidable enemy's invasion.

Naturally, it is easier to criticise the approach taken by the DPP to the right to self-determination and independence than to suggest an answer to the problems thus identified. Taiwan's stability and security are not simply dependent on its economy and military, they are also contingent on the domestic political situation. Thus the best hope probably lies in seeking to make independence less attractive by stressing the right of all the people on Taiwan to participate in the governance of that state and
the right of minorities to respect for their separate identities. It is for the ROC's good to have a legal opposition party within the political system rather than an outlawed and terrorist group with the aim of overthrowing the KMT regime. If Taiwan's political dissidents believe that they can achieve their political interests through party politics, the chances of their resorting to violence are slim. This would also soften their tone in advocating the Taiwan independence and make the TIM less prone to challenge the ROC. The political reform has therefore become especially important and significant. The success or failure of reform measures may have profound implications not only for the island's internal political stability, but also for the future evolution of its relations with mainland China.

This may mean that while politics will necessarily become even more competitive as participation increases, in the short term, issues such as Taiwan independence may lose some of their salience as the major proportion of the people support political change through incremental reform. This will be particularly true if the KMT continues on its present path to further opening up the political system.

In short, Taiwan's political reform presents the independence movement with a choice between using it as a window to step up pressure for independence, or rejoining established political institutions, working within the electorally-oriented opposition movement. So far, the DPP has refused to make any change at all, in spite of the election results and pressure from the KMT. The DPP's uncompromising stand may seem irrational from the point of view of the party as a whole, after all, what is the good of clinging to a lost cause? Why do the DPP elements still insist on the advocacy of Taiwan Independence and self-determination even though they are well aware that the possibility of it is slim and there exist risks and threats? Primarily this
is because it is an effective mechanism to mobilise the population they seek to lead, and because it allows them to bring together a number of different and disaffected factions. Partly because of the sheer ambiguity of the term, it is the one unifying aim in a coalition of otherwise competing political forces. Therefore most of the advantages of claiming Taiwan Independence and the right to self-determination are harvested in internal politics. It is evident that DPP politicians would never hesitate to use the ambiguous terms to attract needed votes and have a strong incentive to curry favour with the "independence" voters, even if Taiwan independence is more an emotional symbol than a real goal.

However, despite Taiwan's success in running elections and the KMT's decision to undertake major political reforms, many formidable problems remain unresolved. The foremost of these problems is the issue of national identity. Thus the future political developments in Taiwan will probably encounter periodic setbacks with some activities perceived as threats to the political stability and security of the nation. The long term trends are against the survival of the KMT as a major political force unless it revitalises itself to meet Taiwan's changing social and economic needs.

The Kuomintang will thus have to juggle carefully the independence/reunification problem in a way that is neither provocative to Peking nor to KMT stalwarts and yet at the same time marginalises the pro-independence movement in Taiwan, while also reassuring the majority of Taiwanese that they will not be ruled by the Chinese Communist Party. Therefore, until a suitably ambiguous formula does evolve, the next few years could bring an intensification of confrontation between the extremes of those who see Taiwan's future in strictly either/or choices between unification and independence.
Neither choice is feasible given the policy positions of the KMT and Peking and in any event, most Taiwanese are equally opposed to the two alternatives of reunification or independence. To make the choice moreover, would undermine the stable domestic environment Taiwan needs to maintain if it is to outperform its trade competitors in the 2000s. It seems there is not likely to be a crisis in the Taiwan Strait or in Taipei provided the KMT and the DPP can agree to preserve the present ambiguity on the reunification-independence question.
Chapter 4

The Economic Dimension of Taiwan’s Security:

The Need to Enter the Major International Economic Organisations--GATT as a Case Study and its Implications of Membership for the Government and the Economy of Taiwan

In trying to elucidate Taiwan’s security needs, we have tried to delineate the structure of multiple threats and capabilities and outline corresponding diverse security measures. In considering Taiwan’s security, the military, political and economic issues are closely interlocked. Among the factors that affect Taiwan’s power capabilities, none is perhaps as important as its economy. Taiwan’s efforts to maintain its military strength and capability, and political stability would be further secured by a continuation of Taiwan’s outstanding success in maintaining a high rate of economic growth. Therefore in Chapter 4 our attention turns to the economic dimensions of Taiwan’s security.

The novelty of the analysis in this chapter is that, contrary to the traditional approaches to the study of the economic security which concentrate upon the national rather than the international dimension, it uses the WTO (GATT) as a case study to examine the importance for Taiwan’s entering the major international economic organisations and the implications of membership for the government and economy of Taiwan. We begin by examining the need to enhance Taiwan’s legitimacy and defend its economic interests through membership of the
WTO. We then investigate the consequences for and impacts on the economy of Taiwan. The impact of Taiwan's WTO bid on cross-Strait relations is also explored in the final part of the Chapter. Conclusions are drawn about some policy recommendations and measures brought forward to the government in order to win a quick admission to the WTO.

The economic content of security, i.e. to what extent security is influenced by economic variables, is a difficult and widely debated one (Luciani 1989, 164). Economic threats are considered as "the trickiest and most difficult ones to handle within the framework of national security" (Buzan 1991, 123-131). The connection between economic security, such as economic interdependence, and national security has not been well explored in security studies literature. Little attention has been paid to security issues in studies of interdependence despite the fact that its growth has generally meant that the nation-state is increasingly vulnerable to external forces, a phenomenon commonly thought to have security implications (Hirschman 1980; Knorr 1973; Knorr & Trager 1977). This is surprising because vulnerabilities arising from growing economic transactions and linkages have resulted from the increasing allocation of goods and services by international market forces. The expansion of these forces has meant the state's increasing material dependence on goods produced in other states, implying vulnerability to a disruption in the flow of raw materials, goods and services. They have meant a loss of autonomy in economic decision-making, and they have meant increasing political entanglements that constrain foreign policy choices (Crawford 1995, 27-55). But the literature has not suggested hypotheses specifying the kinds of dependence, loss of autonomy or entanglements that would directly threaten the state's
ability to provide for military security. Despite the growing awareness of the overlap between the spheres of politics and economics and the growing intellectual interest in international political economy, the spheres of security and economics were considered separate and distinct issue areas. Security studies continue to be concerned more with the state’s ‘high politics’ of war and military power than with the ‘low politics’ of international economic transactions (Keohane & Nye 1970; Waltz 1970). As a result, security studies have generally taken the state and its ability to ward off military threats and defend the nation in time of war as the central focus of analysis (Walt 1991, 211-39).

The economic role in national security is vital because of its extensive spill-over effects on other national values. Persistent underdevelopment and deprivation of economic well-being degrade national morale and precipitate social unrest, thus furthering internal fragmentation. Such internal weakness can trigger hostile actions by potential or actual adversaries. Moreover, a weak economy undermines the base of military power, which is essential for even conventional national security.

The multiplicity of national values, coupled with the precarious security context, produces security dimensions more diverse in Taiwan than in the West. In the conventional approach, the type, source, and level of threat are considered easily identifiable as either overt, external or military, being imposed by actual or potential adversaries. Threats to economic well-being and prosperity, however, are less apparent, making perception and recognition more difficult and controversial. As some experiences demonstrate, countries may face overt and behavioural threats such as interference in maritime trade, embargoes, restrictions on market
access and economic sanctions. Nevertheless, these types of threat are usually associated with political and military conflicts.

Subtle, structural threats to economic well-being are more pervasive. These problems are related to the pattern and degree of integration in the international economic system. One noticeable threat in this regard is systemic vulnerability, which arises from the concerns of Taiwan, with limited domestic policy leverage, concerning the transmission of external economic disturbances originating in the international economic system (structure) per se.

As discussed earlier in Chapter 2, a more recent dimension of the relationship between security concerns and international trade stems from increased patterns of economic interdependence. As national economic trends, pay-offs, and policies become more entwined with those of other societies, there is greater national susceptibility to disruptive and injurious impacts from abroad. In these circumstances, it becomes an increasingly realistic policy perspective to identify international trade matters with security concerns. In a basic sense, gaining and preserving security hinges upon national power capabilities to achieve essential values. Yet, with increased global interdependence, one country’s relative capabilities often depend on external actors and events. In such an environment, international policy discontinuities can distort or defeat national efforts to achieve basic objectives--or even produce new difficulties for policy-makers. The perceptibly increased importance of Taiwan in contemporary international trade relations is predicated on the need for its effective participation in international negotiations, if broadly based multilateral trade accords are to be reached and made lasting. Thus, in this chapter, the economic dimension of Taiwan’s security
will be explored by examining the need and the importance for Taiwan’s joining and integrating in the major international economic organisations.

4.1 The Need

With a gross national product of well over US$200 billion, a GNP per capita of US$12,000, the largest foreign exchange reserves in the world, and the distinction of being one of the world's most prominent trading nations, it would seem that Taiwan's role in the international economic community would well be recognised and respected. Add this to Taiwan's status as a maturing democracy in Asia, there is even less reason to treat the prosperous island with indifference in the international community. The facts make it hard to believe that Taiwan should be excluded from any economic or trade organisations for any reason. While Taiwan's economy is thriving it is important that it participates in the international economic organisations (IEOs), in order to obtain fair and reciprocal treatment with its trade partners who are members.

But today the majority of the world's intergovernmental economic organisations do not recognise Taiwan. Indeed, for the major IEOs--the former General Agreement on Tariffs and Trade (GATT), the World Trade Organisation (WTO), the Organisation for Economic Co-operation and Development (OECD), the World Bank, and the International Monetary Fund (IMF)--Taiwan does not officially exist. Rather than admit it in any capacity, these organisations have ignored economic realities and have yielded to political pressures from Peking to force the international community to make a choice between itself and Taipei. The
continuing efforts by Peking to blackball Taipei have politicised the process of Taiwan's entrance into such organisations. Because the great majority of the nations that belong to the IEOs maintain formal diplomatic ties with the PRC, they bow to the PRC's efforts to block Taiwan's membership. For Taiwan, this has meant increasing isolation not only from the established venues of international decision-making, but also from much of the normal political dialogue among nations. IEO membership would help broaden its formal and informal relations with most of the world's nations. Recognition in the major IEOs would provide Taiwan more extensive diplomatic help to defend its economic gains. Granting Taiwan membership in IEOs would benefit all parties because it would make the organisations more representative. It would enhance the exchange of ideas and broaden the range of contacts.

One of the strong desires for Taiwan to enter GATT is that Taiwan's economic development was threatened by the imbalance between its obligations and its rights in foreign trade. In recent years, the island has encountered growing pressure from its trade partners, mainly the United States, to abide by GATT's liberal principles and to open up its domestic markets, liberalise import procedures, allow greater access to the domestic economy, modernise the financial framework of the nation, and further revalue the currency. Most of the concessions granted by Taiwan to the United States have also been extended to other trade partners. However, while Taiwan was abiding by many of the rules of GATT like a GATT member, it has not had a GATT member's rights and thus could not enjoy the benefits and privileges of GATT membership. Therefore, Taiwan has always been in a passive position and has to yield frequently to pressures in relation to trade retaliation. Besides, Taiwan could not take advantage of GATT rules to defend itself against excessive requests and unfair trade practices.
from its trade partners such as the US. Hence, with its economy heavily dependent on trade, Taiwan must seek to join the world's largest trade promoting agency if it wants to better protect its economic interests in the international arena. Its government believes that economic security would be enhanced by fuller and more open integration into the world economy, coupled with membership of international economic organisations.

Another significance of being a member of an international organisation lies in communicating with other countries, in making decisions with them and in sharing information. But it is even more significant for Taiwan since it was forced out of the United Nations by the Chinese Communists and still lacks formal diplomatic relations with most members of the world community. "As far as political significance is concerned, membership in international organisations provides us with a channel for formal contacts with many important countries, and it has a very positive effect on raising our international status and increasing our substantive relations with other countries," former Economic Minister Siew said. "As for economics, membership in world economic and trade organisations would allow us to work through multilateral channels and international arbitration to gain reasonable treatment and ensure our economic interests, avoiding bilateral consultations, where we are often at a disadvantage because the other side is too strong" (Sinorama January 1992, 84).

In addition, economic policy-makers in Taiwan believe GATT/WTO membership is vital to securing equitable and unobstructed access to world markets. This access is crucial since foreign trade accounts for 80 percent of Taiwan's GNP. Because of Taiwan's excessive dependence on exports, its economic success depends in no small way on its ability to keep open its avenues of trade with the outside world. Cutting off those avenues could threaten
both Taiwan's economic success and national security. A formal role in the international economic arena would thus provide Taiwan with a more reliable arena to defend its economic gains than the existing bilateral framework in which it is frequently forced to work.

Membership in the GATT would:

--Give Taiwan a wider forum to express its viewpoint on contentious economic issues and allow it access to established procedures for mediating such disputes.

--Involve Taiwan in the international economic process as a player rather than as a pariah, giving it a voice in the search for common solutions to the prevailing economic problems of the day.

By joining the GATT, Taiwan could make use of the GATT forum to discuss and settle trade disputes. Taiwan is a country with economic strength that certainly has status in the world. So joining the GATT, apart from shouldering a part of the responsibility for international society, could open up more space for diplomacy and raise its international status. On September 29, 1992, more than two years and nine months after Taiwan had applied for accession, the GATT decided to form a working party to screen Taiwan's application and grant the island observer status. It "signifies a major breakthrough in the nation's flexible diplomacy and an international recognition of Taiwan's efforts to promote political democratisation and economic liberalisation" (China News, October 1, 1992). Though it will not be too far away before Taiwan becomes an official member, there are still challenges ahead to be overcome, changes and adjustments to be made, and impacts worthy
of attention. The themes of this chapter are to examine the implications and the consequences of GATT membership for the government and the economy of Taiwan.

4.2 The Significance for the Government

4.2.1 A Need for Compromise

The GATT or WTO is one of the most important world bodies. It can be considered as another United Nations. It permits governmental contact to promote world trade, the contact most of the countries shun in dealing with Taiwan for fear of the PRC's reprisal. There have been difficulties in Taiwan's efforts to rejoin GATT. Because the Nationalists were in nominal control of the mainland during the immediate post-war years when the major IEOs were established, they had represented China in the IMF, the World Bank and the GATT and had held the China seat in the UN even after their retreat to Taiwan. With the exception of the GATT they retained their membership in these organisations until they were voted out to be replaced by the PRC or until the PRC was admitted.

In some cases the organisation's procedures would have permitted Taiwan to continue as a member, but the Nationalists adamantly refused to be present at any gathering containing representatives of the CCP or to accept any change in legal status that implied that Taiwan was subordinate to the Peking regime. In the case of the GATT the Nationalists, as representatives of China in 1947-48, had been a leader in the original drafting group of efforts to ensure that developing country interests were adequately covered. At the first round of
tariff negotiations under the new agreement in Geneva in 1950, the Nationalists representatives formally withdrew China from the GATT, explaining that their government could no longer ensure that all of the China would abide by the rules of the GATT. The Nationalists were aware that the negotiated tariff concessions would apply to all exports from China, and that the beneficiary would be primarily the mainland. Since Taiwan’s interest in foreign trade in early 1950 was negligible and since it was then considering a policy of import substitution rather than export expansion, withdrawing from the GATT as a move against the mainland must have been perceived as in the short-run and long-run national interest of the KMT.

By 1965, however, having entered upon a program of rapid economic growth based on export expansion, Taiwan sought and obtained observer status in the GATT. It remained as an observer until 1971 when the PRC was admitted to the UN as the sole representative of China. After seating the PRC, the UN recommended that its specialised agencies review their China representation; thereupon GATT withdrew Taiwan’s observer status.

Taiwan’s trade after 1980 was conducted primarily on the basis of bilateral reciprocal trade agreements with its trading partners. As a consequence of the liberalising efforts undertaken by Taiwan in response to US pressure in the 1980s, Taiwan’s trade regime had been brought closer to that which would be required if the island were a full GATT member. In addition, upon embarking on the policy of flexible diplomacy, the government undertook a survey of all of its trade rules and regulations to determine what adjustments would be necessary to bring Taiwan into full compliance with GATT.
The ROC government began seeking re-entry to GATT in 1987. Late that year, an inter-ministerial panel was set up to solicit support from GATT members and to start making the necessary economic adjustments. Taipei filed its membership application in January 1990, but GATT had to wait for more than two and half years to act on the application because of the PRC's opposition. To gain membership in the major IEOs, Taipei must determine, or be willing to accept, a name by which it will be called. This name must address, or by-pass, the troublesome issue of Taipei's claim to be the capital of all of China--a claim which, understandably, has led Peking to block Taipei. The PRC has refused to accept Taiwan's membership in any international organisation if the ROC uses the title "Republic of China", or any other name that implies Taipei's sovereignty over all China or the existence of two Chinas. Taipei thus must show some flexibility on the name issue. Flexibility is the key to this issue.

Extensive scrutiny of IEO charters, thus, may provide Taiwan with the means to avoid the contentious political issues that surround membership. For instance, according to the GATT Article XXXIII: Accession: "A government not party to this Agreement, or a government acting on behalf of a separate customs territory possessing full autonomy in the conduct of its external commercial relations and of the other matters provided for in this Agreement, may accede to this Agreement, on its own behalf or on behalf of that territory, on terms to be agreed between such government and the Contracting Parties" (GATT 1969, 51). This article stipulates that any government can apply for GATT membership, and does not strictly require that this government be a sovereign state. It is on the basis of government and not as a nation or state. It was under Article XXXIII of the GATT charter that Taiwan filed the membership
application as a 'Separate Customs Territory of Taiwan, Penghu, Kinmen, Matsu'. It was the first time Article XXXIII was used in an entrance application to GATT.

However, some ROC officials and legislators voiced opposition to Taiwan's membership on the conditions GATT Chairman B.K. Zutshi had laid down, i.e., "that Chinese Taipei, the name the GATT has preferred to the Separate Customs Territory, would be treated like Hong Kong or Macao" (China News, October 5, 1992). Both Hong Kong and Macao joined the GATT as colonies or dependencies. The United Kingdom and Portugal filed the applications on behalf of their respective colonies under the provisions of Article XXIV of the GATT Charter, in which their highest officials stationed there are "permanent representatives" and not "ambassadors" as for other sovereign countries.

Should Taiwan accept the Zutshi conditions, the opponents believe, Taiwan would be treated as a colony or dependency of the PRC, which is also trying to become a GATT contracting party. Some opponents believed that if Taiwan joined GATT in that status, national dignity would be compromised. "We will never join the GATT at the expense of national character, dignity, and sovereignty" (China Post, October 1, 1992). Government Spokesman Jason Hu called on the public to refrain from emotional overreaction, saying: "We have to take a pragmatic approach in striving for the greatest interests with our own prowess" (Ibid). International politics being what it is, Taiwan has no alternative but to be pragmatic. Taiwan's purpose is to accede to WTO, that is the very first step to take to return to the community of nations. "Pragmatism dictates that what we should do is to pocket our pride and join GATT" (China News, October 5, 1992).

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4.2.2 A Breakthrough in the PRC's Isolation and Blockade

The dispute between Taiwan and China over their GATT membership is deeply rooted in their forty-year confrontation and hostility. In the last decade, Taiwan has developed its economy rapidly, becoming a strong economic entity in the world. As a result of this rapid economic growth and trade expansion, Taiwan felt its position would be jeopardised without joining the GATT. On 1 January 1990, Taiwan officially notified the Director-General of the GATT of its decision to accede to the GATT. Right after Taiwan submitted its application, the PRC sent a strong protest to the GATT, indicating that Taiwan has no right to apply on its own for accession to the GATT, and requesting the GATT not to accept such an illegal application. The PRC claims that negotiation of Taiwan’s GATT membership should come after the accomplishment of the negotiations of PRC's GATT membership. In fact Taiwan is very upset about the delay of the GATT in considering its application for GATT membership. It realises that support from the major industrialised countries, especially from the United States, will be crucial to the inclusion of its application in the GATT agenda. It was the firm and clear position and support from US and EC countries which changed the situation. With this, Taiwan was able to make a major breakthrough in the PRC's blockade and isolation.

4.2.3 Providing Initiatives for Economic and Trade Diplomacy

Taiwan's defeat in the United Nations in 1971 represented a remarkable turning-point in the history of its foreign policy and external relations. This is because since then, with increasing
international recognition of its Communist rival as the rightful spokesman for all China, it faced a heightened identity crisis and increasingly severe international isolation. During the 1970s, many other former allies of Taiwan deserted it and established bilateral relations with the PRC. More than one hundred countries have since shifted their China policies, leaving thirty one countries now still recognising Taiwan.

Given the current status of Taiwan, diplomacy does not narrowly mean the establishment of embassies and the exchanges of ambassadors. It implies that international trade and investment, economic contacts, social and cultural exchanges, even transport and communication facilities all are regarded as aspects of diplomacy. Even though Taiwan can not prevent the continued erosion of official relations, it can replace them with substantial unofficial relations. Thus after entering the WTO, through multilateral contacts and consultations, trade will be the most essential and useful means to make friends. In the previous years, businessmen in Taiwan found it extremely difficult and inconvenient to obtain visas from the countries such as Japan and the EC. Their officials may refuse to see Taiwan officials because of their sensitivity to possible PRC reactions or, in extreme cases, may even refuse to admit Taiwan officials to the country.

The fact that Taiwan is now a major international trading power has underlined the importance of its political identity. The evidence for this has been that many countries and foreign firms, having previously abandoned Taiwan, have now shown willingness and strong interest to trade with it, despite harsh protests from the PRC. Taiwan's improved status can also be seen by the fact that in recent years most of the European countries have now established an unofficial office or representative in Taiwan, most staffed by government officials.
and diplomats. Former prime ministers, presidents and high ranking officials from European
countries are invited to visit Taiwan one after another. The multibillion-dollar Six-Year
National Development Plan has attracted countries around the world to participate. After
Holland and Austria, the United Kingdom launched direct flights to Taipei on March 29,
1993. As a GATT member, all these relations will surely be further enhanced.

4.2.4 Opening Doors Back to International Organisations

When Taiwan was forced out of the United Nations, the PRC's representatives promptly
replaced those from Taiwan in the Security Council and other organs of the organisation.
According to figures of the Ministry of Foreign Affairs, "the Republic of China is currently a
member of 769 international organisations, most of them non-political in nature, like the
International Criminal Police Organisation and the International Olympics Committee. Just
10 of them are officially governmental" (Sinorama 1992, 85). Most of the inter-governmental
or international non-governmental organisations which Taiwan joined are either economic,
cultural or scientific. As for international organisations that are political in nature and
affiliated with the United Nations, as long as mainland China is a member or has applied to
join, Taiwan will be locked out regardless of what name it goes by, since the mainland is one
of the five permanent members of the Security Council.

In this respect, it reflects the fact that the PRC's goal is not merely to prevent Taiwan from
claiming to represent China in the international community, but also to eliminate representa-
tives of Taiwan from all international organisations, whether or not such representatives use
the name "the Republic of China". In trying to join scientific, medical, cultural, athletic, academic, and other non-governmental organisations, Taiwan used to have a lot of problems because of its name. Taiwan has always been caught in the dilemma of choosing between the real thing without the name, or the name without the real thing. It is very hard to get both at the same time. Leaders in the private sector see it pretty much the same. They argue that "We are not happy with all the weird names for us, but if we don't belong to international organisations, we don't have a forum to make our point. We can't seek to change things unless we are on the inside" (Ibid, 85). Thus, the importance of rejoining the GATT is beyond doubt. It would open a door for Taiwan to return to international stage and provide greater room for existence.

Returning to major international organisations has been a dream shared by all people on Taiwan. After becoming a GATT member, Taiwan could plan to join the IMF, which regulates the world's financial system, the World Bank, which assists in the development of developing countries, and the OECD, which is made up of the world's leading industrialised countries, and as a result could return to the international community.

