China’s Taiwan Dilemma
Rethinking Ideas of Nation, State and Sovereignty
By Muthiah Alagappa

As Taiwan’s economy has become increasingly enmeshed with Mainland China in recent decades, the notion that Taipei faced a China Dilemma became commonplace — the idea that Taiwan’s interdependence with the Chinese economy was eroding its special status.

In reality, as it becomes increasingly clear that Beijing’s approach to relations with Taipei isn’t likely to lead to unification, China now faces a Taiwan dilemma, writes Muthiah Alagappa. It needs to rethink its notions of the Chinese nation-state, he argues.

Although most Asian countries secured their independence in the period after the Second World War, China’s emergence as an independent nation-state dates from 1911, when the Nationalists overthrew Manchu imperial rule. Considering the Manchu as alien, Sun Yat-sen, who led the nationalist struggle against the Qing Dynasty, initially sought to define China as a Han Chinese nation-state. However, on discovering that an ethnic Han nation-state would be smaller than Qing China, he defined the nation as comprising Han Chinese as well as four other races (Manchu, Mongol, Tibetan and Hui). Notwithstanding this, Sun believed that a unified Chinese nation based on the majority Han Chinese was essential for the wellbeing of the country. He believed that the five major races could be reduced to a single racial group based on the majority Han Chinese group. Following Soviet nationality policy, the Chinese Communist Party (CCP) that came to power in 1949 defined the Chinese nation as comprising the Han Chinese and 55 other ethnic groups living in China as one huge family. It has since attempted to meld all ethnic groups living in China into a single nationality that is akin to the majority Han nationality. There was little or no difference between the Nationalists (KMT) and the CCP on the definition of the Chinese nation. Both emphasized “Han-ness” as the basis for the nation.

That emphasis on Han-ness alienated several non-assimilated groups including especially the Tibetans and Uighurs, but also the Manchus and Mongols, all of which perceive themselves as distinctive nations who owed their loyalties only to the Qing Emperor (not to Nationalist or communist China). They contest their inclusion in contemporary China. Over the last several decades, a significant percentage of the people living in Taiwan also have come to view Taiwan as a separate nation. Beijing’s claim that there is only one Chinese nation rings hollow among so-called minority groups that see themselves as distinct nations.

The emphasis on Han-ness is compounded by the CCP’s insistence that there can only be one Chinese state, i.e. the communist or socialist state with Chinese characteristics and centered on Beijing. All possible competing organizations, including even those like the Falun Gong, have been banned or crushed. Insistence on one Chinese nation-state under the firm control of the CCP underlies the present-day conflict between Beijing and Taipei, as well as between Beijing and the Tibetans and Uighurs. Insistence on CCP domination throughout China also underlies the tense relationship between Beijing and some segments of the population in Hong Kong that demand greater control over democracy in that Special Administrative Region.

I argue in this essay that the CCP’s effort to convert the Chinese Imperial Dynasty into a modern nation-state under the firm control of the CCP underlies the conflicts between Beijing and the so-called minority groups, including the China-Taiwan conflict. For Beijing to resolve the conflict with Taiwan as well as with minority groups in an amicable fashion, it needs to rethink its notions of nation, state and sovereignty. Such rethinking must make for greater flexibility, enabling Beijing to accept that China is a multinational country in which so-called minority groups would have the option to exercise full self-governance through arrangements like federalism, genuine autonomy and, if necessary, even independence. There can be several “Chinese” nations and states. To facilitate this, Beijing must become more flexible in its conception of sovereignty. The “one country, two systems” formula is an important step in that direction, but does not go far enough. Contemporary sovereignty resides in the people, not the state. The one country, two systems formula issues from a top-down understanding of sovereignty. A bottom-up approach that emphasizes people rather than the state will enable China to become a multinational country in practice and help resolve several conflicts confronting Beijing, including that with Taiwan. However, the CCP, which dominates the Chinese state, is highly unlikely to move in that direction because of concerns over losing political power. Its emphasis has been on recovering and firmly dominating all territories that belonged to the Qing Dynasty. Failure in that effort, the CCP believes, would undermine its legitimacy. However, if Beijing fails to rethink its notions of nation, state and sovereignty in a more flexible manner that could also lead to a loss of legitimacy and possibly even a violent breakup of China in due course.