4.3 Consequences for and Impacts on the Economy of Taiwan

The GATT was drawn up in 1947 to provide a basis for trade negotiations. Intended merely as a temporary agreement to last only until the Geneva Charter was fully implemented, the GATT became the principal basis for the international trade regime with the failure of the International Trade Organisation. Despite its supposedly temporary status, the GATT
emerged as the most important international institution in the trade area. From a temporary
treaty, GATT became not only an established commercial code but also an international
organisation to oversee the implementation of its rules, manage dispute settlements, and
provide a forum and support for multilateral trade negotiations. Since its inauguration,
GATT has made significant contributions to global trade, mainly by reducing tariffs and
bringing down world trade barriers. Global trade has ballooned 63-fold since then, from
US$57 million in 1948 to US$3.6 trillion today (Chung-yang jih-pao, January 2, 1995). The
organisation's 112 member countries account for more than 90 percent of that total.

The GATT and now the WTO, is based upon several norms of which two are fundamental
(Gilpin 1987, 191; Spero 1990, 70; McMahon 1988, 35; Nicolaides 1989, 93). First, all
members agree to extend unconditional most-favoured-nation (MFN) status to one another.
Under this agreement, no country will receive any preferential treatment not accorded to all
other MFN countries. Additionally, any benefits acquired by one country are automatically
extended to all MFN partners. Second, it is based upon the norm of reciprocity, or the
concept that any country that benefits from another's tariff reduction should reciprocate to an
equivalent extent. This norm ensures fair and equitable tariff reductions by all countries.

Before acceding to the WTO, Taiwan must adjust its trade regime to meet criteria that are
far more complex and comprehensive than they have been in the past. Since the main spirit
of the WTO is non-discrimination and reciprocity, therefore, there are some changes needed
to be made by Taiwan in the process of consultations and negotiations with all other
contracting parties. Before Taiwan is finally accepted as a full member of WTO, Taiwan has
to satisfy member nations that are interested in joining the working party. The island must
abide by the outcome of Uruguay Round of trade negotiations and agreements reached in December 1993. The final agreement stipulates that GATT members must slash their tariffs by 36 percent of their total 1986 tariff revenues by 1999 (GATT Secretariat 1993). This will pry open agricultural markets and will allow entrance to previously inaccessible service-industry markets. The international textile trade will be liberalised, and the textile import quotas imposed by some countries will be dropped. The protection of intellectual property rights (IPR), not within the scope of the Tokyo Round, was a major issue in the Uruguay Round. Showing movies, using software, and playing tapes or discs without honouring patents, trademarks, or copyrights has resulted in the loss of billions of dollars annually to the holders of these rights.

In addition, tariffs on agricultural products, long considered off-limits for GATT, have now come under scrutiny for countries now joining the WTO. The removal of barriers to the provision of banking, insurance, legal, consulting, and engineering services across national borders has become important to countries whose industries want to expand their client base. There is also pressure for WTO countries to open their lucrative telecommunication services, such as cellular phones and all phone-line computer transmissions, to international competition. Further, each nation applying to WTO must have what is known as a "transparent" trading system. This concept means that the laws governing trade must be formalised in a clearly written and detailed commercial code that can be applied to all parties equally.

As Taiwan applied to GATT as a developed economy, the criteria for accession are more stringent. The members ask detailed questions about the trade regime and expect
comprehensive answers. There are four areas in which Taiwan's answers have raised some concerns: (1) tariff and non-tariff barriers on agricultural goods; (2) protection for the provision of services across national boundaries; (3) intellectual property rights; and (4) the lack of "transparency" in Taiwan's trade regime.

4.3.1 Agricultural Sector

Multilateral trade negotiations (MTN) under the GATT have been quite successful in removing barriers to trade and distortions of international competition in many industries. One of the most notable exceptions has been agriculture. Until the Uruguay Round, agricultural trade and policy issues have rarely been dealt with in GATT negotiations and largely escaped the discipline of GATT. The principal reasons are:

(1) "because at the inception of the General Agreement a number of countries (especially the United States) made it a pre-condition for their accession to the Agreement that special waivers and protocols be granted that allowed them to accord special treatment to their agricultural products" (United Nations 1990, ix);

(2) Nations contend that self-sufficiency in agricultural products is a matter of national security and national sovereignty, hence non-negotiable; and

(3) Most major agricultural trade participants but especially western Europe and Japan have well-placed, well organised farm interests over-represented in the political process. Such groups are skilled at special pleading and manipulating public opinion to serve farm interests
(Rapkin & George 1993, 55-94; Moyer 1993, 94-120); so agriculture was essentially taken out of the GATT.

In virtually all other areas of trade, GATT rules were established to instruct countries on what they could and could not do to intervene in domestic markets and industries. However, in agriculture, the reverse was true. Instead of governments bringing their domestic practices into line with GATT rules, "GATT rules were written to fit the agricultural programs then in existence, especially in the United States" (Hathaway 1987, 104). Subsequently, GATT rules have been fitted to the domestic agricultural programs of a variety of other countries.

Efforts in previous rounds of MTNs to bring agricultural trade more fully under GATT rules proved unsuccessful. During the earlier MTNs, agriculture was a back-burner issue as negotiators concentrated on trade in manufactures. It was not until the Uruguay Round that a serious attempt was made to reduce the degree of protectionism in this sector and to bring agriculture under the rules and disciplines of the GATT. Although the round included fifteen separate negotiating areas in all, the agricultural negotiations proved central to the interests of both the rich countries of the North, where agriculture is heavily subsidised, and the poor countries of the South, where it is the principal source of export earnings and economic growth.

The Uruguay Round Ministerial Declaration states that: "Contracting parties agree that there is an urgent need to bring more discipline and predictability to world agricultural trade by correcting and preventing restraints and distortion including these related to structural surpluses so as to reduce the uncertainty, imbalances and instability in world agriculture markets" (Bernard 1989, 88). "The combination of agricultural trade war and budgetary
costs led countries for the first time in the post-war period to consider seriously multilateral negotiations that would change the GATT regime for agriculture and lead to reform of domestic agricultural policies" (Spero 1990, 89).

All governments intervene in agricultural markets. Their reasons include raising tax revenue, supporting producers' income, reducing consumers' food costs, attaining self-sufficiency, or countering interventions of other governments. Policy instruments for protection and intervention are numerous; several are listed in Table 4-1. All forms of protection are intended to improve the position of a domestic producer relative to foreign ones. Tariffs and non-tariffs are the most important forms of protection. Tariffs, which are simply taxes imposed on goods entering a country from abroad, result in higher prices and have been the most common form of protection for domestic producers. Tariffs have been popular with governments because it appears that the tax is being paid by the foreigner who wishes to sell his goods in the home economy and because the tariff revenue can be used to finance government services or reduce other taxes. However, it has declined due to many tariff reduction negotiations under GATT.

Table 4.1.

Examples of Policies Influencing Competitiveness and Trade

<table>
<thead>
<tr>
<th>Direct Trade Intervention</th>
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<tbody>
<tr>
<td>Tariffs and taxes</td>
</tr>
<tr>
<td>Import and export quotas</td>
</tr>
<tr>
<td>Export subsidies</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Controlled exchange rates</th>
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</thead>
<tbody>
<tr>
<td>Fixed rates</td>
</tr>
<tr>
<td>Differential rates</td>
</tr>
<tr>
<td>Crawling -peg rates</td>
</tr>
<tr>
<td>Exchange controls, licenses</td>
</tr>
</tbody>
</table>

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Other Macroeconomic Variable Distortions
- Interest rates
- Wage rates
- Inflation rates

Market Price Support
- Domestic price supports linked with border measures (quotas, tariffs, variables levies, and export restitutions)
- Two-price systems and home consumption schemes
- Price premiums (often used for fluid milk)
- Domestic price supports linked with production quotas
- Government inventory and commodity loan activities
- Marketing board price stabilisation policies
- State trading operations

Commodity Programs
- Direct payments--deficiency, disaster, payment-in-kind entitlements, stabilisation payments
- Producer co-responsibility levies (taxes on commodity to pay for surplus disposal)
- Supply control--marketing quota, acreage diversion, land retirement
- Storage programs

Programs Affecting Marketing of Commodities
- Transportation subsidies
- Marketing and promotion programs
- Inspection services

Programs Affecting Variable Costs of Production
- Fertiliser subsidies
- Fuel tax exemptions
- Concessional domestic credit for production loans
- Irrigation subsidies
- Crop insurance

Programs Affecting Long-Term Agricultural Production
- Research and extension services
- Conservation, environmental, and natural resource programs
- Structural programs to adjust farm size and numbers
- Infrastructure--roads, ports, etc.

On the other hand, various other forms of protection, frequently termed non-tariff barriers, have become increasingly important. GATT had been designed to liberalise trade by removing quotas and tariffs. With the success of such liberalisation in manufactured products, the major remaining barriers to trade were non-tariff barriers. A GATT study of non-tariff barriers identified the following general categories: "Government participation in trade; customs and administrative entry procedures; health and safety standards, packing and labelling regulations; specific limitations on imports and exports; and restraints on imports and exports by the price mechanism" (Quoted in McMahon 1988, 49; Meerharghe 1992, 141). Spero (1990, 85) even argues that the non-tariff barriers problem grew out of the very success of the GATT.

The non-tariff barrier measures take numerous forms such as subsidies or quotas. For example, unofficial and unauthorised delays in processing import or export permits behave like quotas. The monopoly-like guild of wholesale merchants in Japan who frequently reject foreign merchandise also constitutes de facto quota behaviour. Excessive packing requirements or shipping costs behave like taxes. Credit concessions provided by the United States and other exporters to foreign buyers of wheat are agricultural export subsidies. The EC imposes a variable levy on imports equal to the difference between the domestic support price and the world price--a hybrid between a tariff and non-tariff barrier but generally classified as the latter.

Governments in most developed countries subsidise their agricultural sectors, leading to reduced imports and increasing surpluses which can only be managed through substantial sales abroad. Nearly all analysts agree that national and global welfare could be enhanced by
reducing agricultural subsidies and returning to trade based upon the principle of comparative advantage; yet, politicians have found it difficult to resist demands from farmers for continued government intervention. "Particularly in the industrialised countries, political leaders are subjected to the push and pull of powerful and often contradictory political pressures so intense that international agreement on agricultural trade issues is nearly impossible" (Avery 1993, 1). The problem of subsidised exports is now central. "The agricultural negotiations in GATT's Uruguay Round have tested many countries' faith in a free and open trading system because of its high rates of support, high budget costs, and numerous GATT violations and exemptions" (McDonald 1990, 299). It cannot be denied that protection and state control of the economy have been important in achieving Taiwan's economic growth. In order to protect domestic prices and producers' income and to assure food security, Taiwan, like other countries, has been adopting the policy of production controls, price supports, export subsidies, and import protection, which are violations of the WTO rules. However, Taiwan can no longer do so if it wishes to be treated as a developed economy. Though Taiwan has been trying hard on the reductions of tariffs and the removal of non-tariffs, it seems insufficient, for there is still discrimination and unfairness towards trade partners. Thus all current economic and trade policies will face a new situation and challenges before and after entering the WTO.

Before the 1970s, the agricultural sector was the main foreign exchange earner and contributed greatly to Taiwan's economic development. However, agriculture has slowly declined and increasingly depends for its survival on government protection as the 1990s get under way. While Taiwan has become a showcase of economic development, the changing
perceptions of its role in the international economy also have made its agricultural policy a focal point of trade friction. Like Japan and South Korea, Taiwan is a rich market that has attracted the attention of world agribusiness. It has been accused of unfair trade practices and has been under increasing pressure to open its agricultural market. This pressure was intensified in the mid-1980s when the trade surplus with the United States, the largest market for Taiwan's exports, grew rapidly. The trade surplus with the United States averaged $12.4 billion during 1985-89, although it decreased to $9.1 billion in 1990, and to $6.7 billion in 1994 (Chung-kuo shih-pao, January 18, 1995).

As Taiwan's agricultural sector comes under heavy internal and external pressure, the issues of structural adjustment have become increasingly important and will occupy government policy decision making for years to come. The total estimated loss to the country caused by entering the WTO will be $2 billion annually (Chung-kuo shih-pao, January 3, 1995). Agriculture is "...the most highly protected sector in national economies, the most undisciplined area of international commerce, and the cause of the most dangerous frictions in international economic relations" (Quoted in Tweeten 1992, 228). In Taiwan, more than one million people (see Table 4.2) farm for their living, and a total of 4.3 million people, or one-fifth of the entire population, depend on agriculture directly or indirectly for their livelihood. Thus how will Taiwan's agriculture based on small family farms survive? What are the barriers to future structural adjustments? And what is the direction of Taiwan's future agricultural policy? All these deserve more discussion.

While the ROC government has made much effort to intervene in agriculture, the dominant form of agricultural protection has come from the restrictive border measures that have long
existed, partly because of a severe shortage of foreign exchange in the early years. Taiwan used to suffer chronic balance-of-payments deficits to such an extent that during 1951-61, when US aid (it was terminated in 1965) was in full swing, it paid for more than 30% of Taiwan's total imports (Liang, 1988, 3). Nowadays, instead of pursuing the original goal of conserving scarce foreign exchange, Taiwan's trade barriers have increasingly become a protectionist scheme.

Table 4.2

<table>
<thead>
<tr>
<th></th>
<th>Taiwan</th>
<th>Japan</th>
<th>US</th>
<th>Canada</th>
<th>EC</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmland (10000 hectares)</td>
<td>89</td>
<td>455</td>
<td>1,877</td>
<td>4,595</td>
<td>7,818</td>
<td>4,688</td>
</tr>
<tr>
<td>Output (Billion US$)</td>
<td>6.7</td>
<td>49</td>
<td>115</td>
<td>16</td>
<td>115</td>
<td>7.9</td>
</tr>
<tr>
<td>% of GD</td>
<td>3.7</td>
<td>3.0</td>
<td>2.4</td>
<td>6.7</td>
<td>3.2</td>
<td>4.0</td>
</tr>
<tr>
<td>Farmers</td>
<td>10</td>
<td>38.3</td>
<td>27.8</td>
<td>4.4</td>
<td>85.6</td>
<td>4 (1,000,000)</td>
</tr>
<tr>
<td>% of employed population</td>
<td>12.9</td>
<td>5.8</td>
<td>2.1</td>
<td>1.6</td>
<td>2.6</td>
<td>4.7</td>
</tr>
<tr>
<td>Average farmland per person (hectare)</td>
<td>0.8</td>
<td>1.2</td>
<td>67.5</td>
<td>104.7</td>
<td>9.13</td>
<td>117</td>
</tr>
</tbody>
</table>


Although trade liberalisation is a relatively new concept in Taiwan's agricultural policy, tariffs and import controls on agricultural products have been relaxed over years. A big step toward relaxing trade barriers came in the 1978-79 bilateral agreement between Taiwan and
the United States; provisions were comparable to those applicable to developing countries set
forth in non-tariff agreements concluded in the Tokyo Round of multilateral trade
negotiations, even though Taiwan was not a contracting party to the GATT. Taiwan agreed,
in exchange for US concessions on industrial products, to lower tariffs on a number of
products stage by stage and gave concessions on some non-tariff measures. Since then,
scheduled reductions in tariffs and non-tariff barriers have taken place. For example, the
tariff rates for wheat decreased from 13% before the agreement to 6.5% for 1992, for corn
from 6% to 1%, for soybeans from 5% to 1%, for raw cotton from 16% to zero, for duck from
75% to 35%, and for pork from 75% to 15% (Huang 1993, 43-65). Most vegetables, flowers,
fish products, and grains (with the notable exception of rice) now can be imported into

However, agricultural trade liberalisation has encountered some setbacks since 1987 because
of rapid political liberalisation. Taiwan's farmers, long obedient and staunch supporters of
the government, have begun to take more rebellious action against the government's trade
liberalisation policy. In response, the government excluded most agricultural products from
Taiwan's otherwise broad tariff cuts and temporarily banned imports of turkey meat in 1988
and beef in 1989. Thus despite years of relaxing trade barriers, tariffs on many agricultural
imports remain comparative high, and other import barriers, such as bans, import licensing
restrictions, and unique sanitation or purity standards, still persist. The prices of most
agricultural products are determined by market supply and demand. Nonetheless rice,
sorghum, corn and soy beans produced in Taiwan enjoy a guaranteed purchase price, which is
three to four times higher than the international price (Chung-yang jih-pao, October 5, 1992).
According to the Council of Agriculture (COA), the price will be maintained to the present level and will not expand the application sphere, the price subsidy system will be adjusted gradually in accordance with the results of Uruguay Round talks. In Taiwan, farm subsidies are, on average, equivalent to 19% of the value of farm output, much lower than EC's 49% and EFTA countries' 68% (The Economist, October 17-23, 1992).

Taiwan is currently conducting bilateral trade negotiations with WTO members. WTO members requested that Taiwan impose a 30% tariff ceiling on all agricultural imports. Taiwan has agreed to impose this ceiling on many imports, but not on key commodities. Taiwan also wants to maintain a 50% tariff ceiling on fruits and vegetables. The United States is particularly interested in Taiwan's growing market for processed foods, however, Taiwan is not willing to agree to a 30% tariff ceiling on these products. They want to negotiate tariffs on these products on a bilateral basis after their accession to the WTO. Such a delay is certainly unacceptable to existing members.

The United States has proposed tariff reductions on a list of more than eight thousand items, demanding that duties not exceed 20 percent for agricultural products (Chung-kuo shih-pao, July 18, 1994). This list will be an important reference for other nations when they conduct tariff negotiations with Taiwan as required for WTO entry. At present, Taiwan imposes tariffs of more than 20 percent for nearly half of all agricultural goods. Moreover, joining the WTO would force Taiwan to conform to the resolution requiring all members to cut tariffs by 40 percent within four years.

One of Taiwan's main non-tariff barriers to agricultural imports is its licencing structure. Before the Board of Trade will sign a licence for the importation of an agricultural good, it
requires pre-approval from either the COA or from one of the provincial agricultural agencies. Licences are rarely granted, and then only after long delays. Taiwan also imposes quotas and area-of-origin restrictions on produce including apples, bananas, pineapples, grapes, and grapefruit. The restrictions on import areas and import controls will have to be removed, because GATT Article XI:1 dictated that "No prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licences or other measures, shall be instituted by any contracting party on the importation of any product of the territory of any other contracting party..." (McMahon 1988, 91 & 47; Meerhaeghe 1992, 124). Therefore, all of these protective barriers face major challenges as the island prepares to join the WTO.

But the thorniest challenge of all faces Taiwan's staple food: rice. When it became known that Taiwan might have to open its rice market in its bid to join GATT, local farm leaders reacted strongly. In late November 1993, Taiwan farmers joined their Japanese and South Korean counterparts in issuing a statement in Tokyo strongly opposing even minimal rice imports. Rice importation, they contended, would lead to the collapse of the traditional cultures of Asian nations, which are rooted in rice production and an agricultural tradition.

Farmers in Taiwan issued a strong appeal to the government to hold to its strict ban on rice imports, and legislators called on government leaders to stick to this policy or resign. If necessary, they urged, the government should delay or even cancel its efforts to join GATT. Some legislators even dubbed the opening of rice markets a "national disaster". Local farming leaders stressed that 390,000 farming households grow rice (among other crops), accounting for 40 percent of the total agricultural households (Lien-ho-pao, October 18,
Of these, 160,000 households specialise in rice farming. The island has a total of 400,000 hectares of rice paddies.

US-grown rice, which sells in the United States at one-third local prices (see Table 4.3), would likely deal a devastating blow to the livelihood of domestic farmers and to the structure of the island's agricultural community.

Table 4.3

<table>
<thead>
<tr>
<th>Year</th>
<th>Taiwan</th>
<th>Thailand</th>
<th>Japan</th>
<th>US</th>
<th>PRC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>350</td>
<td>104</td>
<td>1,004</td>
<td>177</td>
<td>124</td>
</tr>
<tr>
<td>1986</td>
<td>375</td>
<td>91</td>
<td>1,421</td>
<td>144</td>
<td>109</td>
</tr>
<tr>
<td>1987</td>
<td>446</td>
<td>117</td>
<td>1,556</td>
<td>83</td>
<td>114</td>
</tr>
<tr>
<td>1988</td>
<td>505</td>
<td>167</td>
<td>1,673</td>
<td>160</td>
<td>124</td>
</tr>
<tr>
<td>1989</td>
<td>594</td>
<td>171</td>
<td>1,554</td>
<td>151</td>
<td>119</td>
</tr>
<tr>
<td>Average</td>
<td>454</td>
<td>130</td>
<td>1,442</td>
<td>143</td>
<td>118</td>
</tr>
</tbody>
</table>


After heated debates during the Uruguay Round, the Japanese and South Korean governments eventually agreed to open their rice markets, at least to some extent. It has become clear that Taiwan must follow suit in order to join the WTO. Vincent Siew, ex-chairman of the Council for Economic Planning and Development, has pointed out that "liberalisation of international agricultural trade is inevitable, and that Taiwan cannot swim against this current alone" (Chung-kuo shih-pao, December 22, 1994). But Siew has also emphasised that the government will adjust its policies on farmland and agricultural production and marketing to help local farmers weather possible adverse effects resulting
from Taiwan's entry into the GATT. A US $4 billion fund will be provided to compensate farmers for losses incurred from the opening of the rice market (Chung-yang jih-pao, January 4, 1995). In the area of rice imports, the government could strive to secure a minimum amount of imports, impose a long period of adjustment, and maintain some protective tariffs, at least to the extent afforded Japan and South Korea (see Table 4.4).

Table 4.4
Comparisons of Japanese and South Korean Rice Import Models
(The unit of amount: 10,000 tons)

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Japan</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount</td>
<td>6.8</td>
<td>8.2</td>
<td>9.5</td>
<td>10.9</td>
<td>12.2</td>
<td>13.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As % of domestic ice market</td>
<td>4.0</td>
<td>4.8</td>
<td>5.6</td>
<td>6.4</td>
<td>7.2</td>
<td>8.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S. Korea</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount</td>
<td>1.7</td>
<td>2.1</td>
<td>2.5</td>
<td>2.9</td>
<td>3.4</td>
<td>3.4</td>
<td>4.2</td>
<td>5.1</td>
<td>5.9</td>
<td>6.8</td>
</tr>
<tr>
<td>As % of domestic rice market</td>
<td>1.0</td>
<td>1.2</td>
<td>1.5</td>
<td>1.7</td>
<td>2.0</td>
<td>2.0</td>
<td>2.5</td>
<td>3.0</td>
<td>3.5</td>
<td>7.0</td>
</tr>
</tbody>
</table>


Under international pressure, Japan has agreed to open four to eight percent of its rice market over a period of six years before opening it entirely (see Table 4.4). High tariffs will be imposed but will gradually phased down after the market is opened. The Japanese model also includes a set of government aid packages, such as buying farmland from farmers,
helping them to change professions, merging smaller farms into bigger ones in order to conduct more economical farming.

South Korea, like its neighbour, has to open its rice market despite strong protests from farmers. But Seoul is committed to open only three percent of its market over a period of ten years to allow its farmers to accommodate to the changes. Though the South Korean model is more protective, it would be difficult for Taiwan to apply it, because under the GATT regulations, only developing nations are allowed to adopt such a measure as a kind of protection of their rice farmers. Taiwan applied to join GATT as an advanced economy, and thus will not be able to cite the South Korean model since Seoul registered as a developing economy.

Rice imports can be handled directly by the government, and imported rice could be used for special purposes such as animal feed or aid to developing nations, so as to prevent its entry into the domestic market. In addition, the government should plan to provide rice farmers with "import relief" subsidies based on the area of farmland, and to increase insurance, retirement, and other benefits for farmers. Meanwhile, the government should also formulate a medium-and long-term agricultural development program aimed at reducing the farm population, expanding the unit scale of agricultural operations, and developing technology-intensive agriculture. Under this program, some marginal farmland will be released for residential, industrial, or recreational use.

Regarding protection measures, Taiwan could raise tariffs to substitute import restrictions or gain more time for adjustment, then increasing import quotas annually. Actually, the average tariff standard on agricultural products in Taiwan is higher than in the US, but lower than in
Japan, South Korea and EC (Chung-kuo shih-pao, December 9, 1994). Therefore, there will be no need for Taiwan to adopt an all-out tariff reduction in future negotiations. To meet the request for further reduction, Taiwan could refer to different types of tariff and tax rates of other countries as bases for comparison and adjustment.

Facing pressure to open its markets and the likely initial increase in imports, Taiwan needs to adjust its production mode due to its weak competing capability. It could be a crisis but a turning-point as well, if Taiwan can make good use of this time. It may not only bring positive effects but facilitate Taiwan's agricultural structural change and help agricultural automation, mechanisation and modernisation.

After intense economic development in past decades, Taiwan's agriculture faces unprecedented challenges as the last decade of the twentieth century gets under way. The very success of its industrialisation has resulted in rising production costs and a shrinking and ageing supply of farm labour in the agricultural sector. Labour-intensive farming has become uneconomical, yet substantial mechanisation of Taiwan's current small farms is often impractical. Furthermore, increasing import competition and other problems of Taiwan's overall economy--pollution, strong currency, labour shortage, and dwindling water resources--have become major policy concerns.

Entering the WTO will therefore imply a liberalisation of farm trade in Taiwan. Farmers will lose, but the economy as a whole stands to gain a lot, as resources are released into more productive activities and food prices fall. In general, farmers will face challenges temporarily, but will benefit in the long run. Fortunately, due to inherent Chinese characteristics of obedience and contentment, most farmers are not interested in politics. In addition, they have
always abided by government policies. As a result, farmers in Taiwan are not as influential and powerful politically as those in other countries.

The farm sectors' political leverage in Taiwan appears insufficient to delay further market liberalisation, because Taiwan has not yet developed complicated legal and institutional frameworks designed for agricultural protection policies (Chu 1994, 2). Therefore, the question of agricultural trade liberalisation is not whether it will proceed but, rather, how quickly and to what degree. In fact, the government has announced intentions to relax barriers against agricultural products for which Taiwan has no comparative advantage while continuing to seek protection for some politically sensitive farm products such as rice. Faced with a dwindling sector and increasing pressure for trade liberalisation, Taiwan's agriculture is in need of reform. Taiwan's application for membership in the GATT and its willingness to join the organisation as a developed economy represent a milestone in Taiwan's agricultural policy. The prospects of liberalisation depend in part on domestic structural adjustments, while the pressure for liberalisation will certainly intensify the need for restructuring agriculture.

4.3.2 Service Sector

In addition to agriculture, other sectors such as trade in services not adequately covered by the GATT raised important issues. In the late 1980s, the Uruguay Round began to focus on the thorny issues of services trade, an area of increasing interest to the United States and other countries which had been excluded from earlier negotiations. The rising interest in services is
not unjustified. In 1960, industrial countries generated 40% of their GDP in manufacturing and 54% in services; in 1986, manufacturing contributed 36% and services 61%. For developing countries, in 1960 agriculture accounted for 34% of their GDP and services 40%; in 1986, agriculture contributed 18% and services 48% (Nicolaides 1989, 19). Worldwide, the services sector is not only large--roughly 19 percent of global trade is in these services, amounting to $810 billion annually--it is an extremely heterogeneous mixture of industries, comprising telecommunications, aviation, banking, securities, insurance, tourism, management consulting, shipping, packing, construction and engineering, accounting, advertising, legal services, audio-visual services, and data processing and so forth (GATT 1992).

Services, or invisibles, differ from goods in that they can not be stored, and therefore require some form of direct relationship between the buyer and seller. Due to being intangible, "services are therefore subject to more than the usual problems encountered in measuring the volume and terms of trade, in some cases, it is difficult to determine even whether the trade is taking place" (McCulloch 1990, 335). As the economies of the developed countries matured, services came to play an even greater role in the production and distribution of goods. Governments have long regulated many of their domestic service industries--insurance, banking and financial services. Often differing dramatically from country to country, these regulations have become one of the most politically contentious barriers to trade. Frequently, such regulations discriminate against foreign services providers by denying access to national markets or by imposing constraints on activities of foreign firms operating in domestic markets. "Such barriers include discriminatory treatment of foreign firms in licensing and
taxation; policies through which a section of the market is reserved for domestic industry; investment requirements; and government monopolies" (Spero 1990, 90). The most commonly encountered obstacles to trade in financial services are set out in Table 4.5.

**Table 4-5**

<table>
<thead>
<tr>
<th>Obstacles to International Trade in Banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Obstacles related to establishment in a country</td>
</tr>
<tr>
<td>Complete prohibition</td>
</tr>
<tr>
<td>Prohibition for other than representative offices</td>
</tr>
<tr>
<td>Restriction on equity participation in domestic banks</td>
</tr>
<tr>
<td>Prohibition of establishment of branches</td>
</tr>
<tr>
<td>2. Obstacles related to operating conditions</td>
</tr>
<tr>
<td>Discriminatory reserve requirements</td>
</tr>
<tr>
<td>Discriminatory capital asset ratios</td>
</tr>
<tr>
<td>Discriminatory taxation</td>
</tr>
<tr>
<td>Restriction on nationality of board membership</td>
</tr>
<tr>
<td>Special requirements of local supervising authorities</td>
</tr>
<tr>
<td>Special taxes</td>
</tr>
<tr>
<td>3. Obstacles related to competing for business</td>
</tr>
<tr>
<td>Limitations on government deposits</td>
</tr>
<tr>
<td>Discriminatory access to subsidised or guaranteed credits for specific purposes</td>
</tr>
<tr>
<td>Limitations on access to central bank discount facilities</td>
</tr>
<tr>
<td>Restriction on acquisition of securities and other assets such as land or buildings</td>
</tr>
<tr>
<td>Limitation on types of services offered</td>
</tr>
<tr>
<td>Restrictions on local retail banking</td>
</tr>
<tr>
<td>Restrictions on participation in the securities sector</td>
</tr>
<tr>
<td>4. Obstacles not primarily related to banking services</td>
</tr>
<tr>
<td>Foreign exchange controls</td>
</tr>
<tr>
<td>Restrictions on transborder data flows</td>
</tr>
<tr>
<td>Limitations on working permits</td>
</tr>
</tbody>
</table>

Source: International Chamber of Commerce, quoted in Lanvin 1993, 266.
Service sectors in Taiwan have been considered as much related with social and national security, hence, foreign firms are nearly barred from participation. However, the situation would be completely different after entering the WTO. Further opening of markets and greater competition will reduce prices and boost productivity. According to an estimate made by the Council of Economic Planning, annual growth in services will reach 7.4% between 1993 and 2000, which will exceed industrial and macro-economic annual growth (*Ching-chi jih-pao*, April 15, 1993).

Services are an area of significance in Taiwan's negotiations, not only because they have become increasingly important in the Uruguay Round, but also because Taiwan's economy is an attractive market. The ambitious infrastructural projects in the Six Year Development Plan have attracted the attention of engineering, consulting and architectural firms, who would like to offer their services. In addition, services such as telecommunications, insurance, and banking must be opened to international competition.

Taiwan's financial system still remains greatly underdeveloped, characterised by outdated financial practices and government controls of day-to-day operations. "Credit rationing, collateral requirements, and selective credit controls are widely practised by financial intermediaries" (*Koves & Marer 1991, 157-8*). Entry to financial industries is strictly regulated, and most of the major domestic banks are government owned. Guidelines approved by Taiwan authorities in 1983 provide that any foreign bank that applies to open a new branch should have business connections with local banks for at least ten years and have transacted at least $1 billion of business with Taiwan banks or firms during the three years leading up to their application, of which at least $180 million must have involved the granting
of medium-term or long-term credits. No more than a total of two such branches may be established in any given year. Approvals for foreign branches or representative offices are granted only for Taipei and the port city of Kaohsiung. Foreign branches may take deposits with maturities of less than six months, make loans and discounts, issue letters of credit, underwrite, deal and invest in securities and transact foreign exchange business as decided by the Ministry of Finance, with an emphasis on commercial and industrial clients (Ministry of Finance 1983).

Entering the WTO would bring heavy pressure to open Taiwan's financial markets. Restrictions on the establishment and operation of foreign banks and other financial institutions would be liberalised. Hence, future open policy will not only concern emigrants, investment and foreign-exchange, but also have the most essential impact on local financial businessmen and markets. The greatest possible impact on the financial sector would be a reduction in lending rates because capital mobility between Taiwan and other countries would be more convenient. Taiwan's efforts to promote the internationalisation of the financial sector should minimise possible damage. In fact, the US already imposes pressure on Taiwan to open up its financial markets and would likely continue to do so even if Taiwan did not join the WTO. A good example is the intellectual property rights talks between Taiwan and the US in April, 1993 forced Taiwan to yield to the most unfavourable requests raised by the US just the day before the US imposed retaliation.

4.3.3 Industrial Sector
On the industrial side, the auto industry will suffer the most severe impact of WTO membership. The most difficult task would be the elimination of quantitative restrictions, especially those based on the country of a product's origin which were discriminatory in nature. In responding to US pressures for import liberalisation Taiwan had loosened restrictions on American goods while retaining tighter limits on import from other sources. In 1989 imports of small saloons from Japan were banned, for example, and small car imports from Korea were subject to quota, while no quantitative limits were levied on automobile imports from the US and Europe.

The United States has asked the ROC to cut automobile tariffs in half, to 15 percent (Chung-kuo shih-pao, May 19, 1994), a level that many domestic automobile manufacturers believe will cause extensive bankruptcies in the industry. There will also be strong pressure to remove the ban on imports of Japanese-made cars. Imported automobiles accounted for 33 percent of the island's market in 1993, up from 30 percent in 1992 and 24 percent in 1991. This increase follows a reduction of the tariff on autos from 42.5 percent to 30 percent, which is already relatively low, compared with the PRC, Malaysia and other countries, where duties range between 140 percent and 300 percent (Free China Journal, May 13, 1994).

The auto is subject to restrictive trade policy measures in a number of OECD countries, some of which are long standing. The types of trade restricting measures which exist include tariff quotas, quantitative restrictions, voluntary export restraints (VERs), measures to monitor imports and technical requirements. To protect the auto industry, the government could plan gradually to open Taiwan's car market by signing VERs agreements with member states of the GATT. "VERs generally arise as a result of pressure or requests from an
importing country for the exporting country to limit its exports of specific products" (Willig 1987, 30). Such VERs will enable more countries to export automobiles to Taiwan—in restricted numbers, however.

Since the island's auto industry is still developing, it is not feasible to open fully the market to foreign competition all at once. A hasty opening would flood the market with imports, causing many local auto industry workers to lose their jobs. Nevertheless the opening of the market to all foreign products on equal terms could be phased in over a period of time in order to minimise the impact and allow the domestic industry time to adjust.

Since there is little room for a further reduction of Taiwan's auto tariff, the VER method is the most workable one for gradually opening the domestic market. By adopting the VER method, the ROC could show its sincerity about bringing economic policies in line with GATT principles.

4.3.4 Intellectual Property Rights

Intellectual property rights (IPRs) have become an area of international interest and controversy as the rate and cost of technological progress have increased, and as national borders have become ever more transparent. Disagreements have arisen not only over the mechanics of granting such rights, but even over the validity and merits of certain fundamental concepts concerning IPRs. For example, there are those who argue that the existence of robust IPR laws speeds up innovation, and beneficially influences the economic
future of companies and nations. Others argue that such laws are economically inefficient and exploitative, and that they are harmful to the development of emerging nations.

Much of the recent concern has focused on the developing world, particularly on the so-called newly industrialised countries (NICs), where patent and copyright laws have been weak or, in some cases, non-existent. In an effort to accelerate their rate of economic development and increase their level of wealth in the short term, some governments have, for example, conveniently looked the other way when products or technologies are copied or used without permission. Many of these governments argue that some degree of protection from the need to pay for the use of ideas or technologies developed elsewhere is required if they are successfully to promote the maturation of so-called infant industries, whereas others contend that their countries cannot afford to pay the monopoly prices charged for technology protected by IPRs.

As a result of these concerns, IPR issues have been elevated to high political levels within the Group of Seven (G-7) advanced industrialised countries, and have also been a major point of discussion (and disagreement) in the Uruguay Round of trade negotiations within the GATT. In 1988, the US International Trade Commission published a study focusing on the economic effects of weak IPR protection. World-wide losses were estimated at US$23.8 billion in 1986 (Jussawalla 1992, 46).

The danger posed by inadequate IPR protection is that economic losses suffered by innovating firms could lead to a reduction in the rate of industrial innovation in the technologically advanced countries capable of generating innovations. A lower rate of innovation could, in turn, result in slower world economic growth, which would hurt all countries.
Despite this argument, however, NICs and less developed countries that might benefit from more robust world economic growth have been reluctant to accept the premise that stronger IPR protection is in their long-term national interest.

The protection of IPR has long been a thorn in the side of bilateral relations between Taiwan and the United States. In fact, the US began to raise questions about Taiwan's violation of patent, trademark, and patent rights as early as 1982. These violations became so flagrant in 1992 that Taiwan was one of three countries in the world identified for retaliation with trade sanctions under Section 301 of the US Omnibus Trade Act of 1988. It was estimated that losses from unchecked piracy of computer software cost companies in the US US$585 million dollars (Far Eastern Economic Review, April 8, 1993). Further, Taiwan's booming cable TV industry, its popular and profitable MTV and Karaoke houses, have increased the temptation to use pirated movies, tapes, and discs. Intellectual property is of particular importance to the Clinton Administration. Moreover, US businessmen are exerting heavy pressure on both the Clinton Administration and on the Congress to encourage Taiwan to respect IPR.

In Taiwan, foreign firms have claimed that patent protection for chemicals and pharmaceuticals has been inadequate and that there has been no unfair competition law dealing with false advertising, imitative product packaging, and inaccurate marks of origin. Taiwan has begun to take action against IPR violators. In 1986, a revised patent law was passed that extends full patent protection to chemical and pharmaceutical products. Also, firms unregistered in Taiwan can pursue trademark infringement cases in local courts, and copyright protection has been extended to computer software. In 1991, a new Fair Trade Law
was enacted, which provides for protection of trade secrets. The Legislative Yuan agreed to many of the articles of the IPR pact with the United States and passed copyright legislation in 1993. The Legislative Yuan has also completed a review of its patent and trademark laws, and drafting work has been done on laws to protect semi-conductor chips, industrial designs and movies shown over cable TV. Taiwan is clearly making progress, however, a country on the list for retaliatory action or watching list is far from meeting the requirements for GATT accession. Thus more efforts are required.

4.3.5 Transparency

The last area of concern is the transparency of Taiwan's trade regime. To date Taiwan has relied on an informal and largely unmodified set of understandings between individuals to regulate its trade. Its relatively homogeneous society and common culture has enabled it to succeed using this informal method. However, the WTO requires that laws governing all aspects of trade be clearly codified and, therefore, transparent so all international players can read and play by the same rules. Taiwan wants a transitional period in which to codify its laws that could take place after its accession. Many WTO members, including the United States, want to require transparency as a condition for accession.

Adjustments will also have to be made to existing economic and trade policies. For instance, the ROC government will have to adopt an open procurement process for state-run enterprises, allowing foreign firms to enter this huge market, annually worth an estimated US$11.5 billion (Lian-ho-pao, February 26, 1994). Currently, the government often gives
priority bidding status to local or US companies. Likewise, the monopoly system for sales of tobacco products and alcoholic beverages will have to be abandoned. Monopoly sales currently generate US$2.3 billion for the government each year (Chung-kuo shih-pao, January 18, 1994). Finally, the government would have to remove existing restrictions on foreign investments, abolish duties on harbour construction, and revise restrictions on domestic sales by manufacturers in export-processing zones.

4.4 The Impact of Taiwan's GATT Bid on Cross-Strait Relations

In Taiwan, the application for accession to GATT aroused concern about the impact for both the ROC and the PRC on cross-Strait economic and political relations. At present, production in Taiwan and mainland China is complementary, but the island's labour-intensive industries would be sure to suffer from any further liberalisation of mainland China's foreign trade and development of labour-intensive production. As a WTO member, the PRC will not only enjoy MFN status but even secure WTO-sanctioned Generalised System Preference (GSP) benefits from the developed countries. These favourable conditions would be sure to attract more investment from Taiwan. Instead of complementing each other, the two sides would become competitors.

Lifting the present ban on imports from mainland China would also affect the structure of Taiwan's production. For example, the Final Act required GATT members to open their markets to imports of agricultural products. As a WTO member, Taiwan would have to deal with the results of an influx of cheap farm products from mainland China (Shih 1993, 219-
In general, Taiwan's trade dependence on mainland China would increase tremendously, and it is estimated that by 1998, mainland China would account for as much as 20 percent of Taiwan's total imports, compared to 1.4 percent in 1993. Of this 20 percent, capital-intensive products would likely account for approximately 4 percent and labour-intensive products for the remaining 16 percent (Lian-ho-pao, August 1, 1994).

There would also be advantages for Taiwan if both sides of the Strait were to admitted to the WTO. Taiwan's service sector, for example, which is well-capitalised and innovative, can expect to benefit from the opening up of the mainland market in such areas as banking, transportation, and communications. Nonetheless, Taiwan will also encounter strong competition from Europe, the United States, and Japan in this area. Consumers will also benefit from lower prices as a result of the abolition of tariff and non-tariff barriers. In addition, if both sides of the Strait join the WTO, it will be easier for them to solve their long-standing dispute over IPRs in line with the relevant WTO agreement.

In comparison, the political issues which Taipei will face are much more complicated. According to the Guidelines for National Unification formulated by Taipei in February 1991, relations between the two sides have not yet reached the stage at which official channels of communication between Peking and Taipei can be opened. This will present a problem should the two sides gain admittance to the WTO, which requires contracting parties to hold direct trade negotiations.

Once both Taiwan and PRC become WTO contracting parties, the indirect trade currently between them will emerge as an issue of controversy. Because according to the rules of rights and obligations, there will be "no discrimination among contracting parties and should
provide the most-favoured-countries treatment” (Gilpin 1987, 191). Therefore, the future official contacts and negotiations between both sides will be inevitably involved. The indirect type of trade will face a severe trial. Also it will pose big challenges to the three exchanges, namely commercial, communication and navigation and flight exchanges proposed by Peking; and the three no's, namely no dialogue, no negotiations and no compromise which was the response from Taipei. Putting aside the problem of direct negotiations, WTO membership would be beneficial to both sides of the Taiwan Strait as it would provide them with an opportunity to build up a fair and free trade and solve their existing economic and trade problems.

Conclusion

In Chapter 4, we considered the economic dimension of Taiwan’s security. WTO (GATT) was used as a case study, and the implications of membership for the government and the economy of Taiwan were examined. Why is Taiwan aggressively attempting to join or rejoin the world’s major international organisations—including the GATT (now the WTO), the IMF, and the United Nations? What does it hope to gain from membership in these institutions? As with any initiative, many questions have been raised. As an island state that also happens to be one of the world’s largest traders, Taiwan is heavily dependent on international commerce for its survival. While Taiwan's economy is thriving it is important that it participates in the international economic organisations (IEOs), in order to obtain fair and reciprocal treatment with its trade partners who are members.
But today the majority of the world's intergovernmental economic organisations do not recognise Taiwan. Indeed, for the major IEOs Taiwan officially does not exist. Rather than admit it in any capacity, these organisations have ignored economic realities and have yielded to political pressures from Peking to force the international community to make a choice between itself and Taipei. The continuing efforts by Peking to blackball Taipei have politicised the process of Taiwan's entrance into such organisations. Because the great majority of the nations that belong to the IEOs maintain formal diplomatic ties with the PRC, they bow to the PRC's efforts to block Taiwan's membership. For Taiwan, this has meant increasing isolation not only from the established venues of international decision-making, but also from much of the normal political dialogue among nations.

One of the strong desires for Taiwan to enter the WTO is that Taiwan's economic development was threatened by the imbalance between its obligations and its rights in foreign trade. In recent years, the island has encountered growing pressure from its trade partners, mainly the United States, to abide by GATT's liberal principles and to open up its domestic markets, liberalise import procedures, allow greater access to the domestic economy, modernise the financial framework of the nation, and further revalue the currency. Most of the concessions granted by Taiwan to the United States have also been extended to other trade partners. However, while Taiwan was abiding by many of the rules of GATT like a GATT member, it did not have a GATT member's rights and thus could not enjoy the benefits and privileges of GATT membership. Therefore, Taiwan has always been in a passive position and has to yield frequently to pressures in relation to trade retaliations. Besides, Taiwan could not take advantage of GATT rules to defend itself against excessive requests and unfair
trade practices from its trade partners such as the US. Hence, with its economy heavily dependent on trade, Taiwan must seek to join the world's largest trade promoting agency if it wants to better protect its economic interests in the international arena. Recognition in the major IEOs would also provide Taiwan with more extensive diplomatic help to defend its economic gains. Membership in world economic and trade organisations would allow Taiwan to work through multilateral channels and international arbitration to gain reasonable treatment and ensure Taiwan's economic interests.

After decades of rapid economic development, Taiwan's economy is now at a cross-roads. To continue developing, it must carry out a fundamental structural transformation. Despite the pain and dislocation it will cause, WTO membership will accelerate the island's progress toward the goal. Aggressive anti-protectionism is the best way for Taiwan to acquire the political capital that it needs to accede to WTO. And trade liberalisation would be the only and the best way for Taiwan to defend itself against other countries' protectionist measures and proposing a timetable would help convey its willingness to liberalise its trade.
Chapter 5

The Cross-Strait Arms Race and
Major Constraints on the ROC's Military Modernisation

After analysing the various dimensions of security, in this chapter we will further explore the main variable affecting Taiwan’s future security, i.e., the cross-Strait arms race and major constraints on Taiwan’s military modernisation. We first consider the PRC’s arms build-up as the primary impetus for Taiwan’s military modernisation. We take an overview of the evolution of Taiwan’s military modernisation from complete reliance on US as sole arms supplier to seeking for autonomy in weapons supply through indigenous research, development and production. We then seek to test whether the much cited negative defence spending effect on economic development and social welfare found in most countries is valid in Taiwan’s context. Our new results, in contrast to evidence about the impact upon other countries, suggest that Taiwan presents a deviant case to the cross-national generalisations about the relationships among defence burden, economic performance, and social welfare.

Judging from a global point of view, one of the main characteristics of the post-Cold War era has been arms reduction and the easing of international tension. The superpowers have taken steps to eliminate arms production and proliferation. Some nations such as the United Kingdom (Financial Times, February 10, 1993) and Germany (The Economist, February 13-19, 1993) have announced unilateral cuts in military forces and defence spending. However,
states like the ROC and the PRC, on the contrary, have increased their defence expenditures, and launched major efforts to acquire advanced weapons and the technologies for domestic arms production. In its proposal to parliament, the ROC Defence Ministry issued a draft military budget of NT$280.0 billion (US$10.6 billion) for the 1996/97 financial year (China Post, February 26, 1996). If approved by the Legislature, it would represent the most money Taiwan has spent on defence in any single year since 1949. This is not be surprising if we simply look back to Taiwan in the 1980s.

The 1980s were a tough decade for Taiwan's efforts to keep pace with military developments, a challenge Taipei has met through local production supported by overseas technology and substantial investment. Prior to 1979, Taiwan was for 25 years under the protective umbrella of a defence treaty with the USA. Washington's diplomatic recognition of the PRC in that year saw this replaced by the Taiwan Relations Act. However, Peking then pressured the US into quantitative and qualitative reductions in arms exports to Taiwan.