The PRC-Taiwan Conflict: Origins and Transformation

The PRC-Taiwan conflict has its origins in the CCP-KMT (Kuomintang) struggle against Japanese imperialism in China. The United Front forged between the CCP and KMT was short lived. The CCP-KMT conflict became more intense from 1945 to 1949. With victory over the KMT, the CCP formed the PRC in 1949. Despite its retreat to Taiwan, the KMT, the political party that sustained the Republic of China, maintained that it was the rightful ruler of all China. This position continued until 1991. During this period (1945 — 1991), the CCP and the KMT were agreed that there was only one China and that it should be unified. The contention was over who was the rightful ruler. The conflict was fundamentally transformed.

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1. Sun’s acceptance of China as a multinational political entity significantly undermined one of the primary rationales for the nationalist struggle against foreign rule.
3. The 1982 Chinese constitution recognizes the equality of all citizens but conceptualizes China as a unitary multinational state and forbids secession. The 1982 constitution has been revised four times since then.
4. According to the 1990 population census of the People’s Republic of China, Han Chinese make up about 91 percent of the population while so-called minorities make up about 9 percent. However, ethnic minority groups occupy a disproportionate share of PRC territory.
5. On the development of Taiwanese national identity, see Wachman, Alan M. Taiwan: National Identity and Democratization (1994), Chapters 1, 3 and 4. Change in Taiwanese national identity also contributed to a transformation of the KMT over the years. See Conclusion.
in 1990-91 when the KMT renounced the claim that it was the rightful ruler of all of China, implicitly recognized the PRC as having control over the Mainland, and asserted that it was the only government of Taiwan. From then onward, the conflict became one over the status of Taiwan: Is it a renegade province of China or does it have the right to exist as a separate nation and sovereign state? Committed to the imperial notion of China, Beijing seeks to recover all territories that once belonged to the Qing Dynasty. It seeks to make imperial China into a single nation under the firm domination of, and within parameters set by, the CCP. In pursuit of this, Beijing seeks to recover all peoples and territories lost to foreigners during the “century of humiliation.” In line with this, Beijing considers Taiwan a province of China that is attempting to break away. Always a high priority of the CCP, unification became its foremost objective after the Tiananmen Square incident. Although the CCP conceptualizes China as a unified entity, it is temporarily willing to accept a different political-economic system (the one country, two systems formula) for certain territories not under its control. On that basis, Hong Kong became part of China again in 1997. Beijing has made a similar offer to Taiwan with even more sweeteners if that island state were to peacefully unify with the mainland. Despite such offers, the ultimate goal of Beijing appears to be to unify all of China into a single Han-Chinese nation under the domination of the CCP. Beijing is firmly committed to the One China principle.

The transformed KMT under native Taiwanese President Lee Teng-Hui and subsequently the Democratic People’s Party (DPP), which presents itself as the party of the native Taiwanese people, contest the idea that there is only one China (one Chinese nation-state). After Lee’s presidency, the transformed KMT gradually reverted to the One China vision and is now commonly known as the Pro-Mainland Party. However, even a prominent pro-Mainland leader like President Ma Ying-jeou could not go beyond certain bounds in forging close relations with the Mainland, let alone support unification. The DPP, the other main party, does not subscribe to the One China vision. Although it is not opposed to close relations with the Mainland, the DPP seeks to make Taiwan a separate nation and a sovereign state with a democratic political system. Taiwan’s claim to sovereignty was significantly bolstered by its transition to democracy in the 1980s. Taipei perceives democracy not only as the preferred system of government but also as means to set Taiwan apart from the PRC. To further strengthen its claim to de jure sovereign status, the DPP fostered the development of a Taiwanese nationality and identity that has since been accepted by a significant percentage of the Taiwanese people and by a substantial segment of the international community. Although they support democratic Taiwan, many in the international community, fearing Chinese retribution, seek to deal with Taiwan solely as an economic entity.

**BEIJING’S TAIWAN POLICY**

Beijing’s Taiwan policy has the dual purpose of unifying the island with the Mainland and preventing any unilateral declaration of independence by Taiwan. It has set out a policy framework that has several strands. Beijing seeks peaceful unification primarily through economic means and the one country, two systems formula. It assumes that growing economic interaction across the Taiwan Strait and the increasing economic dependence of Taiwan on the Mainland will reduce cross-Strait political tension, and over time pave the way for Taiwan to unify with the Mainland under the one country, two systems formula that Beijing has articulated to accommodate Taiwanese concerns. That formulation would permit Taipei to maintain its own armed forces and preserve its democratic system of government. However, Beijing has asserted that this would only apply if Taiwan commits to the One China principle. Should peaceful means fail, Beijing reserves the right to use force to unify Taiwan with the Mainland. Military force is also seen as crucial in preventing a unilateral declaration of independence by Taiwan. Below I elaborate on the three key elements in Beijing’s Taiwan policy — growing economic interaction; the one country, two systems formula; and Beijing’s threat to use military force, if necessary — to demonstrate why Beijing’s policy is unlikely to succeed in unifying Taiwan with the Mainland.