This constraint produced a 12-year delay in gaining Washington's approval for the sale to Taiwan of F-16 fighters, a key requirement finally met in 1992. The result was a Taiwanese air force of less than 300 ageing combat aircraft. The navy, meanwhile, was denied replacements for its old frigates and updated systems for its destroyers.

The 1990s have so far seen the collapse of the Soviet Union and double-digit growth in the PRC. One consequence of this has been Moscow's emergence as a key supplier to Peking of advanced military equipment and technology. This has promoted some observers to talk of the "awakening of the dragon": a reference to Peking's growing importance as a market as well as to its expanding military capabilities. Both have a significant bearing on Taiwan's security.
Militarily, the primary strategy to counter such a threat is centred on efforts to increase the defence budget and enhance Taiwan's military might. Bolstered by its growing wealth, Taiwan has increased its defence spending and strengthened its defence hardware through both acquisition of foreign weapons and its indigenous effort in research and development, production, and deployment. Taiwan's current military acquisition program, launched in the early 1980s, should see an estimated $30 billion spent on procuring new weaponry by the end of the century (Chung-kuo shih-pao, January 10, 1995). The key characteristic of this modernisation program is Taiwan's effort to internationalise procurement and lessen its traditional heavy reliance on US equipment. This trend is particularly evident in the navy.

The end of the Cold War is a major factor, since it has helped both to create a buyer's market for military equipment and ease some political constraints. Such constraints have in the past hindered Taiwan's efforts to buy military systems from foreign suppliers. However, diplomatic problems still present a challenge, as many nations continue to be influenced by Peking's pressure to halt the sale to Taiwan of advanced weaponry.

This chapter will try to answer the following questions: (1) What are the main motives driving Taiwan's accelerated military modernisation? (2) Will Taiwan be able to break through Peking's blockade and procure the weaponry needed for defence? (3) Will the economy of Taiwan be able to sustain such a huge amount of defence expenditure? (4) Will the armed forces be able to recruit and retain an adequate number of skilled military personnel for the advanced and sophisticated weapons procured? and (5) What will be the potential impact of the arms race on Taiwan Strait stability?
5.1 The Primary Impetus of Taiwan's Military Modernisation:

The Threat of the PRC's Arms Build-up

While modernisation of the PRC's national defence was originally the lowest priority among the "four modernisations" outlined in the 1980s by Teng Hsiao-ping and is reputed to remain in the fourth place, it has been stepped up since 1985 and has received greater emphasis in recent years. At that time, Peking's ultimate aim was to become a major power that could militarily contend with the United States, the Soviet Union, Britain, and France in the twenty-first century. It made preparations to qualify as a real player in the strategic triangle and gain a certain freedom of action and a decisive influence on Asian affairs. In the early 1990s, the decline of the PRC's strategic importance after the disintegration of the Soviet Union has forced Peking to switch the focus of its strategy from the global theatre to the Asia-Pacific region. Peking, however, still wants to play the role of a big power.

In order to become a big power with decisive influence on regional affairs or fully to play its part in the emerging multipolar world, Peking needs to be backed by solid military strength. Peking, therefore, wants greatly to increase its military power in the 1990s and beyond. Now that the Soviet Union has disintegrated and the PRC is free from any significant military threat, the People's Liberation Army (PLA) deems this to be a favourable opportunity to implement its own modernisation programs and procurement plans.

The general objective of Peking's strategy is to have the capability for strategic initiative in the Asia-Pacific region. The acquisition of this ability will not only consolidate Peking's international standing, but will also alleviate its concerns about national security and territorial integrity, including the "peaceful evolution" menace from the West, the separatist
trend among minor nationalities, the development of the Taiwan independence movement, the sovereignty dispute over the South China Sea, and the potential threat from Japanese militarism. The best way to ensure this is to increase its military strength and promote modernisation.

In reality, Peking's national defence modernisation efforts have two objectives: military deterrence and preparing for local wars. Considering Peking's recent emphasis on peace and development, the foremost objective is deterrence. Since the 1980s, Peking has emphasised that the fundamental national defence task in peacetime is to prevent possible wars through deterrence (Chen 1987, 93). Peking believes that a deterrent force should have both relatively strong defence and attack capabilities. Such a dual deterrence can ensure better control of a situation and can better prevent enemies from starting wars.

To build up a strong military deterrent force, Peking began to reform its national defence system in 1985. The policy of achieving military superiority by maintaining a large number of troops was abandoned. Measures were taken to improve the structure of the PLA and to enlarge and update its weaponry.

5.1.1 Defence Budget

Reversing a declining trend since 1979, the PRC's defence budget has grown continuously since 1989 with an increase of 13% in that year, and up to 21.2 in 1995, (see Table 6.1), or a net increase of 66% since 1988, in spite of the fact that the Soviet threat has disappeared, and other borders seem peaceful.
But these official figures understate real expenditures or income, since they do not include some capital expenditures, or research and development or a good deal of procurement or, on the other hand, income from arms sales abroad or that from army-owned factories. Most analysts estimate that the actual budget is double the stated amount (*Far Eastern Economic Review*, February 19, 1994). Many reasons have been offered for this increase in defence outlays. The Chinese explain it away by citing a variety of reasons: the need to raise military standards of living; increased pay and benefits; an attempt to keep up with inflation; and the need to modernise a sorely outdated military force after years of neglect. Given Peking's robust economic growth, further expansion of defence expenditure should encounter few constraints.

Table 5-1

PRC Defence Expenditures in Billion Yuan

<table>
<thead>
<tr>
<th>Year</th>
<th>Defence Expenditure</th>
<th>% of Budget</th>
<th>Increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>20.0</td>
<td>8.8</td>
<td>4.8</td>
</tr>
<tr>
<td>1987</td>
<td>20.9</td>
<td>8.6</td>
<td>4.4</td>
</tr>
<tr>
<td>1988</td>
<td>21.8</td>
<td>8.2</td>
<td>4.0</td>
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<td>25.1</td>
<td>8.3</td>
<td>13.3</td>
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<td>29.0</td>
<td>8.6</td>
<td>15.4</td>
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<td>32.5</td>
<td>9.10</td>
<td>12.0</td>
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<tr>
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<td>37.0</td>
<td>10.0</td>
<td>13.9</td>
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<tr>
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<td>42.5</td>
<td>13.5</td>
<td>21.0</td>
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<td>54.0</td>
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<td>1995</td>
<td>63.9</td>
<td>10.0</td>
<td>14.6</td>
</tr>
<tr>
<td>1996</td>
<td>69.8</td>
<td>na</td>
<td>10.6</td>
</tr>
</tbody>
</table>

*Chung-yang jih-pao*, March 6, 1995.
5.1.2 Ground Force

The PLA ground force is the world's largest at 2.3 million, despite the 1985-87 reduction of one million in overall PLA manpower. For this reason alone, the modernisation of the PLA Army ought to be, and has been, very selective. Due to short funding, the army holds the lowest priority. A series of efforts has been made to streamline overlapping structures and downsize or reorganise the various units across the branches. The objective of this troop reduction is to economise defence expenditures, and to increase the number of combined armies to raise the PLA's combat effectiveness. One important change has been to combine the armoured forces, the artillery, the anti-chemical warfare forces, and the engineering corps directly under the PLA General Staff Headquarters into a Special Forces Department (Ikuo 1992, 2). Rapid deployment forces, consisting of combined armies established under various military regions since 1989, will be further expanded to improve the PLA's ability to deal with unexpected events. Military training has been intensified at all levels to incorporate the requirements of modern warfare: enhanced mobility, skills, and co-ordination.

During the last decade the PLA ground force has gradually added some modern weaponry and military equipment to its huge inventory. Due largely to the lack of available funds for the upgrade of its obsolescent weaponry, however, no significant breakthroughs have been achieved. The PLA ground force's 1994-1995 inventory of major weapon systems and equipment is as follows (The Military Balance 1994-1995, 171).

Tanks: A total of over 12,000, including about 8,000 main battle tanks (MBTs) and 2,000 light tanks. Most of the MBTs are T-59s and T-69s.
Armoured Fighting Vehicles: Over 3,000 pieces, including 2,800 Type-531 armoured personnel carriers (APCs).

Artillery Pieces: The PLA ground force has an outmoded, but huge inventory of howitzers, multi-launch rocket systems (MLRSs), anti-tank weapons and anti-aircraft (AA) guns. Among the 14,500 towed artillery pieces, most are the older Types 54, 59, 50 and 66. A recent improvement in self-propelled (SP) artillery is reported, including the largest and the latest 203 mm SP howitzers, the 155 mm SP gun/howitzer, and the indigenous 122 mm Type 54-1 SP howitzer.

Among the 4,000 MLRSs the PLA has been able to add some new ones, Types 83 and 85, as well as those for some special purposes such as minelaying and mine clearance. There are also over 15,000 air defence guns, but the PLA is relatively behind in AA and anti-tank guns.

On balance, the main feature of the ground force's modernisation has been streamlined organisation, a relatively improved command and control system, and better training for soldiers. These efforts, together with the creation of combined-arms units, are geared to strengthen the mobility and operational co-ordination in preparation for small-scale, low intensity warfare along border areas.

5.1.3 Navy

The PLA Navy (PLAN) has received special attention since defence modernisation efforts began in earnest in the early 1980s. This partly reflects not only the easing of tensions along the Sino-Soviet border but also constitutes long-term planning by Chinese security planners to develop a real blue-water navy. The virtual dissipation of the land force requirement on
the Sino-Soviet border has allowed them to divert limited resources to secure its maritime interests: a long-term PRC goal of a deep-water navy, its 200 nautical-mile Exclusive Economic Zone, and its sovereignty over disputed island groups and territorial waters such as the Paracel and the Spratly islands in the South China Sea.

The PLAN has a troop level of 360,000 and is organised into three fleets-East, South, and North Sea Fleets-as well as submarine, marine corps, and naval aviation units. A large fleet of medium-sized ships is the mainstay of the PLAN fighting force. Principal surface combatants consist of 19 destroyers, mostly in the Luda class, and 37 Jianghu, Jiangdong, Jiangnan, and Chengdu frigates. Patrol and coastal combatants, totalling about 900, include: 217 missile craft, some 160 torpedo craft, and around 500 patrol craft. The PLAN's submarine fleet comprises about 100, including two strategic missile, five Han-class attack, and 84 Romeo-class submarines (The Military Balance 1994-1995, 171-3). The most recent introduction of new classes of resupply vessel and LSM (amphibious assault ship) reinforces the view that the PLAN is decidedly pursuing a blue-water capability. These new vessel classes include: the Dayun-class resupply ship, the new LSM, the Luhu-class destroyer, Jiangwei-class missile frigate, Houxin-and Houjian-class FAC and the Huludao-class coastal patrol craft.

The PLAN's continuing efforts to acquire an aircraft carrier are well-known. The recent PLAN procurement of helicopters and in-flight refuelling systems could well be part of the PRC's grand naval plan looking beyond the year 2000. In February 1992, the Jane's Defence Weekly reported that the PRC, as well as India, was negotiating the purchase of the 67,500-ton Varyag, a sister ship of the carrier Kuznetsov (Jane's Defence Weekly, February 8, 1992, 181). If armed with Russian naval versions of the Su-27 FLANKER or MiG-29 FULCRUM

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fighter aircraft, the purchase would have significantly augmented the PLA's power projection capability and certainly upset the naval power balance in Asia.

The acquisition of an aircraft carrier would enable Peking to increase its capability for long-distance air operations to the South China Sea and expand its sea power. Without doubt, rivalries between the PRC and the Asia-Pacific nations have already shifted from its northern border to the sea. In addition, the focus of Peking's current economic development plan is on the coastal areas. Because of this, Peking attaches great importance to the expansion of sea power.

However, it seems that the PRC will not be able to afford it. Some experts suggested that the selling price for the carrier is approximately $200 million (WuDunn 1992, 2). Even if the PRC could acquire the carrier for a reasonable price, various factors militate against the purchase. Maintenance costs are substantial, and planes capable of taking off and landing on its deck would have to be acquired. Additional ships would be needed to form a carrier battle group. The need of skilled personnel for putting it on active service all will pose a serious financial and technical burden on the PRC. No matter whether or not Peking obtains it in this century, its frequent attempts to negotiate arms purchases clearly indicate its intention of building up a strong deterrent force. Obviously, Peking has adopted a forward defence strategy: by strengthening its air and naval forces, it will expand the defence of its territories from the mainland to the islands on the sea and the defence of its territorial waters and air space from the coastal to the off-shore areas.

5.1.4 Air Force
The modernisation of the PLAAF has also resulted in massive manpower reduction, reorganisation and the merger of numerous research institutes and training schools on a scale similar to the other services of the PLA. Now that the possibility of a massive Soviet land attack is virtually gone, however, it is the PLAAF that would make possible the PRC's new military objectives of rapid response, mobility and close air cover in future conflicts.

The PLAAF has a total inventory of some 5,500 aircraft of varying types. This includes 120 Tu-16 (H-6) (some may be nuclear-capable) bombers, about 4,000 fighters, some 600 transport, and more than 400 helicopters. In addition, there are over 1,500 trainers (The Military Balance 1994-1995, 173)

The well-publicised purchase of 24 Su-27 Flanker fighter from Russia will significantly strengthen the PLAAF's power projection capability. Despite its defence role in original design, it can be converted into a multi-role combat/attack version. It has a combat range of 1,500 km and has enough fuel capacity for a range over 4,000 km (Chung-yang jih-pao, April 10, 1995). Given the 1,000 km between an airbase on Hainan Island and the Spratly Islands, it would greatly enhance PLAAF air cover in a contingency situation.

In addition, the PLA has long been interested in acquiring the Su-25 Frogfoot ground attack and the MiG-29 Fulcrum air craft that Iraqi pilots flew to Iran during the Gulf War (Tyson 1991, 7). It has also acquired an in-flight refuelling system and some of the A-5 and F-8 aircraft are equipped with such kits (Kristov 1992, 2). This in-flight refuelling capability will also substantially increase the PLAAF's operational flexibility. It will be able to extend the radius of its air operations to the South China Sea, and gradually to establish air control over Taiwan, Vietnam, and ASEAN countries. The Russians also sold the Chinese one hundred RD-33 jet engines (used in the supersonic Russian MiG-29) for use in upgrading the PRC's indigenously-produced fighters (Jane's Defence Weekly, February 19, 1994). Other deals
rumoured to be under discussion include the acquisition of another 70 Flankers, 50 Mach-3 MiG-31 high-altitude interceptors, additional Kilo-class submarines, and an undisclosed number of Tu-26 Backfire long-range bombers (Richardson 1993, 11). Armed with anti-shipping cruise missiles, the Backfires would be a serious threat to shipping as far south as the Malacca Straits.

Peking’s efforts to purchase advanced fighters clearly indicate that gaining air control is the foremost objective of its defence modernisation plan. Back in the 1980s, some PLA analysts believed that conventional wars in the future may possibly be triphibious ones with emphasis on air control. They concluded that in order to achieve air control, the PLA should organise a highly-combined triphibious army (Chen 1987, 217-8). This concept has been further reinforced particularly after the lessons learned from the most sophisticated and advanced weapons used by US forces in the Desert Storm Operation during the Gulf War against Iraq. To sum up, PRC military modernisation efforts have paid off in terms of streamlined organisations and better weapons. In conjunction with its new strategy for peripheral defence the PLA has achieved improved mobile, rapid response capabilities geared to requirements of the small-scale, limited combat theatre. The resumption of Western and Russian military ties will also augment the PLA’s naval and air power projection capabilities, which will have significant implications for the other Northeast Asian nations and could adversely affect the regional balance of power.

5.2 The Evolution of Taiwan’s Military Modernisation

5.2.1 Heavy Reliance on US as Sole Arms Supplier
Right after the withdrawal of the Nationalist Government from Mainland to Taiwan, for a brief period, the US government showed indifference to the fate of the people on Taiwan and adopted a hands-off policy (see Chapter 1). It was only after the outbreak of the Korean War in 1950, that Washington decided to resume protection and support for Taiwan. The US Seventh Fleet started to patrol the waters of the Taiwan Straits and some of the most advanced fighters were based in central Taiwan. It was also since then that the US has become the most important arms supplier to Taiwan. Almost all the arms and equipment employed by the nearly five hundred thousand active service men were procured from US, "paid for in part through concessional and grant provisions advanced to the ROC until 1974, and thereafter with the assistance of military credit, which continued until 1978" (Gregor 1984, 303). In a 1951 National Opinion Research Centre poll, 58 percent of American respondents said that the United States should give aid to the Kuomintang to launch a new attack on the mainland, while only 24 percent were opposed (Rosen & Jones 1980, 131).

However, the policy of arms supply adopted by the US seemed just to meet the requirements for Taiwan's self-defence, but was not sufficient for it to initiate an attack against PRC. Besides, most of the arms were defensive-oriented rather than offensive. By the beginning of the 1970s, there were signs of a US disposition to entertain some kind of rapprochement with the PRC in an effort to exploit Sino-Soviet disagreements to the advantage of Western security interests, and it had become increasingly obvious that "the ROC on Taiwan could no longer entertain complete confidence in the United States as its defence partner and its sole military supplier" (Gregor 1984, 303). Since Taiwan has been so isolated internationally, it was extremely difficult for Taiwan to find substitutes for the US as an external source of arms and equipment except Israel and South Africa. Western countries frequently yielded to
pressure and threats from the PRC to lower or sever the official ties. The sale of two submarines to Taiwan by Holland was a good example. When Holland agreed to construct two submarines for Taiwan, the PRC immediately downgraded relations from full diplomatic to liaison office. The cancellation of a sale of 10 submarines to Taiwan by Germany is another case in point (Financial Times, January 29, 1993). The purchase of 60 Mirage 2000 fighters and frigates from France has taken a long time to secure due to the PRC's pressure and objections.

In order to recognise the Peking regime, the US terminated full diplomatic relations with Taiwan as well as its Mutual-Defence-Treaty, which had provided security for Taiwan for twenty years since 1954 and withdrew all US troops stationed on this island. It implied that the US was about to abandon Taiwan. As a long-term faithful friend of Taiwan, the Reagan Administration began a slow process of bargaining with Taiwan to sell advanced air-superiority fighters such as F-16s. The deal was finally reached at the end of 1992 after ten years of hard efforts. Without regular infusions of major military equipment, spare parts, and supplies, the defence potential of Taiwan would rapidly be degraded, destabilising the already precarious military balance in the Taiwan Strait. Therefore according to Gregor's observation:

Some mix of the following three basic policies (Taiwan's security policy) seemed dictated by looming realities: (a) reliance on "bottom line" ultimate US assistance in a crisis, whether or not foreshadowed by prior US pronouncements; (b) an all-out effort at indigenous arms development, even despite the obvious inherent limitations; and (c) movement towards reliance on a massive destruction deterrent, either nuclear or chemical, which, if combined with a weak conventional posture, would amount implicitly to a first-use doctrine, even if not so declared beforehand. (Gregor, Harkavy & Neuman 1986, 236).

However, Taiwan chose the second one, that is to develop and produce its own arms. Therefore, Taiwan entered another stage of military modernisation--self-reliance.
5.2.2 Seeking for Autonomy in Weapon Supplies

Krause points out that if arms were traded as purely commercial goods, the pattern of production would correspond to the distribution of international comparative advantage, with perhaps different suppliers meeting the demands of different market segments. So he asks "Why do states develop an independent arms production capability?" (Krause 1992, 136).

It is evident that the most important factor driving Taiwan to produce arms is to seek for autonomy, that is, freedom of action from US and in the international arena. This autonomy implies a reciprocal decline in the manipulation and control that can be exercised by other nations. "For any nation, being in the position of having some other nation choke off needed arms supplies in order to get it to alter its behaviour is unacceptable" (Katz 1984, 5). "From a structural realist perspective, the motive forces driving military spending, arms transfer, and arms production are subsidiary elements of Third World states to increase their autonomy against the dependence that arises from their weak relative position in the international hierarchy of power" (Krause 1992, 122). Hence, in a great number of developing countries, the drive to be self-sufficient and to reduce the dependence on decision-making in developed countries has led to domestic arms production.

The availability of domestically produced arms is considered a safeguard in a crisis. Not only Taiwan, but also countries like Israel, India, Brazil, South Korea and South Africa, have either been subjected to actual arms embargoes and constraints, or have had threats of such actions made by their suppliers at various points in the past two decades. Their first response was to seek other sources of arms. However, to build its own defence industry to support its
autonomy is the eventual solution to the problem. It is the reason why "self-sufficiency in arms production is given even higher priority than industrialisation in Israel, South Africa and, more recently, Taiwan and South Korea" (Wulf 1983, 329).

Though it would seem that the establishment of defence industries may prove to be expensive, this has not deterred Taiwan from the development of such industry in order to supply at least some of its military requirements by indigenous production. By doing so, Taiwan may minimise its dependence on the US which currently holds the main control arms supply, and can reduce the risk of the possibility of a US cut in supply. It is a vivid lesson that "the extent of Israel's dependence on arms imports and the fact that Israel has typically relied only on a single supplier have led to political vulnerability reflected in the sudden cessation of the supply of arms and attempts to impose political conditions on Israel" (Mintz & Steinberg 1989, 150). Therefore, an autonomous defence industry is perceived "to strengthen national defence capabilities; to foster independence from foreign suppliers who may be unreliable for political reasons; and to be a central element to national sovereignty" (Louscher & Schwarz 1989, 43).

After the Reagan Government's decision not to sell Taiwan an advanced fighter aircraft, the government on Taiwan determined that it could no longer depend on the United States to sell it advanced weapons systems "off the shelf" and it would have to develop the capacity to manufacture those weapons itself. The underlying objective to manufacture weapons for defence was to achieve three goals: control of the territorial air space and approach routes, control of the Taiwan Strait plus its sea lanes in case of blockade, and repulsing any amphibious assaults. Wherever possible, old weapons systems were to be modernised to extend their life span and increase their firepower. But the heart of the program was to develop new systems-a fleet of frigates with anti-ship, anti-submarine, and anti-aircraft
capabilities; advanced fighter aircraft; modernised main battle tanks; and a range of ground-to-air, air-to-air, and anti-ship missiles.

All these new systems were designed to replace obsolete items in the ROC's inventory that will be retired sooner rather than later--frigates for ageing destroyers, fighters for American F-104 and F-5E interceptors, and new missiles for Hawks, Nikes, and Sidewinders. In addition, Taiwan can produce the weapons it has been unable to purchase from the US--an advanced fighter instead of the FX, and the Hsiung Feng-2 antiship missile instead of Harpoon.

US firms now provide technological assistance, including design and construction, once their transfers have been approved by a government review board composed of representatives of the departments of State and Defence. If the items to be transferred to Taiwan are on the munitions control or commodity control lists, US firms must first secure licenses from the US government. A key institution in Taiwan for the development of the systems is the Chung Shan Institute of Science and Technology (CSIST) in Taoyuan, the government's key defence-related research and development facility.

Indeed, it is self-reliance that Taiwan has been pursuing hard, and only through indigenous arms production programs that Taiwan will be able to exercise the independent national policies that it has. As long as the United States is willing to continue a program of technology transfer, as long as the government on Taiwan is able to commit some of its human and budgetary resources to the costly effort to build a military-industrial complex, and as long as the PRC places a relatively low priority on defence modernisation, the ROC can gradually enhance its capacity to deter a PRC attack. Taiwan will also gain the confidence that comes from having made that accomplishment.

For the perception of threat to its national security, the unreliable and insecurity of arms supply from US, and the determination to seek for sufficient capabilities for self-defence,
autonomy seems to be a better way out for Taiwan. "While on all bases but one--security of the sovereign state--arms imports represent the most efficient strategy for national defence, most nations will pursue development of indigenous arms industries regardless of their ultimate costs" (Arlinghaus 1984, 48). It is evident that Taiwan has developed a significant arms production capacity in a very short time. However, to ensure a credible defence capability against PRC's aggression, Taiwan still needs arms supplies from Western countries. Without the arms required for self-defence, the future of Taiwan will be unpredictable and dim.

5.2.3 Current Status of Arms Procurement and Modernisation

A. Air Force

Although the end of the Cold War and the demise of communism has removed most fears of a renewed ideological and strategic alliance between Peking and Moscow, Russia's assistance in rearming the PRC has set alarm bells ringing in many neighbouring countries.

Among the countries most concerned is Taiwan, which sees its security immediately affected by Peking's military contacts with Moscow. The cornerstone of Taiwan's military deterrence towards Peking has been to maintain a significant qualitative edge in weapons, in particular in the air balance. Peking's acquisition of the Su-27s, however, threatens to end Taiwan's technological superiority. A Pentagon assessment of the implications of the Su-27 sale for the air balance across the Taiwan Straits apparently concluded that Taiwan's ageing
fleet of F-104 and F-5 fighters were hopelessly outclassed by the introduction of the Russian warplanes (Far Eastern Economic Review, June 4, 1992).

Thus, Taipei has been urgently looking to acquire more sophisticated aircraft to offset the Su-27s. After several years of unsuccessfully lobbying the US to sell advanced fighter aircraft, Taiwan finally met with success in September 1992 when US President George Bush decided to sell up to 150 F16 A/B aircraft to Taipei. One of the primary reasons for this turnabout in US policy was because of the PRC's acquisition of the Su-27s (Klintworth 1994, 70). It can also be seen "as an act of American electoral politics...[and]...as an attempt to win market share that might have otherwise been taken by France" (Segal 1992, 1).

In contrast to Taipei's failure to find any foreign state willing and able to sell them fighters in the early 1980s, there are now several possibilities. Notably, Taiwan signed a contract with the French to purchase 60 Mirage 2000-5 multi-role fighters. An updated export version of the Mirage 2000, the Mirage 2000-5 is due to enter French service in 1995. The deal, worth $2.6 billion, includes an option for an additional 40 fighters. Related contracts were signed for the Mirage 2000-5's M53-P2 engine; about 500 Mica imaging infrared/active radar-guided and 1,000 Magic 2 infrared-guided air combat missiles, and air-to-surface guided weapons such as the BGL laser-guided bomb (Kuo-hui suan-chou-kan, March 17-30, 1995).

Two other major purchases involving the air force are the E-2C Hawkeye airborne early warning and control aircraft and an electronic warfare aircraft. The former contract, worth $700 million, was signed in August 1993 and covers the delivery from 1995 of four aircraft, making Taiwan the third country in East Asia (after Japan and Singapore) with this capacity (Jane's Defence Weekly, January 22, 1994).

Due to the rise in overseas purchase, the Chungshan Institute of Science and Technology has begun to shed staff and trim its organisation as its own production falls (Chung-kuo shih-pao,
June 13, 1994). The Indigenous Defensive Fighter (IDF) is a case in point. The IDF program was launched in the early 1980s when Peking's political and diplomatic pressure made it hard for Taiwan to purchase advanced aircraft from overseas. Defence Minister Chen Li-an latter explained, "We had the money, but nowhere to buy the aircraft" (*Free China Journal*, November 19, 1990). Making matters worse, Taipei began to experience difficulties obtaining spare parts for its warplanes.

The IDF was developed by the Aero Industry Development Centre (AIDC), a subsidiary of Taiwan's primary defence-related research and development facility, the CSIST. The new warplane was unveiled officially on December 12, 1988, and military officials announced that it would eventually replace Taiwan's ageing stock of more than 80 Lockheed F-104G and over 300 Northrop F5E/F aircraft. Estimates of the total cost of the aircraft's research and production budget vary. In 1988, sources in Taipei estimated that "the budget for development and production of the fighter runs up to US $1 billion" (*China Post*, December 12, 1988). By 1990, the budget had climbed to US $2.2 billion" (*Free China Journal*, August 23, 1990). An initial production run of 250 was planned at a further cost of $6 billion, but 1992 saw the USA at last agree to sell Taipei 150 F16 A/B fighters and 60 Mirage 2000-5 fighters from France. These breakthrough sales led Taiwan to reduce its order for the less sophisticated IDF to 130 aircraft (*Chung-yang Jih-pao*, October 13, 1995). The first IDF wing is to be built in 1996 and the production is scheduled to end in 1998.

**B. Navy**

The navy was the weak link in Taiwan's defence, especially with the loss of US military guarantees in 1980. Taiwan's immediate response was to try and buy submarines from
Europe. In 1981, it bought two Dutch-built submarines, delivered in 1987-88. Further purchases were blocked by Peking's pressure on the Netherlands and other European countries. Taiwan also concentrated on upgrading its existing fleet of destroyers and frigates. Taiwan currently deploys 24 destroyers—a mix of Gearing, Summer and Fletcher-class ships built by the US—as well as nine frigates (The Military Balance, 1994-1995). Admiral Yeh Chang-tung, former ROC navy commander-in-chief, has acknowledged that "today they average over 45 years in service, and are almost at the stage where they are too old to use" (Sinorama 1991, 89-90). But Taiwan's dockyards converted most of them into relatively modern warships with an extensive refit program that added anti-ship and anti-submarine warfare (ASW) missiles, ASW sensors, anti-aircraft missile defence, five-inch gun turrets, new electronic systems, ASW helicopters, and new propulsion systems (Ko 1989, 65-88).

Of greater significance is Taiwan's fleet modernisation program. The remainder of this decade will see the ROC navy re-equipped with modern US or European-designed frigates and submarines. It is perhaps the biggest naval modernisation program in East Asia and will significantly upgrade Taiwan's naval capabilities, especially in the area of ASW.

The first phase in this effort involves construction of eight Cheng Kung class frigates, which are based on the US Navy's Perry class. Work on the first of class began in 1990 and the ship was commissioned in May 1993 (China Post, May 8, 1993). All eight of class are due to be operational by 1999 (ROC National Defence Report 1992, 156). The last of the class will be refitted with an advanced combat system with capabilities similar to the US Aegis system. The onboard radar will be able to track up to 300 targets simultaneously and lock on to 16 (Jane's Defence Weekly, January 22, 1994).

The naval program was supplemented in August 1991 with the purchase from France of six 3,000-ton La Fayette class frigates at a cost of $1.7 billion (Far Eastern Economic Review,
March 19, 1992). The first of the class is undergoing trials and in 1993 the French Government announced its willingness to sell Taiwan a $2.6 million equipment package including combat systems, 100 mm guns, missiles and electronic warfare equipment. Thomson-CSF is the prime contractor, but high prices have made Taipei consider other sources for some of the equipment required to fit the French frigates. The total bill for the six La Fayettes, including fittings, could reach $3 billion. This has forced the navy to abandon plans to buy a further 10 ships and turn instead to a smaller vessel, most likely a corvette of under 1,500 tons, under a new program now being evaluated.

Submarines have topped Taiwan's military shopping list since 1980, but efforts to obtain a new class of submarine from Germany, or submarine technology from the Netherlands for local construction have been unsuccessful. However, despite pressure from Peking, the Dutch, French, and German governments are now re-considering their options in the light of recent Mirage and F-16 fighter sales. Bonn had hoped to sell its IKL/HDW Type 209 submarines and Blohm & Voss MEKO 140 or 200 type corvettes to Taiwan to help save 5,300 jobs in Germany's struggling shipbuilding industry (China Post, September 8, 1992). The Dutch indicated that if it was good enough for France to sell weapons to Taiwan, they might follow suit and allow the Rotterdamse Drrogdok Mij shipyard to sell Walrus-class submarines to Taiwan. The alternative was to close the shipyard for lack of orders (Far Eastern Economic Review, February 4, 1993).

The navy's current fleet includes four minesweepers from Germany and three second-hand Knox class frigates obtained on lease from the USA in 1993. Talks on obtaining a further six Knox frigates are due to start soon. Taiwan's navy had 32 major warships during the 1980s. By the year 2000 its fleet should comprise 28 major vessels: eight Perry class, six La Fayette class and nine Knox class frigates; four modernised Yang class destroyers; and an Italian
survey ship. These represent a considerable advance in capability but, as the ships and fittings are sourced from so many countries, future logistic support may pose a serious problem.

C. Army

In order to maintain its ability to repulse an amphibious invasion, Taiwan began over a decade ago to upgrade its nearly obsolete M48A1 main battle tanks (MBT). Over 300 MBTs are now believed to have attained the much-improved M48A5 standards. As opposed to the M48A1, the M48A5 is powered by a new diesel-driven engine and fitted with modern thermal imaging and fire control systems. Fire power has also increased with the installation of a 105-mm gun.

Army procurements are more modest in comparison with the other services. The service planned to invest $1.13 billion in the production of 450 M48H tanks consisting of the M60 MBT chassis and the M48 turret with improved fire control (ROC National Defence Report 1992, 157). The new MBTs are equipped with a laser rangefinder, infrared night vision system, ballistic computer and improved armour protection. The first M48H entered service in 1993. The army intends to supplement these with 160 M60A3 MBTs from the USA at a cost of $185 million (China News, September 9, 1994).

The army has also bought 42 SuperCobra helicopter gunships and 26 OH-58D reconnaissance helicopters from the USA (Jane's Defence Weekly, February 28, 1992). Deliveries started from April 1993. Beyond this, the army is preparing to purchase up to
1,000 APCs. Taiwan's shopping list also includes an unspecified number of 105 mm guns and the RITA battlefield communications system (Jane's Defence Weekly, May 22, 1993).

Taiwan is producing versions of several domestically manufactured missiles. In addition to the development of a surface-to-surface missile (SSM), the CSIST has developed at least two varieties of surface-to-air missiles (SAMs), and air-to-air missiles (AAMs) and anti-ship missiles. The government hopes to become self-sufficient in such weapons.

The CSIST meanwhile poured $700 million into developing an anti-aircraft missile for the army. Production of the resulting Sky Bow missile was budgeted at a further $200 million, but the order was cut from nine systems to six when the USA indicated a willingness to sell Taiwan its Patriot system (or a variant) for $120 million (Jane's Defence Weekly, January 22, 1994).

The enormous volume of procurement spending mentioned above has placed severe pressure on Taiwan's defence budget, and this is expected to intensify over the next decade when high maintenance costs required to keep the systems at peak capability come into play. The Defence Ministry is consequently looking to produce savings and has already planned manning level cutbacks from the current 470,000 to 400,000: a 15 percent cut over 10 years (Chung-yang Jih-pao, October 13, 1995). Therefore, one of the critical issues is whether Taiwan will be able to maintain existing levels of defence effort during the next decade. This is a question which generates considerable controversy.

To many of the supporters, Taiwan has to maintain its military preparedness in the light of the continued growth of PRC's military power. The perceived dangers of this significant expansion lead to the conclusion that if Taiwan is to survive, Peking's military effort has of necessity to be effectively deterred, though not matched. A reasonable prediction, therefore,
according to this view is that defence spending in Taiwan will have to be increased after the
year 2000.

To the opponents of such defence policies the critical issue is not how to match Peking's
military effort. Rather, it is the basic question of whether Taiwan can indeed afford to
maintain its existing levels of defence expenditure and defence effort. This question both
acknowledges the increasing costs of these forces and mounting public and private worries
over rising budget deficits, increasing levels of public indebtedness, and rates of inflation.
The acute policy dilemma to which Taiwan is being subjected is, in this view, how to
maintain existing defence effort without bankrupting Taiwan's society. Although it would be
incorrect to see this debate in economic terms alone, it is clear that much of the discussion
stems from the financial implications of the "warfare versus welfare" controversy. This is a
theme which has attracted and which continues to attract considerable attention.

5.3 Major Constraints on Taiwan's Military Modernisation

5.3.1 Economic Implications of Military Modernisation:

Can high defence expenditure be continuously sustained
economically; and what are the impacts of modernisation
on Taiwan's economic performance?

There has been much debate over the years about the economic effects of defence spending
and the burdens or benefits that military spending contributes to economic development.
Ever since Benoit's studies (1978, 271-80) of the impact of defence spending on economic
growth and development, a great number of scholars have tried to analyse this controversial subject both conceptually and statistically. Nonetheless, no consensus has yet been reached. Benoit used data for 44 less developed countries between 1950 and 1965 and employed a sample that covered growth rates, investment rates, defence spending and foreign aid. These materials were analysed primarily by means of correlation analysis. He found a positive association between defence spending and growth of civilian output per capita. In his view higher defence spending was more likely to be the cause rather than the effect of economic growth. Benoit concluded that "countries with a heavy defence burden generally had the most rapid rate of growth, and those with the lowest defence burdens tended to show the lowest growth rates" (Ibid).

Kennedy (1983) and Whynes (1979) agreed with Benoit that the effects of defence spending on economic growth is positive. Frederiksen and Looney (1983, 113-24) also used a growth equation that had investment and defence outlay as regressors. Using data for a cross-sectional sample for the period 1960 to 1978, they concluded that defence spending helps economic growth in resource-rich countries but not in resource constrained countries. Deger and Sen (1983, 67-83) employed an optimising model to analyse the strategic causes and the economic spin-off effects of military expenditure in less developed countries. They found that the econometric evidence for India indicates that claims about the positive effect of military expenditure on economic growth are exaggerated and that the economic spin-off from defence to development is weak. Lim (1983, 377-84) examined within the framework of the Harrod-Domar model a sample of 54 less developed countries for the period 1965-73 and concluded that the negative impacts of defence spending on economic growth were more apparent among the poorer countries in Africa. By using macro models to analyse the impact of arms spending, Faini, Annez and Taylor (1984, 487-98) found that "with the exception of
the developed countries, an increased military effort has an economically important real cost in forgone investment, lower growth rates, and lagging agricultural supply". Similarly, using data for the periods 1960 to 1970 and 1970 to 1977 for a large number of middle income and low income countries, Biswas and Ram (1986, 361-72) found no consistent, statistically significant relationship between military spending and economic growth.

According to the different findings and conclusions drawn by scholars, defence spending has positive as well as negative impacts on economic growth and development. What then has been the impact of military modernisation on Taiwan's economic performance? Chan (1988, 913-20) used time series data to analyse three models of the effects of defence burden on Taiwan's economic growth: the modernisation model, the capital formation model, and the export-led growth model. However, the results indicate that all these models capture parts of the empirical reality, but none can account for all the complexity of this reality. In some major respects each of the models is contradicted by the Taiwanese time series. Davis and Chan (1990, 87-100) investigated the security-welfare relationship in the case of Taiwan. Their results suggest that Taiwan deviates from general cross-national patterns. Therefore, Taiwan's success in eliminating the widely suspected trade-offs between defence burden on the one hand, and economic growth and social welfare on the other needs further study.

A. National Economy and Defence Spending

For over 40 years, the ROC armed forces has had to keep a permanent high alert and maintain a state of combat-readiness. Such threats have kept defence security as the ultimate national goal, and the defence sector has enjoyed a privileged position in the allocation of
national resources. The state of readiness has cost Taiwan, on an annual average, 10 percent of its gross national product and over 30 percent of national budget. In FY 1983-1988, the defence budget took up between 57.15 and 50.00 percent of the central government budget (see Table 5-3), but has decreased gradually to 24 percent in 1995. Despite constant military threats from the mainland, however, defence spending in Taiwan has varied. In what follows, we attempt to determine the nature of variation of defence spending in Taiwan not only by examining the relative weight of defence spending vis-à-vis the national economy and public expenditure, but also by analysing the structure of defence spending in terms of the categories of appropriation.

One way of understanding the pattern of defence spending is to measure the relative share of defence spending in the gross national product. In Taiwan, defence spending as a percentage of gross national product (GNP) has varied slightly over time (see Table 5-2). Throughout the years from 1961 to 1987, the average defence spending has been maintained at the level of 8.30 percent of GNP. There was no sharp increase nor decline. It was only in the late 1960s that Taiwan began organising itself for indigenous defence production, and by the beginning of the 1970s, that the US government started a reassessment of its East Asian security policy as a result of the Viet Nam War, and the eroding security commitment from the US, which drove Taiwan's defence spending to over 10 percent of GNP.

Overall, compared with most countries, defence spending in Taiwan, measured by the share of gross national product, is quite high. This indicates that defence spending constitutes an important portion of the national economy in Taiwan.
Table 5-2

The ROC Defence Budget as a Percentage of GNP

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<tr>
<td>%</td>
<td>9.50</td>
<td>9.40</td>
<td>9.60</td>
<td>9.50</td>
<td>7.70</td>
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<td>11.70</td>
<td>10.50</td>
<td>10.40</td>
<td>10.60</td>
<td>10.00</td>
<td>8.80</td>
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<tr>
<td>%</td>
<td>8.10</td>
<td>6.80</td>
<td>7.30</td>
<td>6.80</td>
<td>7.40</td>
<td>7.50</td>
<td>6.70</td>
<td>6.60</td>
<td>6.50</td>
<td>7.80</td>
<td>9.19</td>
<td>7.70</td>
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<td>%</td>
<td>7.67</td>
<td>7.85</td>
<td>6.80</td>
<td>6.76</td>
<td>7.10</td>
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<td>5.60</td>
<td>5.40</td>
<td>5.00</td>
<td>4.30</td>
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Chung-kuo Shih-pao, July 15, 1996

B. Defence Spending and Fiscal Structure

National security is a collective good, and defence spending is an important instrument for creating that collective good. However, defence spending is usually constrained by a country’s fiscal capacity simply because national survival is not the sole objective, but one of several. The greater the share of government expenditure allocated to defence, the higher the policy priority of national security; and vice versa. Defence spending as a share of public expenditure is also a useful indicator for measuring substitution effects between guns and butter. Since public finance involves the authoritative allocation of scarce resources, a greater allocation to the defence budget usually entails trade-offs in other categories of public spending.
Just as defence spending in Taiwan has accounted for a large portion of GNP, it also has constituted a major portion of total government expenditures. The relative share of defence spending in total government expenditure has shown a trend similar to that in GNP. From the late 1960s to the 1980s, defence spending accounted for more than 50 percent of government expenditure. This figure has gradually declined since 1988, dropping to 24 percent by 1995 (see Table 5-3). However, it rebounded suddenly to 35 percent in 1996 due to Peking’s continuous military exercises and missile tests.

Table 5-3

<table>
<thead>
<tr>
<th>ROC Defence Budget as a Percentage of Total Government Budget</th>
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<td>%</td>
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The disparity between the growth rate of the defence budget and that of the central government budget has been increasingly widened during the past ten years. The growth rate of the defence budget decreased from 15.07 in FY 1989 to only 3.42 in FY 1992, while that of the central government was 18.62 in 1992, showing a more reasonable ration than previous years (see Table 5-4).
Table 5-4

Growth Rate of Defence Budget and Government Budget
(for selected years compared to the previous years)

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</thead>
<tbody>
<tr>
<td>Defence Budget</td>
<td>13.3</td>
<td>-5.3</td>
<td>8.6</td>
<td>12.1</td>
<td>1.1</td>
<td>8.72</td>
<td>15.0</td>
<td>10.6</td>
<td>7.8</td>
<td>3.4</td>
</tr>
<tr>
<td>Government Budget</td>
<td>2.9</td>
<td>-1.0</td>
<td>12</td>
<td>14.6</td>
<td>3.2</td>
<td>12.2</td>
<td>19.4</td>
<td>23.3</td>
<td>19.4</td>
<td>18.6</td>
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</table>


The trend in the defence budget allocations in Taiwan between 1961 and 1996 has thus been curvilinear. The defence sector has been the largest recipient of government funds for years. Since the early 1990s, however, the gap between defence spending and social-development spending has been narrowing, while the allocation for economic development has visibly decreased (see Table 5-5). In 1993, for example, the government allocated 27 percent of public expenditure to the defence sector, 13.3 percent to social development, and 17.8 percent to economic development. By contrast in 1995, the defence budget decreased to 24 percent of total government expenditures, while the budget for social development increased to 16.1 percent. This variation in budget allocation reflects the shifting pattern of government policy priorities over time. In the 1960s, modernisation and economic growth were the top national priorities, making it possible to allocate large portion of government spending to economic development. Entering the 1970s, a rapidly changing security environment such as the eroding security commitment from the United States shifted the hierarchy of national goals in favour of the defence sector. In the 1990s, distribution and welfare have become new political
issues. As a result, the government began to pay more attention to these sectors, including changes in budget allocations.

Table 5-5

Public Expenditures by Appropriation Category, 1993-97 (percentages)

<table>
<thead>
<tr>
<th>Year</th>
<th>Defence</th>
<th>Social Welfare</th>
<th>Economic Development</th>
<th>Education</th>
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<tbody>
<tr>
<td>1993</td>
<td>27</td>
<td>13.3</td>
<td>7.8</td>
<td>15.2</td>
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<tr>
<td>1994</td>
<td>26</td>
<td>14.1</td>
<td>16.2</td>
<td>15.4</td>
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<tr>
<td>1995</td>
<td>24</td>
<td>16.2</td>
<td>13.8</td>
<td>15.0</td>
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<td>1996</td>
<td>35</td>
<td>17.6</td>
<td>11.8</td>
<td>15.0</td>
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<tr>
<td>1997</td>
<td>47</td>
<td>19.0</td>
<td>10.2</td>
<td>15.0</td>
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(ROC Central Government Budget, FY 1997).

C. Structure of Defence Spending

In order to understand the precise impact of defence spending on the national economy, it is essential to disaggregate defence spending by appropriation categories. Table 5-6 presents the structure of Taiwan’s military expenditure by appropriation categories. A great portion of the defence budget has gone to the military’s personnel costs such as wages and salaries in kind. The relative share of personnel costs has declined over time, however. In 1983, personnel costs accounted for 52 percent of total defence spending. This figure declined to 37 percent in 1992, and in 1996, the military’s personnel costs represented a little more than one-third of defence spending.
Table 5-6

ROC's Military Expenditures by Appropriation Category, 1983-96 (percentages)

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<tbody>
<tr>
<td>Personnel</td>
<td>52</td>
<td>57</td>
<td>53</td>
<td>49</td>
<td>49</td>
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<td>47</td>
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<td>36</td>
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<td>42</td>
<td>35</td>
<td>40</td>
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<tr>
<td>Maintenance</td>
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<td>18</td>
<td>18</td>
<td>18</td>
<td>16</td>
<td>15</td>
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<td>20</td>
<td>20</td>
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</tr>
<tr>
<td>Investment (Equipment)</td>
<td>28</td>
<td>23</td>
<td>29</td>
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<td>34</td>
<td>38</td>
<td>45</td>
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<td>45</td>
<td>43</td>
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While the proportion of personnel costs has decreased, expenses involving the maintenance of systems and equipment, investment in equipment acquisition and base construction, and defence-related research and development have increased rapidly. In the 1990s, the relative share of personnel costs further declined, accounting for only 37 percent of defence spending. By contrast, maintenance costs rose to 20 percent, and investment in equipment acquisition and base construction accounted for 43 percent.

These appropriation trends reveal several interesting aspects of defence spending in Taiwan. First, the personnel component of the defence budget has declined over time. Several factors explain this trend: a gradual reduction of troop size over time; a relative increase in defence spending; a relative stable wage structure in the military sector, which is less sensitive to the conditions of the labour market; and changing defence priorities. Second, the most visible growth has occurred in the category of investment in military equipment purchase and base construction. In the early 1980s, investment in equipment and base construction accounted for only 30 percent of defence spending. In the 1990s, however, that percentage increased significantly to 43 percent. The phase-out of military assistance from the United States and
the conscious efforts to catch up with the PRC through ambitious force-improvement plans were largely responsible for heavy investment in this category. The increasing share of defence budget for systems maintenance and investment in equipment in turn suggests enhanced defence capabilities in terms of combat readiness, sustainability, and modernisation.

Third, the allocation of a noticeable share of the defence budget to investment in R & D since the 1980s is the result of efforts to increase military self-reliance through defence industrialisation and modernisation.

In the structure of defence spending, the relatively high proportion of personnel cost in the defence budget not only presents a problem because less is available for investment, but also because it seriously limits the flexibility of military defence policy in the short and medium terms. Because personnel costs absorb a disproportionate share of the defence budget, changes and improvements of weapons systems, when they are necessary, are constantly dependent on other sectors of the national budget making sacrifices on behalf of defence. The competition between military defence efforts and other political programs, such as social welfare or education, then becomes particularly noticeable. Only in the long run can a reduction of personnel costs be expected through a shift from a labour intensive military organisation to an armed force dependent on the use of sophisticated weapons systems. And even then there will be a continuing need to meet the high costs of the personnel required to service such systems.

D. Defence Spending and Economic Growth
As mentioned earlier, the impact of defence spending on economic growth remains a controversial issue. How does the Taiwan's case fit in this debate? Taiwan has a population about 20 million, but maintains the same size of armed forces as the former West Germany, a country with 60 million people. The purpose of these forces is to deter and defend against Communist invasion. Despite such adverse circumstances, Taiwan still counts as one of the miracle economies. Taiwan's economy has been regarded as one of the most successful cases among the developing countries. While the world is in serious regression, Taiwan still enjoys 6% of economic growth rate annually.

Severe security threats from the PRC have caused Taiwan to bear a rather heavy defence burden. Despite this continued threat to national security and the heavy defence burden, Taiwan's performance in economic growth and social welfare has remained impressive, which not only challenges the theories of the trade-offs between "guns and butter", but dependency theory as well. As Table 5-7 indicates, defence spending does not appear to have undermined economic growth in aggregate terms. Growth rates in defence spending have been positively related to aggregate economic growth rates. Similarly, growth rates in defence spending have consistently been positively related to the rates of growth in exports. In view of the above, it would be difficult to make a case supporting the argument that defence expenditures in Taiwan have "crowded out" economic growth. Therefore, "Taiwan presents an interesting deviant case to the cross-national generalisations about the relationships among defence burden, economic performance, and social welfare" (Chan 1992, 163).


Table 5-7  
Defence Spending and Economic Growth Rate

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<tr>
<td>Defence Spending (as % of GNP)</td>
<td>8.9</td>
<td>10.26</td>
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<td>9.2</td>
<td>7.32</td>
<td>8.25</td>
<td>7.85</td>
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<td>Economic Growth Rate</td>
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<td>13</td>
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<td>5.8</td>
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<td>7.6</td>
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E. Defence Spending and Social Welfare

According to Davis and Chan (1990, 87-100), military expenditures can affect social welfare indirectly through their effects on various aspects of economic performance—such as GNP growth, export competitiveness, capital investment, inflation, and unemployment. However, there are different views regarding the substitution effects between defence spending and social welfare.

In 1981, two authorities on Taiwan's politics described a possible attempt by Taiwan to produce, domestically, the weapons necessary for its own defence as "an elaborate cost-inefficient employment of resources now committed to industrialisation and modernisation" (Gregor and Chang 1981, 138). Furthermore, it was argued that such an effort would likely necessitate the adoption of austerity programs which would "invariably bring increased political control and population-management necessities" (Ibid, 140). Although Taiwan's push for defence self-sufficiency has not led to the adoption of austerity programs or resulted in increased political control, it is undoubtedly an elaborate cost-inefficient employment of
the government's resources. Taipei would save billions of dollars in research and development funds if it was able to secure its aircraft, missiles and other sophisticated weaponry from abroad. Thus far, the government's enormous hard currency reserves have enabled it to invest substantial sums in defence-related projects without cutting back on social services. If government revenue should drop, however, all of this may change.

In April 1992, lawmakers slashed a record NT $3.6 billion from the military budget (China Post, April 27, 1992). However, some members of the opposition DDP still charge that far too large a share of the national budget is committed to defence. The DPP disputes the government's claims that less than 30 percent of the national budget is allocated for military spending. It charges that the military's real share of the fiscal budget is much higher. If the government experienced a revenue shortfall and opted to reduce social spending rather than cut defence, thousands of those affected by such cuts might take to the streets. This situation could well lead to instability, violence and government repression.

Then what is the impact of defence spending on Taiwan's social welfare? Based on the social and economic indicators, it seems that there is no explicit trade-off between them. Taiwan has shown rather strong performance relative to most countries. The welfare of its citizens has undergone rapid improvement. "It has now achieved a lower infant mortality rate than the USA, and its literacy and life expectancy levels are not far behind" (Davis & Chan 1990, 87-100). Income distribution in Taiwan "is much more equal than in any other developing or newly industrialising country...and is the most egalitarian of all capitalist countries" (Scitovsky 1989, 32). Besides, Taiwan has accumulated a foreign reserve of US$95 billion. The extra high savings rate of above 30 percent of GNP has always stimulated the willingness to invest either domestically or abroad.
Taiwan has historically borne a heavy defence burden in both dollars and manpower. Heavy defence spending has been the outcome of the dynamic interplay of military interaction with the PRC, the shifting nature of alliance ties with the United States, and domestic and political changes. Taiwan has combined a heavy military burden with fast and sustained economic growth, a very competitive export sector, and unusually high levels of capital formation. It has also achieved rapid economic growth while maintaining relative political stability and income equality. Nonetheless, can Taiwan sustain the current pattern of defence spending? Both domestic and international changes are likely to make it more difficult. Defence spending has enjoyed the lion's share of whole government annual budget and has been always criticised as a "black box" which is beyond legislators' supervision. However, recent democratic transition and political liberalisation has brought it under the scrutiny. The government can no longer sacrifice distribution and welfare in the name of national security.

Moreover, since the resources of society in the 2000s may continue to be severely limited and since financial constraints will reduce the freedom of choice, the disagreement between those who advocate more defence spending and those who prefer more welfare spending is likely to continue over the next decade. Thus, the dilemma of how to finance increased expenditures with less income cannot be resolved without a reordering of political priorities. To a considerable degree, the priority which will be given to defence expenditure as compared with other public functions will depend on the willingness of the population to defend itself. In other words, the decisions which will have to be taken over the next decade will not only based on economic considerations but will also reflect the political and social preferences of the people on Taiwan.
5.3.2 Will the armed forces be able to recruit and retain an adequate number of qualified personnel?

Although the defence budget is essential to Taiwan's military modernisation, however, another important question to be faced is whether the ordinary man in the street is prepared to come forward and accept his share of defence obligations. Put another way, the critical issue is that after creating in Taiwan a sophisticated and diverse pattern of military structures, we are left wondering how over the next decade, we will be able to man the armed forces which we have established. There is ample evidence within Western society that the recruitment and retention of skilled military personnel present major problems for some national governments.

Consistently we are presented with evidence which appears to imply that for an increasing number of individuals in society, the critical question is "Who wants to join the military?" Such attitudes, in combination, then imply the existence of a more general public reluctance to accept those obligations of citizenship which involve service in the national armed forces. The question that follows from this is whether there is any pressure for change in military structures within Taiwan. Given that there may be reluctance to accept existing structural patterns, can it inferred that Taiwan's society over the next decade will be seek to establish alternative structures?

**A. Recruiting Problems**
As to the manpower problem it must be noted, first, that even now the armed forces are unable to recruit an adequate number of qualified personnel. Second, turnover rates, have reached truly alarming proportions, while no changes for the better can be expected in the near future. The military organisation, moreover, is relatively powerless to influence these developments. Thus, one of the first problems which has to be solved is the major issue of maintaining adequate force levels.

Since the 1970s the armed forces have unsuccessfully tried to attain the planned manpower strength of 500,000. The present actual strength of the armed forces is 470,000. These recruiting difficulties reflect common problems faced by industrialised nations. On the one hand, armed forces with modern equipment require sufficient qualified personnel to use the technical capabilities of present and future weapon systems in combat. On the other hand, the armed forces have to compete with industry and other civilian competitors for national manpower. Often the civilian competition provides better working conditions. Engaged in this way in a fierce and costly labour-market competition, the armed forces find themselves in a rather disadvantageous position. Even when the pay and working conditions are not superior, civilian professions in Taiwan usually carry a higher social prestige than comparable activities in the armed forces.

The problem, however, is not only one of quantity. It is also a question of quality. The armed forces have persistent difficulty in recruiting personnel whose professional qualifications correspond to the skills required in specific military roles. This is especially so since these much needed specialists are also sought by competing civilian organisations and to a large extent are readily absorbed by them. A selective draft concentrating on certain occupations or professions can solve this problem only to a limited extent because, after completion of their military training, these soldiers are available to the armed forces for just a
few months. Yet the alternative of meeting the specialist needs of the armed forces through an expanded in-service program of professional education and training within the military is no easy solution either. A major difficulty is that such a program is beneficial only where the trained serviceman is prepared to remain within the military organisation for longer than the required minimum engagement.

Another problem which has to be faced is that an unopposed trend towards frugality will make a military career less and less attractive. A policy that stresses nothing but efficiency and economy will lead to the cancelling of more and more fringe benefits, thereby further reducing the attractiveness of the military organisation. One phenomenon stands out in this respect: Even in a period of high unemployment rates and economic slump, the armed forces were unable to recruit an adequate number of personnel.

This unsatisfactory manpower situation is a persistent source of strain in the armed forces, especially the navy and the air force. In the navy, basic problems such as an unfavourable ratio between ship and shore assignments, especially affects electronics and engineering specialists. Indeed, long periods at sea are for many sailors an important reason to look for a civil job ashore (a decision even more likely to be affected by family pressure). Furthermore, the introduction of new, technically advanced warships necessitates the retaining of quite a number of personnel in just those sectors to cope with considerable shortfalls.

The air force is also troubled by the reduced possibility of retaining adequate numbers of technicians and, especially jet pilots (Chung-yang jih-pao, December 28, 1994) due to Taiwan's flourishing civil aerospace industry. This problem is too serious to be neglected, especially when the newly purchased aircraft start to be delivered in the following years. The air force now considers its shortfalls sufficiently alarming to initiate more specific recruitment campaigns (Chung-yang jih-pao, October 29, 1995).
The army, too, has to cope with important shortfalls in the officer ranks (lieutenant-colonel, major and captain) as well as in some NCO areas. The situation for short service NCOs has been less promising. The deficiency has seriously affected combat readiness of the units. On the other hand training, education and tactical leadership of the soldiers is primarily an NCO responsibility. They have the largest direct influence on the level of training and morale of the troops. The upper NCO grades particularly represent experience and technical knowledge, which cannot simply be replaced by lower ranking soldiers.

Along with the structural transformation of the society as a whole, the traditional values have also been forced to change. As a result, the source of new cadets to the military academies has gradually shrunk. Though the MND has tried to raise the number of long-term volunteers by attracting and encouraging primary school graduates (12 years old) to enter the military preparatory school (equivalent to junior middle school), it is still too early to try to evaluate its results. Whether it will be possible to attract the missing men is a complex issue. On the one hand the basic question is how to effect a radical change in the way of thinking about serving in the military. The question relates back to more general issues of societal attitudes towards the armed forces. On the other hand the fundamental problem may be dependent for its solution on demographic trends from which recruits to the armed forces are traditionally drawn in Taiwan. In looking at the latter an initial hypothesis can be put forward that there is no apparent reason to suggest that the numbers will not be available. Table 5-8 illustrates this point. According to this table, there were about 150,000 conscripts available in 1991. It is estimated that there will be an annual average of 144,000 conscripts available from 1991 to 1995, and 164,000 from 1996 to 2000. Thus, there is no reason to suppose that in the overall size of the part of available males in the 1990s will make it hard to recruit the manpower required. In other words, the critical question may continue to be that of societal
attitudes towards service in the military organisation. However, one point to be noted is the birth-rate in Taiwan has dropped markedly with the industrialisation process, and this is likely to continue. Taiwan will, given current trends, reach zero population growth in about thirty years (*Chung-yang jih-pao*, October 10, 1995).

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<tr>
<td>Draftable Males</td>
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<td>155,475</td>
<td>163,759</td>
<td>166,799</td>
<td>162,544</td>
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Alternatively it would be possible, of course, to reduce the shortages in manpower by intensifying the recruitment of women. Programs for recruiting more female officers and NCOs have been launched since 1991. Up to the present, their number has been tiny. We can, however, conclude that in comparison with the situation in the United States and, to a lesser extent, in the United Kingdom, the Ministry of National Defence in Taiwan has preferred not to recruit women as a substitute for male personnel.

Of course, the MND is also looking for other ways to turn these developments in a more favourable directions. The MND has initiated a study aimed at investigating the causes of the inadequate recruiting results and of the high turnover rates. Facing current requirements as
well as future development, the MND has been making every effort to draw up a series of plans to try to raise the military personnel's social status, improve their living and working environments, readjust their salaries and terms of service, review the policy of retirement, reform the system of military education, and so forth, so as to encourage and attract more and more youths with lofty ideals willing to enrol themselves in the army (ROC Ministry of National Defence 1992, 139).

The government will have to:

1. introduce adequate remuneration and compensation for extra duties
2. accept that many soldiers serving now in the armed forces consider this to be "just another job";
3. enhance the scope of education in order to increase the labour-market chances of the soldiers after their retirement from military service;
4. urgently improve and intensify the public relations of the military organisation.

B. Conscription versus All-Volunteer Forces

Faced in the past with comparable defence problems, governments traditionally adopted one of four options. First, some relied heavily on conscription as a means of bringing into the military organisation an adequate number of recruits. Alternatively, in adopting an all volunteer force (AVF) structure, governments depended on a whole variety of motivating factors ranging from market forces to appeals to patriotism, as a means of meeting manpower targets. Third, smaller and less vulnerable states in the West created military structures based on the assumption that a small cadre of professional soldiers could be readily supplemented in
time of emergency by civilian reservists. Finally, governments continually used their preferences for compromise solutions to devise mixed strategies which combined one or more of the outlined options.

According to Sidgwick (quoted in Ross 1994, 109-129), if the number of soldiers required is not large in proportion to the population, and their services can be obtained at about the rate at which labour of similar quality would be hired for industry, voluntary enlistment seems clearly the most economical system; since it tends to select the persons most likely to be efficient soldiers and those to whom military functions are least distasteful. But a nation may unfortunately require an army so large that its ranks could not be kept full by voluntary enlistment, except at a rate of remuneration much above that which would be paid in other industries, and in this case the burden of the taxation requisite to provide for such an army may easily become less endurable than the burden of compulsory service.

Therefore, the question which now has to be faced is whether the adoption of any single traditional option or indeed a mix of these options can ensure that Taiwan will be able in the 2000s to implement its defence policies. In some Western countries, we already witness considerable opposition to the retention of conscription. In others the preference for an AVF structure has resulted in greatly increased personnel costs as the military are forced to compete with other employers in the labour market for skilled and potentially skilled recruits. Elsewhere, the increasing technological sophistication of modern weaponry raises severe doubts about the ability of recalled reservists to switch readily from a civilian to a military role. What this suggests is that it will be increasingly difficult in the 2000s to continue to rely on traditional means of implementing defence policies. Yet any conclusion which may be drawn about the nature of these has also to acknowledge that over the next decade, a wide
range of subsidiary factors—unemployment levels, inflation, fear of the PRC's threat and so on—may shape public attitudes towards their armed forces.

In light of these problems, it is interesting to have a closer look at the discussion about the abolition of conscription and its replacement by an all-volunteer force.

Conscription has been considered an inefficient method of obtaining manpower. Labour appears relatively cheap in budgetary terms, but these fail to reflect the true opportunity cost of society's alternative use value of the manpower. Being relatively cheap, military commanders are encouraged to substitute labour for capital (weapons) and adopt labour intensive force structures. However, conscription will become decreasingly feasible as a means of manning conventional force structures when its increased social costs are seen within a given society to be an unacceptable burden. At the same time, the budgetary advantages of conscription will lose their attractiveness when the rate of remuneration and the conditions of service applicable to conscripts equate more closely to those of volunteer servicemen.

Even though it may have been clear to all who participated in the development of the armed forces that conscription was a means of ensuring the political legitimacy of the armed forces, a new generation may be less willing to accept the personal obligations of compulsary military service. Their objections and their specific opposition to such service can then materially affect the rationale underlying the retention of this form of recruitment to the armed forces.

Currently, the number of conscripts annually drafted fluctuates around 33 percent of the total military population (*ROC National Defence Report 1992*, 122). The conscripts who were drafted could well argue that they were seriously disadvantaged. They had to serve for at
least 2 years, in this way losing valuable time as regards finding a job or starting some form of higher education.

In a technically highly advanced military organisation, the conscripts' motivation will be impaired by the tendency to assign to them the simpler jobs. As time is lacking to train them for complex tasks, they have to content themselves with the less challenging and attractive roles. In this way quite a number of relatively highly educated conscripts will be confronted with jobs that are definitely below their competence and interest level. As the army has by far the greatest number of these simple jobs to distribute, this problem, of course, is troubling this organisation more than the navy and the air force.

These should not lead us to overlook other issues such as those of military efficiency, for the reliance on conscription has led to considerable operational problems. One of these has been the way in which, where a senior NCO with a longer service commitment has not been available, a junior NCO has had to fill his position. In turn a draftee has often had to carry out the duties of a junior NCO without having received the necessary training. These problems stem from the basic difficulty faced by all armed forces which rely on relatively short periods of conscript service, that is, trained personnel are only available to carry out operational tasks for a very limited period. In other words, the military organisation tends to over-emphasise the importance of its training role at the expense of its operational role. Even so, the debate about the operational effectiveness of conscripts starts from the premise that an adequate number of draftees will be available.

In short the military organisation is predominantly manned by conscripts and very limited career personnel, a situation which inevitably engenders considerable difficulties. These problems will be hard to solve in the 2000s. New weapon systems and changed organisational structures will produce rising demands. Thus there arise the following questions: is the
government still entitled to demand for the sacrifice of conscription? Is it right to force young men who reject the legitimacy of the armed forces, into service? Do a majority of people in Taiwan still support conscription? And finally the fundamental question: will conscription have to be abolished? The arguments for and against abolishing conscription—not markedly different from those used abroad—need not be repeated here. What is worrying is that under conditions presently prevailing in Taiwan, parting with conscription would result in an organisation that would be, quantitatively and qualitatively, below the mark.

It is expected that in the course of the 2000s the strain between, on the one hand personnel and maintenance costs and, on the other hand, hardware investment will go from bad to worse. In the present organisation it will be hardly possible to reduce further the number of military personnel, while the highly trained specialists which the armed forces mostly need will demand even higher salaries to keep up with what private industry is willing to pay. Consequently the armed forces will have to reckon with higher turnover rates of personnel and with higher costs for the returning problem of adequately training the recruits substituting for the leaving specialists. Government attempts to trim the organisation by cutting fringe benefits will in this respect only backfire in the end by aggravating this already high turnover rate.

Therefore, the future dilemma is that a modern society in a period of limited resources will hesitate at the expense of making the military sufficiently enticing to attract an adequate number of personnel. A shortage of suitably qualified personnel then creates problems of over-stretch, and the external efficiency of the armed forces may be considerably reduced where these forces are insufficient to meet a complex pattern of military roles. Yet if the offered incentives are sufficiently high to overcome recruitment and retention problems, there may be acute resentment within society at this allocation of scarce resources. Such incentives
also create a major difficulty for armed forces if the cost of high rates of remuneration prevent
the purchase of new equipment which is deemed necessary to constitute an effective response
to heightened threat perception.

The Consequence of Cross-Strait Military Modernisation

The rivalry and confrontation between Taiwan and the PRC has lasted for more than forty
years. Recent developments in cross-strait relations seem promising and the exchanges of
various kinds between both are increasing, still, the PRC has never intended and is reluctant
to renounce the use of force as a means of reunification and never provides any positive
response to Taiwan's good-will and appeals. Despite the vast changes in the international
politics of Asia in recent years, Peking continues to regard the issue of Taiwan as one of the
paramount challenges for Chinese policy in the future.

Thus, one of the important contemporary events which affects Taiwan's defence policy is the
growing ambiguity of the PRC's threat. Assessments of threat are always notoriously difficult
given the problem of weighing intentions and capabilities. Indeed, very little consideration
had been given, in general, to the impact of the changing nature of Taipei-Peking relations on
the future of Taiwan's defence policy. In particular, the question must be asked whether there
still exists a threat from the PRC which necessitates the kind of defence posture Taiwan has
sustained for the past four decades?

Though defence is vital to security and survival, and no matter what the impact of defence
spending may be on Taiwan's economic performance --either positive or negative, procure-
ment by Taiwan can easily lead to arms racing with PRC. This has been the case in many

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Third World countries such as Argentina-Brazil, South-North Korea, India-Pakistan, and Israel-the Arab states. Many people think that high levels of armament guarantee war rather than insure against it, while others consider that only stable competition in arms prevents existing conflicts from erupting into war. In other words, "it is not arms races that lead to war, but rather a nation's failure to maintain its military capabilities vis-à-vis its potential rivals and adversaries" (Wallace 1979, 4). Then, is arms race a cause of war or a guarantee of peace?

With the end of the cold war, it seems true that the arms race between US and former Soviet Union did prevent the outbreak of war. But is it applicable to the Taiwan Strait? Russet argues that "mutual arms strength cannot banish mutual insecurity, but a one-sided failure to arm would produce the insecurity of weakness" (Russet 1983, 3). Each national defence force is looked upon by its rivals not as protection, but rather as a potential threat; therefore, there is a continued struggle to achieve a margin of superiority in military force. Each nation in the race will constantly increase its import requirements at increasing cost. Once an arms race is started, it is extremely difficult to stop. It is a way leading to no end. Furthermore, "the mutual threat posed by such competitive military growth intensifies other conflicts and contentions among nations, leading to additional uncertainty and insecurity" (Wallace 1979, 4). Therefore, "what used to be security has turned into double insecurity: insecurity because of the enormous destruction potential and insecurity because of the waste of the scarce resources" (Tuomi & Vayrynen 1982, 2).

Moreover, in order to achieve strategic superiority, the weapons imported will have to be as advanced and sophisticated as possible, and this will lead to increasing costs of operation and maintenance. Therefore, "increased levels of armaments under conditions of the security dilemma lead to an upward spiral of armaments and military spending, the exacerbation of
conflicts by worst-case thinking, and a concomitant decline in interstate security" (Krause 1992, 127). Benoit holds the same view by arguing that "the resultant arms races end by creating much larger defence forces on both sides than necessary with no commensurate gain in security--just the opposite, in fact" (Benoit 1967, 53).

Defence spending is a way to strengthen national security, but cannot guarantee it. As Chan points out that "To the extent that efforts to boost one's defence capabilities result in a process of mutual armament escalation, national security is more likely to be undermined than enhanced" (Chan 1992, 2).

It is the tendency for most countries to seek defence cuts and troop reductions. Besides, the end of cold war and the ease of tension will make it possible for future conflict and disputes to be settled by negotiations and peaceful means rather than resorting to force. In short, viewing the global military environment in the foreseeable future, we can say that, with the relaxation of East-West confrontation, large-scale conflicts are unlikely; but limited regional war, on the other hand, may possibly break out at any time. Under these circumstances, it appears even more important for a country like Taiwan to maintain an appropriate amount of self-defence strength to guarantee its national security.

Taiwan, therefore, faces hard choices. As former US President Eisenhower said:

> Every gun that is made, every warship launched, every rocket fired signifies, in the final sense, a theft from those who hunger and are not fed, from those who are cold and are not clothed. This world in arms is not spending money alone. It is spending sweat of its labourers, the genius of its scientists, the hopes of its children" (Quoted in Russett 1983, 48-49).

However, to Taiwan, not only is security or defence necessary as a precondition for economic development, it is also a vital prerequisite for its continued existence. "...Defence
expenditure might be better spent on development, but only in a perfect world in which defence is unnecessary" (Arlinghaus 1984, 42). Therefore, "a well-organised and effective system of defence is a necessary art of state expenditure" (Quoted in Balis 1989, 72). Despite the defence spending and human resources problems to which reference has been made, fortunately, there is no sign within the armed forces or within Taiwan's society as a whole of any loss of confidence in the military. The importance of defence as a major characteristic of Taiwan's political preferences--an importance which is reflected in the portion of the GNP devoted to defence expenditure--is such as to indicate a societal willingness to strive to maintain the armed forces in its traditional form. This perception thus emphasises the lack of opposition to conscription, the willingness to accept the financial burden of defence, and the acceptance of the military as the defenders of national sovereignty.

**Conclusion**

In view of the long-term threat facing the ROC--both in terms of PRC capabilities and intentions, the ongoing modernisation of the PLA, and the approaching obsolescence of Taiwan's current inventory of fighters and destroyers, it is questionable whether Taiwan, without significant upgrading of its military equipment, will be able to maintain an effective deterrent against the PRC much beyond the latter half of this decade.

The purchase of modern weapons, therefore, is seen in Taipei as crucial to Taiwan's future as a free political and economic system. In the long run, it is the sale of advanced weapons that will give the people of Taiwan an opportunity to determine their own future in peace. Without the weapons to defend itself, Taiwan's absorption by Peking on Communist terms is
almost inevitable. The likelihood of a peaceful, negotiated settlement agreed by both parties is greatly improved if Taipei is confident of its ability to defend its own interests.

However, one of the critical issues is whether Taiwan will be able to maintain existing levels of defence effort during the next decade. This is a question which generates considerable controversy. Some argue that Taiwan has to maintain its military preparedness in the light of the continued growth of PRC's military power. The perceived dangers of this significant expansion lead to the conclusion that if Taiwan is to survive, Peking's military effort has of necessity to be effectively deterred, though not matched. A reasonable prediction, therefore, according to this view is that defence spending in Taiwan will have to be increased after the year 2000.

To the opponents of such defence policies the critical issue is not how to match Peking's military effort. Rather, it is the basic question of whether Taiwan can indeed afford to maintain its existing levels of defence expenditure and defence effort. This question both acknowledges the increasing costs of these forces and the mounting public and private worries over rising budget deficits, increasing levels of public indebtedness, and rates of inflation. The acute policy dilemma with which Taiwan is being presented is, in this view, how to maintain existing defence efforts without bankrupting Taiwan's society. Although it would be incorrect to see this debate in economic terms alone, it is clear that much of the discussion stems from the financial implications of the "warfare versus welfare" controversy. This is a theme which has attracted and which continues to attract considerable attention. Therefore, in Chapter 5, we examined the impact of military modernisation on Taiwan's economic development.

Most existing research suggests that high military spending tends to have a deleterious effect on a country's economic growth, export competitiveness, and capital formation. However,
the study shows that Taiwan presents an interesting deviant case to these cross-national
generalisations about the relationships among defence burden, economic performance, and
social welfare. Taiwan has historically borne a heavy defence burden in both dollars and
manpower. Heavy defence spending has been the outcome of the dynamic interplay of
military interaction with the PRC, the shifting nature of alliance ties with the United States,
and domestic and political changes. Yet its economy has achieved one of the world's fastest
and most sustained growth rates in the past four decades, and its successful export drive has
made it the world's largest holder of foreign reserves. Moreover, the island's rapid economic
growth has taken place in a context of political stability and increasing income equality.

With respect to the political economy of military expenditure, we find that Taiwan presents
a number of contradictions to expectations derived from cross-national research in the West.
Taiwan has combined a heavy military burden with fast and sustained economic growth, a
very competitive export sector, and high levels of capital formation. It has also achieved
rapid economic growth while maintaining relative political stability and income equality. The
accomplishments mentioned above make Taiwan a rather exceptional case in regard to the
generally supposed negative impact of defence burden on economic performances.
Chapter 6

Outlook and Conclusions

General Conclusions and Major Findings

In the Introduction, we pointed out the reasons for adopting Taiwan’s security as a research programme were that there was no single text or collection of readings, written from a Republic of China perspective or addressing issues of ROC concern, which was available for people interested in national security. This dissertation is therefore intended to fill that gap by broadening the theoretical and empirical evaluation of Taiwan’s national security to encompass military, political and economic factors. The primary objective of this study has been to develop an in-depth understanding of the ROC's approach to national security through an examination both of the dynamics of the numerous security threats confronting Taiwan and of the measures instituted to preserve and enhance national security.

In Chapter 1, we tried to establish a conceptual framework for the analysis of national security. We found that the need to define the concept is even more necessary in regard to the ROC on Taiwan, which is seldom explored comprehensively and in its own right. The concept of national security and its applicability to the ROC is of central importance to this study.

Judging by the sacrifices that many national states are willing to make when territorial integrity or national interests are threatened, it is evident that national security is highly valued by most people. However, as countless discussions of the concept have indicated, the
idea of "security" is hardly precise. Different countries have very different concepts of security. Each concept of security corresponds to specific values, threats, and capabilities to meet the perceived challenges. Most developing countries emphasise the economic and social as well as the domestic dimensions of security. The feeling of security involves not only confidence on the part of the state in its ability to maintain its prosperity and way of life, but also the freedom to develop and improve its position in the future.

As for the possibilities of insecurity, it is necessary to examine the nature of the threats to obtain a more accurate understanding of the magnitude and intensity of the threats confronting a state. The sources of threats were divided and examined by military, political and economic sectors. Of these, the military dimension is the most visible and tends to attract greater attention from policymakers and observers. However, in the long run, the political dimension is the most important that has to be addressed if the conflicts--both internal and across the Taiwan Straits--are to be resolved satisfactorily.

Since the security of a state is a function both of its own vulnerability and the threats posed by external sources, approaches to national security may take one or more of the following forms: security through strengthening the state; security through power and alliance; and security through regional order and co-operation. These approaches are not mutually exclusive. When taken collectively, they address both the internal and external dimensions of national security. However, the approaches are not necessarily complementary either. The potential for contradictions is inherent, especially when choices are constrained by the linkage of national security to an external actor--be it a state or an organisation. In reality, many of the states employ a combination of these approaches with the total approach dependent on the circumstances of the individual state.
A variety of policy instruments may be employed to preserve national security. Given the nature of the threats, the policy response and the instruments of policy employed to counter them will be multifaceted and encompass political, socio-economic, military and foreign-policy dimensions. The discussion in this chapter is just an indication of the nature and the role of the variety of policy instruments that may be employed in the pursuit of national security. The specific combination and relative emphasis of the measures adopted will vary and be related to the source and nature of threat and the approach adopted to preserve the national security of the state.

Against this backdrop, this chapter tried to refine and expand the concept of national security, suggest and expand the concept of security concerns, and elucidate the complex structures associated with them. From the analysis presented in Chapter 1, it is clear that the range of national security issues is wide, stretching across the military, political and economic sectors. However, the full richness and meaning of security is to be found in the interplay among them rather than the primacy of one. The concept of security binds together these sectors so closely that it demands to be treated in an integrative perspective. It is thus worth examining the character of threats within each of these sectors in order to try to get a general sense of the legitimate national security agenda. Therefore we started from chapter 2 by exploring the military, political and economic dimensions of Taiwan's national security respectively.

In Chapter 2, we considered the military dimensions of Taiwan's security. The Chapter started by asking: Is the probability of military confrontation across the Taiwan Strait increasing or decreasing? There is little doubt on Taiwan that the PRC will eventually invade the island if it is able to do so at an acceptable cost and if Peking is unable to gain control of Taiwan in any other way. The short-term variables inherent in those conditions are infinite,
but the long-term threat is itself a constant. The Peking leadership’s recent behaviour has not helped to mitigate the fear. Military activities in and around the Taiwan Strait after President Lee Teng-hui’s visit to the United States and the continuous waves of military exercises prior to Taiwan’s presidential election have aggravated the already tense situation.

Despite continued military threats from Peking against Taiwan, a number of analysts believe they are no longer credible. Even if the threat were real, others argue, no government on Taiwan-be it KMT or DPP-would be so foolish as to provoke Peking by an explicit declaration of Taiwan independence. Since a move to separate Taiwan from Chinese territory is thought to be the only trigger which would lead the PRC to use force against Taiwan, scholars from this school of thought therefore concluded that the probability of war in the Taiwan Strait is remote. Nevertheless, several trends discussed in Chapter 2 have given cause for concern that the PRC may be re-examining the utility of using force in the Taiwan Strait to achieve unification. These trends suggest that the threat environment in the Taiwan Strait during the 1990s will be characterised by a degree of uncertainty and differences of perception in Washington, Taipei, and Peking. Certainly, the PRC threat will remain and it will be perceived by some as growing. All the factors mentioned also suggest that the PRC must keep its military option as a possible way to solve the Taiwan issue. However, a major use of force against Taiwan seems unlikely without severe provocation on the part of Taiwan, although limited PRC military pressure to speed up the unification negotiating process may be possible.

A comparison between the military capabilities of Taiwan and the PRC is illuminating because it establishes one fact. The PRC is so overwhelmingly superior to Taiwan in virtually all categories of military force that the outcome of a struggle between the two Chinese governments is more likely to be decided by Peking's determination to pursue the
fight than by an actual contest of military superiority. In other words, the cost of taking
Taiwan would be enormous, but Peking has, or will have by the next decade, enough
resources to accomplish the task if it elects to do so. Then, what are the most likely military
options to be selected by the PRC should it decide to attack Taiwan? It has a variety of
military options available. These range from low-level harassment at one extreme, through
blockade, to an all-out attack, invasion, and siege at the other extreme.

After analysing Taiwan's insecurity dilemma and assessing the threats, it is necessary to
explore further how Taiwan could cope with them and what national security policy Taiwan
should establish. Some states seek security by maintaining strict neutrality; others seek it by
joining alliances. Some seek security by confronting potential adversaries with military force;
others seek it by trying to be accommodating "good neighbours".

Since seeking for alliance and nuclear weapons has proved impractical, what alternative
measures could Taiwan adopt in order to reduce its vulnerability and prevent threats? The
choice is straightforward for Taiwan. Owing to its status as a weak state, structural incapacity
for offence, and the power asymmetry compared to the PRC, a more appropriate policy for
Taiwan to adopt in order to survive is "non-provocative defence".

A state like Taiwan whose aim is defensive will prefer deterring an adversary such as the
PRC to having to fight. In order to make deterrence credible, Taiwan has to devote
considerable effort to trying to persuade the PRC that it would indeed defend itself despite the
odds against it. Like most states, Taiwan prefers not to have to fight. But if it has to fight, its
goal must be to make the cost of victory higher than the gains of victory can justify. As was
mentioned earlier in Chapter 1 by Walter Lipmann: "A nation is secure to the extent to which
it is not in danger of having to sacrifice its core values if it wishes to avoid war, if challenged,
to maintain them by victory in such a war" (Quoted in Buzan 1991, 16).
By employing non-provocative defence strategies, Taiwan could signal to the PRC unambiguously defensive intentions. Such strategies act to dispel the suspicion, tension and hostility which can not only minimise the probability of crises occurring, but remove entirely all incentives for the PRC to resort to pre-emptive or preventative war.

In Chapter 3, we dealt with the political dimensions of Taiwan's security. This chapter began by exploring the domestic political factors and the interplay of international factors to provide the historical background for the emergence of TIM. It then moved to examine and criticise the TIM's justification for their claims based on Taiwan nationalism, the uncertainty of Taiwan's legal status and the right to self-determination. Judging by the lack of the domestic support, the difficulty of gaining international recognition and the pressure from Peking, it argued that independence for Taiwan is undesirable.

To the PRC, Taiwan is an integral part of the territory controlled by the sole legal and legitimate government of China. Any advocacy or movement of Taiwan independence which violates the "One China" principle would be rejected by the PRC. Based on the scenarios for the use of force by the PRC illustrated in Chapter 2, the most likely one under which the PRC would invade is if and when Taiwan declares itself independent; and that is the most dangerous one to Taiwan, because an independent Taiwan would have implications for China's hold on Tibet, Sinkiang, and Inner Mongolia and there would be strong reaction inside the PRC to any Chinese leader who acquiesced in an independent "Republic of Taiwan". At the same time, Taiwan independence might cause internal upheavals on the island and thereby limit the ROC's capacity to mobilise resistance against external threats, and consequently might invite PRC aggression.

Naturally, it is easier to criticise the approach taken by the DPP to the right to self-determination and independence than to suggest an answer to the problems thus identified.
Taiwan's stability and security are not simply dependent on its economy and military, they are also contingent on the domestic political situation. Thus the best hope probably lies in seeking to make independence less attractive by stressing the right of all the people on Taiwan to participate in the governance of that state and the right of minorities to respect for their separate identities. Political reform has therefore become especially important and significant. The success or failure of reform measures may have profound implications not only for the island's internal political stability, but also for the future evolution of its relations with mainland China.

This may mean that while politics will necessarily become even more competitive as participation increases, in the short term, issues such as Taiwan independence may lose some of their salience as the major proportion of the people support political change through incremental reform. This will be particularly true if the KMT continues on its present path to further opening up the political system.

In short, Taiwan's political reform presents the independence movement with a choice between using it as a window to step up pressure for independence, or rejoining established political institutions, working within the electorally-oriented opposition movement. So far, the DPP has refused to make any change at all, in spite of the election results and pressure from the KMT. The DPP's uncompromising stand may seem irrational from the point of view of the party as a whole, after all, what is the good of clinging to a lost cause? Why do the DPP elements still insist on the advocacy of Taiwan Independence and self-determination even though they are well aware that the possibility of it is slim and there exists risk and threat? Primarily because it is an effective mechanism to mobilise the population they seek to lead, and because it allows them to bring together a number of different and disaffected factions. Partly because of the sheer ambiguity of the term, it is the one unifying aim in a
coalition of otherwise competing political forces. Therefore, most of the advantages of claiming Taiwan Independence and the right to self-determination are harvested in internal politics. It is evident that DPP politicians would never hesitate to use ambiguous terms to attract needed votes and have a strong incentive to curry favour with the "independence" voters, even if Taiwan independence is more an emotional symbol than a real goal.

However, despite Taiwan's success in running elections and the KMT's decision to undertake major political reforms, many formidable problems remain unresolved. The foremost of these problems is the issue of national identity. Thus, the future political developments in Taiwan will probably encounter periodic setbacks with some activities perceived as threats to the political stability and security of the nation. The long term trends are against the survival of the KMT as a major political force unless it revitalises itself to meet Taiwan's changing social and economic needs.

The Kuomintang will thus have to juggle carefully the independence/reunification problem in a way that is neither provocative to Peking nor to KMT stalwarts and yet at the same time marginalises the pro-independence movement in Taiwan, while also reassuring the majority of Taiwanese that they will not be ruled by the Chinese Communist Party. Therefore, until a suitably ambiguous formula does evolve, the next few years could bring an intensification of confrontation between the extremes of those who see Taiwan's future in strictly either/or choices between unification and independence.

Neither choice is feasible given the policy positions of the KMT and Peking and in any event, most Taiwanese are equally opposed to the two alternatives of reunification or independence. To make the choice moreover, would undermine the stable domestic environment Taiwan needs to maintain if it is to outperform its trade competitors in the 2000s. It seems there is not likely to be a crisis in the Taiwan Strait or in Taipei provided the
KMT and the DPP can agree to preserve the present ambiguity on the reunification-independence question.

In Chapter 4 we considered the economic dimension of Taiwan’s security. In trying to elucidate Taiwan’s security needs, we have tried to delineate the structure of multiple threats and capabilities and outline corresponding diverse security measures. In considering Taiwan’s security, the military, political and economic issues are closely interlocked. Among the factors that affect Taiwan’s power capabilities, none is perhaps as important as its economy. Taiwan’s efforts to maintain its military strength and capability, and political stability would be further secured by a continuation of Taiwan’s outstanding success in maintaining a high rate of economic growth. Therefore in Chapter 4 our attention turned to the economic dimensions of Taiwan’s security.

The novelty of the analysis in this chapter is that, contrary to the traditional approaches to the study of the economic security which concentrate upon the national rather than the international dimension, it used the WTO (GATT) as a case study to examine the importance for Taiwan of entering the major international economic organisations and the implications of membership for the government and economy of Taiwan.

Why is Taiwan aggressively attempting to join or rejoin the world’s major international organisations—including the GATT (now the WTO), the IMF, and the United Nations? What does it hope to gain from membership in these institutions? As with any initiative, many questions have been raised. As an island state that also happens to be one of the world’s largest traders, Taiwan is heavily dependent on international commerce for its survival. While Taiwan’s economy is thriving it is important that it participates in the international economic organisations (IEOs), in order to obtain fair and reciprocal treatment with its trade partners who are members.
But today the majority of the world's intergovernmental economic organisations do not recognise Taiwan. Indeed for the major IEOs Taiwan officially does not exist. Rather than admit it in any capacity, these organisations have ignored economic realities and have yielded to political pressures from Peking to force the international community to make a choice between itself and Taipei. The continuing efforts by Peking to blackball Taipei have politicised the process of Taiwan's entrance into such organisations. Because the great majority of the nations that belong to the IEOs maintain formal diplomatic ties with the PRC, they bow to the PRC's efforts to block Taiwan's membership. For Taiwan, this has meant increasing isolation not only from the established venues of international decision-making, but also from much of the normal political dialogue among nations.

One of the reasons for Taiwan’s determination to enter the WTO is that Taiwan's economic development was threatened by the imbalance between its obligations and its rights in foreign trade. In recent years, the island has encountered growing pressure from its trade partners, mainly the United States, to abide by GATT's liberal principles and to open up its domestic markets, liberalise import procedures, allow greater access to the domestic economy, modernise the financial framework of the nation, and further revalue the currency. Most of the concessions granted by Taiwan to the United States have also been extended to other trade partners. However, while Taiwan was abiding by many of the rules of GATT like a GATT member, it did not have a GATT member's rights and thus could not enjoy the benefits and privileges of GATT membership. Therefore, Taiwan has always been in a passive position and has to yield frequently to pressures in relation to trade retaliation. Besides, Taiwan could not take advantage of GATT rules to defend itself against excessive requests and unfair trade practices from trade partners such the US. Hence, with its economy heavily dependent on trade, Taiwan must seek to join the world's largest trade promoting agency if it wants better
to protect its economic interests in the international arena. Recognition in the major IEOs
would also provide Taiwan with more extensive diplomatic help to defend its economic
gains. Membership in world economic and trade organisations would allow Taiwan to work
through multilateral channels and international arbitration to gain reasonable treatment and
ensure Taiwan's economic interests.

After decades of rapid economic development, Taiwan's economy is now at a cross-roads.
To continue developing, it must carry out a fundamental structural transformation. Despite
the pain and dislocation it will cause, WTO membership will accelerate the island's progress
toward the goal. Aggressive anti-protectionism is the best way for Taiwan to acquire the
political capital that it needs to accede to WTO. And trade liberalisation would be the only
and the best way for Taiwan to defend itself against other countries' protectionist measures
and proposing a timetable would help convey its willingness to liberalise its trade.

In Chapter 5 we further explored the main variable affecting Taiwan's future security, i.e.,
the cross-Strait arms race and major constraints on Taiwan's military modernisation. In view
of the long-term threat facing the ROC--both in terms of PRC capabilities and intentions, the
ongoing modernisation of the PLA, and the approaching obsolescence of Taiwan's current
inventory of fighters and destroyers, it is questionable whether Taiwan, without significant
upgrading of its military equipment, will be able to maintain an effective deterrent against the
PRC much beyond the latter half of this decade.

The purchase of modern weapons, therefore, is seen in Taipei as crucial to Taiwan's future as
a free political and economic system. In the long run, it is the sale of advanced weapons that
would give the people of Taiwan an opportunity to determine their own future in peace.
Without the weapons to defend itself, Taiwan's absorption by Peking on Communist terms is
almost inevitable. The likelihood of a peaceful, negotiated settlement agreed by both parties is greatly improved if Taipei is confident of its ability to defend its own interests.

However, one of the critical issues is whether Taiwan will be able to maintain existing levels of defence effort during the next decade. This is a question which generates considerable controversy. Some argue that Taiwan has to maintain its military preparedness in the light of the continued growth of PRC's military power. The perceived dangers of this significant expansion lead to the conclusion that if Taiwan is to survive, Peking's military effort has of necessity to be effectively deterred, though not matched. A reasonable prediction, therefore, according to this view is that defence spending in Taiwan will have to be increased after the year 2000.

To the opponents of such defence policies the critical issue is not how to match Peking's military effort. Rather, it is the basic question of whether Taiwan can indeed afford to maintain its existing levels of defence expenditure and defence effort. This question both acknowledges the increasing costs of these forces and mounting public and private worries over rising budget deficits, increasing levels of public indebtedness, and rates of inflation. The acute policy dilemma to which Taiwan is being subjected is, in this view, how to maintain the existing defence effort without bankrupting Taiwan's society. Although it would be incorrect to see this debate in economic terms alone, it is clear that much of the discussion stems from the financial implications of the "warfare versus welfare" controversy. This is a theme which has attracted and which continues to attract considerable attention. Therefore, in Chapter 5, we examined the impacts of military modernisation on Taiwan's economic development.

Most existing research suggests that high military spending tends to have a deleterious effect on a country's economic growth, export competitiveness, and capital formation. However,
the study shows that Taiwan presents an interesting deviant case to these cross-national generalisations about the relationships among defence burden, economic performance, and social welfare. Taiwan has historically borne a heavy defence burden in both dollars and manpower. Heavy defence spending has been the outcome of the dynamic interplay of military interaction with the PRC, the shifting nature of alliance ties with the United States, and domestic and political changes. Yet its economy has achieved one of the world's fastest and most sustained growth rates in the past four decades, and its successful export drive has made it the world's largest holder of foreign reserves. Moreover, the island's rapid economic growth has taken place in a context of political stability and increasing income equality.

After exploring the various dimensions of Taiwan’s security we obtained a number of major findings and intellectual gains—both substantive and theoretical.

**Theoretical**

Based on the analysis advanced in Chapter I we found that the traditional approach to national security is inappropriate to Taiwan as well as to developing countries, and singled out the following major weaknesses.

First, this literature has focused chiefly on the military dimension, especially threat perceptions of contending elites, doctrinal responses, security resources and capabilities to meet external threats to the state. However, defining the concept of national security in terms of physical protection of the nation-state from external military threats is not only narrow, but also misleading. The threats facing the developing states are diverse and complex, and so are the dimensions and content of national security.
Second, the accumulation, maintenance and development of military force is no panacea for security problems. Military strength is a necessary but insufficient guardian. The complex and multiple vulnerabilities of developing states compel us not only to look at a deeper structure and a broader spectrum of security issues, but also to search for different resources and capabilities corresponding to each pertinent threat. Furthermore, excessive preoccupation with military power can entail extensive trade-offs with domestic social, political and economic issues, which could eventually undermine overall security posture.

Third, the security environment is important, but it does not necessarily determine or dictate the nature of security issues. Domestic factors such as legitimacy, integration, ideology, and policy capacity play equally important roles in shaping the national security posture. Security challenges in many parts of the developing world are of endogenous rather than exogenous origin. Moreover, it is fallacious to understand the developing states’ national security from the perspective of superpower rivalry. The superpowers may affect the parameters of national security in some countries, but they do not determine its nature. As current developments in many parts of the world illustrate, the superpowers are seldom able to contain, manipulate, or dictate regional and country-specific security problems, whether military or economic.

Finally, direct emulation and adoption of national security management tools and techniques from the West also appears unwise. The search for effective management techniques should be context-bound, taking account of problems, and requirements specific to each national security environment.

Military

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Taiwan is to a significant degree representative of the states classified as “small”, “weak” and "developing". Thus the study of Taiwan's search for national security should provide useful insights into the study of the national security of other developing states. When a small nation like Taiwan faces a strong military adversary that claims sovereignty over its land and people, what are the policy options available to it? International relations theory offers little help in answering this question. While IR theorists have addressed the security policies of great powers, they have tended to ignore the study of small states. The reasoning is as follows: since small states are more preoccupied with survival than are the great powers, the international system will be the most relevant level of analysis for explaining their security policy choices (Handel 1981, 36). Moreover, even when scholars do refer to weak states, systemic rather than domestic factors are accorded primacy. The received wisdom in the field is that domestic determinants will be less salient when studying small states’ behaviour because external constraints are more severe and the international situation is more compelling.

Therefore the Taiwan-Mainland dyad permits us to re-examine the relationship between the strong and the weak, between large and small states. Weakness is commonly agreed upon as the central feature of a state's insecurity dilemma. The condition most feared among governments as a cause of war is power asymmetry—that is, an unfavourable tilt in the distribution of power. Many small or thinly populated states are not weak because they do not confront obviously superior enemies. What makes Taiwan distinctive is the margin of superiority that the PRC enjoys. Therefore the rivalry between the ROC and the PRC is a case that deserves careful examination in its own right. It can provide an ideal testing ground for contending theories of regional conflict.
Although the power parity and power preponderance schools present competing arguments and contradictory empirical findings, they both indicate that the initiation of conflict is in some way connected with the balance of national capabilities between a pair of rivals. However, this study reveals that the ROC-PRC confrontation is a special case on account of its apparently asymmetrical attributes. The ROC-PRC security interaction offers an interesting dyad to test propositions linking asymmetric rivalries. This dyad is theoretically more significant than the Israeli-Arab conflict, as Taiwan's small size, international isolation, questionable support from its ex-ally, and its adversary diplomatic prowess make the odds it faces far more unfavourable than those Israel faces. If being isolated internationally and small in terms of power is not a fatal factor in Taiwan's management of the relationship with its giant rival, it is probably not likely to be a hindrance to other similar countries in less adverse situations. In other words, the Taiwan-Mainland dyad can be a critical single case and theory-testing study.

2. The cross-Strait relations over the past decade have been characterised by an intricate mixture of compromise and conflict. The dynamics of the Taipei-Peking dyad can be attributed to the two regimes' respective concern for security and sovereignty and the mixed strategies adopted by both sides. Contrary to the conventional wisdom that decision-making is dependent on each other's assessment of its own payoffs, our findings suggest that the selection of strategies is in fact determined by each other's calculation of the opponent's payoffs. This finding generates numerous interesting theoretical as well as policy implications.

Given that an actor's strategy is highly sensitive to the payoffs of the others, the issue of perception and misperception becomes especially important in cross-Strait interaction. There may be various sources of misperception, but its outcome can be simple yet dangerous. For
example, Peking may misperceive Taiwan's effort to achieve international survival as a move to challenge the sovereignty of the PRC, and hence intensify its military threats. This outcome is obviously undesirable to both governments. Accordingly, we argue that the setting up of certain channels of communication is of special importance in managing conflicts across the Strait. In addition, the establishment of some mechanism conducive to confidence-building is vital in maintaining peace and stability between the two sides.

Economic

1. The cases of Taiwan's WTO bid and Taiwan-Mainland economic interaction can also shed light on the debate between structuralism theorists, such as Waltz and Gilpin, and their liberal globalist critics such as Keohane, Nye, Rosecrance, and Rosenau. Both schools of thought focus on the systemic level of analyses, but are amenable to an analysis on dyadic interaction. To a structural realist, military security is the primary national concern. Military prowess is the principle composition of national power; other sources of power, such as economic capability, are not readily usable and can be put to use only at high conversion and opportunity costs. As long as nation-states continue to be the basic units of anarchical international system, all issues bear national security implications. To liberal globalists, complex interdependence in the modern world has upset the hierarchy of issues, interactions are issue-specific, and threats or coercion tend to give way to bargaining for mutual gains (Wagner 1988, 461-83). Economic interdependence might affect state policy behaviour by three "causal paths": via the transformation of national goals or values; via the creation of interest groups and hence the alteration of domestic political processes; or simply by issue linkages (Rosecrance 1986). Structural realists deny the first two causal links while
disagreeing with their global critics on the third one. Economic interdependence, if not too asymmetrical, permits the strategic use of economic resources to reduce a nation's security threat.

But economic interdependence between two nations may also give rise to reversed leverage if trade and investment become hostage to political coercion. The liberal globalists do not deny that issue linkage and asymmetrical interdependence can be a source of influence. But when are issues credibly linked? How asymmetrical does economic interdependence need to be to become a source of power? What is the threshold? When do the gains from trade turn into a national security issue (Hirschman 1945)? It is over these questions that the two schools of thought clash. In addition, most empirical works on interdependence leave its central premise--increased [positive] interdependence leads to increased political co-operation--implicit and untested. Only a few works have gone on to make that assumption explicit and to test it by looking at the empirical links between economic flows and the degree of co-operation and conflict.

The Taiwan-Mainland dyad provides an excellent laboratory in which to refine the theoretical thinking on power and complex interdependence. Other cases, notably the European oil pipeline, technology licensing, and grain export to the socialist countries, have been used to examine various propositions on the linkage between trade and security. However, most of these conventional cases pertain to bloc-to-bloc relations and intra-alliance politics. The Taiwan-mainland dyad, in contrast, is a case of asymmetry. The size disparity between Taiwan and the mainland can never be overstated. How Taiwan, as a small country, manages economic interaction with its formidable adversary, mainland China, without jeopardising its national security, can be very educational to other asymmetric dyads. Moreover, the Taiwan-Mainland relationship also highlights policy intentions in shaping the
structure of dyadic interaction. We find that despite the unexpected momentum of economic interaction across the Strait, so far at least, Peking has shown no sign of exploiting Taiwan's dependence on the mainland market, and the current trends lead neither towards co-operation and integration, nor conflict and disintegration, which proved that both the realist and the liberal theories are partially erroneous when applied to the Taiwan-mainland case. The evidence also shows that mutual sovereignty claims force both sides to calculate political objectives and security implications of trade and investment. Interaction between these two societies or economies does not just grow in accordance with market forces. Rather, it is intimately conditioned by political calculus. Almost all the policies and measures governing cross-Strait economic relations have carried political overtones. Thus, how far and how fast the cross-Strait economic links will develop seems to depend upon political rather than economic factors. The Taiwan-Mainland dyad, in short, exemplifies the conscious management of power and interdependence.

2. As mentioned in Chapter 4, the economic role in national security is vital because of its extensive spill-over effects on other national values. The multiplicity of national values, coupled with the precarious security context, produces security dimensions more diverse in Taiwan than in the West. In the conventional approach, the type, source, and level of threat are considered easily identifiable as either overt, external or military, being imposed by actual or potential adversaries. Threats to economic well-being and prosperity, however, are less apparent, making perception and recognition more difficult and controversial. Unfortunately, little literature attention has paid to the study of national security from institutional levels which are related to the pattern and degree of integration in the international economic system. One noticeable threat in this regard is systemic vulnerability, which arises from the
concerns of Taiwan, with limited domestic policy leverage, concerning the transmission of external economic disturbances originating from the international economic system per se.

We also pointed out in Chapter 2 that a more recent dimension of the relationship between security concerns and international trade stems from increased patterns of economic interdependence. However, the connection between economic security, such as economic interdependence, and national security has not been well explored in security studies literature. Little attention has been paid to security issues in studies of interdependence despite the fact that its growth has generally meant that the nation-state is increasingly vulnerable to external forces, a phenomenon commonly thought to have security implications (Hirschman 1980; Knorr 1973; Knorr & Trager 1977). This is surprising because vulnerabilities arising from growing economic transactions and linkages have resulted from the increasing allocation of goods and services by international market forces. The expansion of these forces has meant the state’s increasing material dependence on goods produced in other states, implying vulnerability to a disruption in the flow of raw materials, goods and services. They have meant a loss of autonomy in economic decision-making, and they have meant increasing political entanglements that constrain foreign policy choices (Crawford 1995, 27-55). But the literature has not suggested hypotheses specifying the kinds of dependence, loss of autonomy or entanglements that would directly threaten the state’s ability to provide for military security. Despite the growing awareness of the overlap between the spheres of politics and economics and the growing intellectual interest in international political economy, the spheres of security and economics were considered separate and distinct issue areas. Security studies continue to be concerned more with the state’s ‘high politics’ of war and military power than with the ‘low politics’ of international economic transactions (Keohane & Nye 1970; Waltz 1970). As a result, security studies have generally
taken the state and its ability to ward off military threats and defend the nation in time of war as the central focus of analysis ((Walt 1991, 211-39).

As national economic trends, pay-offs, and policies become more entwined with those of other societies, there is greater national susceptibility to disruptive and injurious impacts from abroad. In these circumstances, it becomes an increasingly realistic policy perspective to identify international trade matters with security concerns. In a basic sense, gaining and preserving security hinges upon national power capabilities to achieve essential values. Yet, with increased global interdependence, one country’s relative capabilities often depend on external actors and events. In such an environment, international policy discontinuities can distort or defeat national efforts to achieve basic objectives—or even produce new difficulties for policy-makers. The perceptibly increased importance of Taiwan in contemporary international trade relations is predicated on the need for its effective participation in international negotiations, if broadly based multilateral trade accords are to be reached and made lasting. It is thus worthwhile to explore the economic dimension of Taiwan’s security by examining the need and the importance for Taiwan’s joining and integrating in the major international economic organisations.

Political

The inquiry into the dynamics of the threats confronting Taiwan indicates that for developing states the sources of threats to their national security are to be found not only in the anarchic international environment but also in the domestic environment. For many of them the domestic dimension is an equally important if not the primary component of their national security. Therefore a comprehensive understanding of the dynamics underlying the
national security of the developing states requires that the state be related not only to the international environment but also to the substate level where disharmony of interests among the individual, the group, and the state levels may explain the cause of domestic conflict and the susceptibility of the state to external threat and intervention.

It is possible to argue that internal challenges are really a struggle for political authority within the state and therefore do not affect the survival of the state, which should be the focus of national security. On closer examination, the force of this argument is reduced at least on three counts. First, some of the internal threats like separatism can radically alter one or more components of the state. Second, internal conflicts invariably invite external intervention, and this occurrence influences the perception of external threats. In the context of the contemporary world, states are highly permeable, and isolating the domestic environment from external forces is difficult, especially in the developing states. Third, such a distinction, if strictly adhered to, will preclude consideration of many of the activities carried out in these states in the name of national security. Theory would then be divorced from reality and would serve no policy function.

**Policy Recommendations**

**Military**

Though relations between the two sides of the Taiwan Straits are warming, the threat to the ROC's security goes unabated. Peking has been calling for the recovery of Taiwan by peaceful means for a long time, it still threatens Taipei with the possibility that it might use
force if and when necessary. But, far from frightening Taipei into submission, Peking has only succeeded in making the people on Taiwan more suspicious of its intentions, thus undermining the effectiveness of its own effort. In addition, a conquest of Taiwan by the PRC not only would result in a substantial weakening of its relative international position, both politically and militarily, but would also face the risk that Taiwan might declare independence and then produce nuclear weapons with which to defend it. The ROC's adherence to the "one China" policy is a valuable asset to the PRC, which it should not lightly jeopardise. Thus the PRC's use of force seems unlikely under the present circumstances. However, it is unlikely that the CCP will formally renounce the military option.

Since incentives for the PRC to initiate conflict against Taiwan are real, it is vital for the ROC to navigate carefully the troubled waters ahead. To maintain stability across the Strait, and further, to improve relations between the two sides, the ROC must work hard to promote internal stability and to improve relations with other nations in the international system. There are both positive and negative tendencies in the current development of cross-Strait relations. Although the two governments continue to argue over many issues, they have both adopted more realistic policies in recent years. This is helping to build up understanding and trust between the two sides. Nevertheless, unification is still a very distant prospect, and a divided China will continue to present a threat to the security not only of Taiwan, but of the region.

In the foreseeable future, the possibility of direct Taipei-Peking negotiations depends on whether both sides are willing to make concessions. As long as Peking demands Taipei's subordination, the chances for talks between the two are almost nil. Thus both Taipei and Peking should try to avoid provoking each other over the sovereignty issue. Peking should cease trying to isolate Taipei internationally as far as it adheres to "one China" policy. Taipei
should adopt a more open and positive mainland policy, allowing direct trade and more contacts. At the same time, Peking should continue its open door policy and give up the option of using force to settle the Taiwan issue. Current quasi-official communications between Peking and Taipei would probably make war less likely. A dialogue could reassure Peking that the ROC's leaders were not about to set up an independent state and reassure Taiwan that Peking did not intend to seek any resolution of Taiwan by military force. “Reassurance is developed through increased ‘transparency’ of military forces and confidence-building mechanisms”. It could reinforce the tacit understandings that for many years have minimised the risk of military clashes in the Taiwan Strait. Although the large gap in military capability between the two sides of the Taiwan Strait makes it hard to establish confidence-building measures in this area, Taiwan is paying more attention to this aspect of security. In the present circumstances, it would be difficult for Peking and Taipei to adopt open confidence-building measures in the form of a treaty. Yet, regulations on military encounters that are tacitly agreed by the two sides should be encouraged. Such measures might include banning military exercises in the most sensitive areas, limiting the number of troops stationed on the off-shore islands, and agreeing not to deploy long-range weapons. No one can predict when unification will come true, but reducing suspicion and broadening contacts are the safest and the most constructive ways of settling differences between the two sides of the Taiwan Strait.

Though tensions are decreasing and mutual exchanges are increasing across the Taiwan Strait, still, directly and indirectly, PRC will continue its efforts to isolate Taiwan and to undercut its political and military position. However, from both military and political points of view, the disadvantages for Taiwan to develop and possess nuclear weapons for security outweigh the advantages. Since Taiwan is theoretically a part of China, military actions by
the PRC against the island would be an improper means of resolving this domestic issue, because it could provoke public resentment and damage economic strength on both sides. It would cost the PRC much and offer little in return. Besides, it would destabilise the Asian region and damage relations with the US and with Asian neighbours.

Therefore, PRC leaders should continue economic and political reforms. Taiwan's industrial and economic infrastructures and its technical and managerial skills could provide both a useful assistance to Peking and needed impetus for economic development. Both sides should prefer compromise and negotiations to conflict and confrontations and build mutual confidence. Only by doing so can the peace, wealth, and prosperity of all Chinese people on both sides be ensured.

**Political**

A democratic future for Taiwan looks promising, although some aspects of the current situation are worrisome. With the emergence of the DPP, Taiwan finally has a competitive party system. Nonetheless, the KMT is generally viewed as conservative and interested only in preserving the status quo, while the DPP is seen as a not entirely trustworthy coalition of anti-KMT groups. A healthy pattern of interaction has not yet developed between the KMT and the DPP. Unlike Western political parties which compete against each other and yet still accept each other's existence, the KMT and the DPP lack a tradition of harmony and mutual respect. The animosity between the two is quite intense and deep-rooted. It is rooted in a variety of factors: the fierce and even ruthless struggle for power between the KMT and the Tangwai in the past; their different perceptions of the current international position of Taiwan and its future; and more important, their sharp ideological differences. Party legacy and
practical concerns made the KMT stick to the "one China" policy. Moreover, the KMT strongly opposes Taiwan independence. The DPP, on the other hand, called for self-determination and independence. The effect of the political reforms carried out by the KMT has been to weaken the appeal of Taiwan independence as a political option. Although almost all the leaders of the DPP personally favour Taiwan independence, the mainstream of the leadership has decided that for the time being, it is politically unwise to push for independence, mainly because of the results in the 1994 and 1996 elections, and partly because of the anticipated strong reaction from the PRC. The political developments have thus confronted the TIM with dilemmas. On the one hand, the Taiwan independence forces fear that political reform will legitimise and strengthen KMT rule; yet if they continue to hold aloof from participation in the political system, they risk becoming increasingly irrelevant in the eyes of the electorate.

In short, Taiwan's political reform presents the independence movement with a choice between using it as a window to step up pressure for independence, or rejoining established political institutions, working within the electorally-oriented opposition movement". It is expected that the DPP will continue to point to the limits on the Taiwan's formal diplomatic relations as a fatal flaw in its foreign policy, and supporting the establishment of an independent "Republic of Taiwan". If this trend continues, tension in the Taiwan Strait will increase. It is the PRC's policy to isolate Taiwan from the international community that helps the advocates of Taiwan independence. They are convinced that only when Taiwan becomes independent can it break its present international isolation.

Taiwan is acknowledged to have made enormous achievements in democratisation, especially in the area of elections. The mayoral, provincial governor and presidential elections certainly enhanced Taiwan's international image as a country consolidating its
democracy. Taiwan can certainly claim unique achievements politically, and many people there believe its experience makes it a model other countries can emulate.

However, despite Taiwan's success in running elections and the KMT's decision to undertake major political reforms, many formidable problems remain unresolved. The foremost of these problems is the issue of national identity. Thus in the future political developments in Taiwan will probably encounter periodic setbacks with some activities perceived as threats to the political stability and security of the nation. The long term trends are against the survival of the KMT as a major political force unless it revitalises itself to meet Taiwan's changing social and economic needs. It will be essential for the KMT to work hard to create a balanced political structure representative of all Taiwanese interests. The DPP should make itself a responsible and credible watchdog opposition and concentrate their efforts on pressing the KMT for more rapid democratisation, instead of advocating Taiwan independence which will only intensify tension between the KMT and the DPP, thus endangering Taiwan's political stability and national security.

The KMT's efforts to maintain political stability would be much helped by a continuation of Taiwan's outstanding success in maintaining a high rate of economic growth.

**Economic**

WTO entry will help accelerate Taiwan's economic liberalisation and internationalisation, which will in turn boost Taiwan's economic development. The most important measure for Taiwan to adopt at this moment is to concentrate on making the necessary trade and economic adjustments to meet admission requirements. Most of Taiwan's policies and practices are compatible with WTO principles of open and non-discriminatory trade. But there are some
areas such as agricultural, services, and certain manufacturing industries, where more liberalisation is needed. These last few barriers to free trade will have to come down, if Taiwan wants to win quick admission. This is especially true, because Taiwan is applying for entry as a developed economy.

As a contracting party to be, Taiwan should abide by the following rules: contracting parties should observe mutually the MFN treatment, make policy transparent, expand the participation of developing countries, open markets, consult and negotiate. The WTO will require that some existing restraints and controls be abolished or eased according to its codes of conduct. Therefore, it is quite critical for Taiwan to plan in advance in order to reduce the impact accompanied by the large scale open market.

Besides making the necessary adjustments, the government should carefully study many rules promulgated by the WTO to help protect the interests of domestic industries and help them compete more effectively with major trading countries. The government should also help local business in cases of unfair trade practices by imposing countervailing and anti-dumping tariffs, and by providing assistance such as import restrictions and educational training for local business coping with foreign competition brought on by the reduced tariffs. Industries deserving assistance should be provided with a reasonable environment for development or be protected by a relatively longer cushioning period.

However, such government assistance should only be temporary, and a final solution to the impact of WTO membership will require structural changes in both the industrial and agricultural sectors. After decades of rapid economic development, Taiwan's economy is now at a cross-roads. To continue developing, it must carry out a fundamental structural transformation. Despite the pain and dislocation it will cause, WTO membership will accelerate the island's progress toward the goal. Aggressive anti-protectionism is the best
way for Taiwan to acquire the political capital that it needs to accede to the WTO. And trade liberalisation would be the only and the best way for Taiwan to defend itself against other countries' protectionist measures and proposing a timetable would help convey its willingness to liberalise its trade.

Research Agenda for the Future

Although the research undertaken in this thesis focuses on a number of discrete issues they are inter-linked in a number of important ways. We have attempted, as far as is possible within time and space constraints, to unify the themes discussed in this thesis within a holistic structure. We hope that focusing on particular themes, examined through a series of interconnected essays, helps develop an understanding of those particular features of national security that we have highlighted. However, there remains a rich agenda for future research. Some key areas for further study are indicated.

1. With respect to Taiwan's defence spending, a critical problem the ROC government will continue to face is of balancing the need to sustain a strong defence posture with the essential requirement of trying to maintain a healthy economy. The continuing challenge to policymakers to balance economic growth with an effective defence effort is as difficult to meet at the present time as it has been in the past. Indeed in some important respects the contemporary challenge is even more difficult to resolve. This can be shown by looking at the projected defence spending and the plans for defence capabilities over the next few years. Thus, can Taiwan continue to sustain the current pattern of defence spending? Both domestic and international changes are likely to hinder the continuation of current defence spending. The recent democratic transition has altered parameters underlying the political economy of
public spending in Taiwan. The liberalisation of politics has fostered the proliferation of interest groups, and they have begun to exert formidable political influence through various channels. The government is losing political leverages to insulate the defence sector from these new competing social pressures. Thus we need to pay constant attention to Taiwan's future defence spending policies and the political impact upon it.

2. Another intriguing and important issue is the role of the military in Taiwan's political development and in Taiwan's society. The military and security apparatus have long been regarded as an obstacle and constraint to Taiwan's democratisation. Though Taiwan has undergone a transition from authoritarian to democratic rule, and President Lee Teng-hui has been striving to depoliticise the military and establish civilian control, some issues still need further exploration. Will President Lee be able to exercise control over the military and command its full support? What impacts will (did) the regime changes have on the role of the military in politics? Will democracy motivate and enable elected officials to diminish significantly the political influence of the armed forces? Will the military elites be able to maintain their political clout in the democratic era and undermine the independence and authority of the civilian government?

3. Although democracy in Taiwan seems to have a promising future, the issue of independence versus unification is increasing tension between the government and the opposition, threatening political stability. These differences also complicate relations with the PRC, heightening the threat of a military take-over by Peking. Thus, will the ongoing power struggle between the mainstream and non-mainstream factions of the KMT, combined with the escalation of electoral competition among the KMT, the DPP, and the NP, further deepen the existing crisis in the ethnic conflict between Taiwanese and the mainlanders?
4. There is also the need to examine the security relations between the US and Taiwan. With the end of the Cold War, the US is likely to play a lesser role in world politics than it has in the preceding decades. The era of Pax America is over; a new, multipolar international order is emerging. This is bound to impact upon Taiwan's security in that the United States is the only country at present with both the military power and the political will to assist Taiwan should the PRC attempt to reunify China by force. Thus some questions need to be further explored. Is the United States still committed to the defence of Taiwan? What might the US attitudes be toward the resolution of the so-called Taiwan issue? And what policy on Taiwan's security is in the best interest of the United States?

5. In addition, more research and consideration should be given to the impact of the changing nature of cross-Strait relations on the future of Taiwan's security and defence policies. There is the need to further assess defence requirements in the light of the changing structure of cross-Strait politics. In particular the question which must be asked is whether there is still such a PRC threat which necessitates the kind of defence posture Taiwan has sustained for the previous decades? Will there exist the following possibilities: the establishment of a cross-Strait military buffer zone (the demilitarisation of off-shore islands); the signing of a non-aggression agreement and military exchanges, and the establishment of official communications and dialogues?

Communications between Peking and Taipei probably would make the continuing state of civil war less explosive and more tolerable for both parties. A dialogue could reassure Peking that Taiwan's leaders were not about to set up an independent state and reassure Taiwan that Peking did not intend to seek an early resolution of the problem by military force. It could reinforce the tacit understandings that for many years have minimised the risk of military clashes in the Taiwan Strait. Although a dialogue could be used to make threats as well as to
offer reassurances, in either case it would make possible a more accurate reading of each other’s intentions.
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