**GROWING ECONOMIC INTERACTION,**

With the economic reform and opening of the PRC that began under Deng Xiaoping in 1978, Beijing put great store on growing economic interaction with Taipei, believing that growing economic interaction with mutual benefits would reduce cross-Strait political tension, buy time for Beijing and eventually pave the way for Taiwan to unify with the mainland. Taiwan’s trade with the Mainland fluctuated in the 1980s. Initially, the PRC waived tariffs on Taiwanese goods, gave them priority treatment and discounted sales to Taiwan by 20 percent. With a growing trade deficit and an overheating economy, the PRC withdrew these preferential treatments in 1981, causing Taiwanese exports to decline in 1982 and 1983. Upon reinstating preferential treatment in 1985 and loosening controls on foreign exchange and imports, Taiwan’s exports to the Mainland rose by over 100 percent in 1984 and 1985. In 1985, China formally opened its domestic market to Taiwanese investment, shipping and trade. In 1987, Beijing issued regulations to encourage Taiwanese investment through special tax incentives. China’s preferential treatment made China more attractive than Southeast Asia as an investment destination for Taiwan.

Although continuing to be suspicious of Beijing’s motives, by the early 1990s, Taipei had become more amenable to cross-Strait trade and investment. By 1995, Taiwan’s cumulative investment in China was estimated at US$30 billion — more than a third of total Taiwanese capital outflow. Mainland China became the second largest export market after the US. In 1995, Taiwan’s trade with the Mainland amounted to 17.4 percent of its total exports. Its trade surplus with China grew to US$16.3 billion by 1995.

PRC-Taiwan economic interaction, as illustrated above, grew by leaps and bounds in a
period of less than two decades. And it did seem that peaceful dialogue had replaced military conflict as the central feature of cross-Strait relations. Developments in 1995-96, however, shattered that illusion. Furious with Lee Teng-Hui’s visit to his alma mater Cornell University in 1995 and his reference to the Republic of China as a separate state during that visit, Beijing responded with missile tests close to Taiwan. The US countered by staging the biggest display of American military might in the region since the Vietnam War. Two aircraft carriers (the Nimitz and the Independence) were ordered to the immediate vicinity. Further, Beijing had hoped to influence the legislative and presidential elections scheduled in Taiwan in 1996. Despite Beijing’s intimidation, Lee won the presidential election. Likewise, in the 2000 and 2004 elections, Chen Shui Bian of the DPP won the Taiwan presidency with China has plummeted. Taipei has also become increasingly concerned about growing dependence on the Chinese economy and has adopted diversification measures including the New Southbound Policy that seeks to build extensive cultural and interpersonal relationships in South and Southeast Asia.

The PRC-Taiwan experience shows that economic interdependence may only have a short-term impact on political relations and seems to have little or no impact on problems in the domain of high politics. The influential assumption that deepening economic interdependence can resolve underlying political problems remains unsubstantiated. At most, deepening economic interaction can briefly ameliorate some political tensions and increase the cost of using force, especially for the non-status quo country, but does not seem to have the potential to resolve political disputes ultimately hinges on developing and negotiating a political solution.

**BEIJING’S POLITICAL SOLUTION: ONE COUNTRY, TWO SYSTEMS**

The one country, two systems formula was developed by Deng Xiaoping to deal with the Hong Kong situation. That pragmatic formulation offered a different political and economic system for territories not under the control of Beijing. It is deemed compatible with the One China principle. The eventual goal is still unification, but the formula is viewed as an interim measure to facilitate gradual assimilation of newly acquired territories. Based on that formula, Hong Kong became part of China in 1997 and was permitted to have a democratic form of government and a capitalist market economy for 50 years, while the rest of China operated under a socialist system. It is not clear what will happen in 2047 when the 50-year term expires. However, Beijing’s heavy handed implementation of the formula in recent times, especially in the election of Hong Kong’s chief executive and its interference in Hong Kong’s self-rule, have created fears that Beijing will not honor the autonomy promise given to the people of Hong Kong. That fear has also influenced Taiwanese reactions to Beijing’s proposals for unification of Taiwan with the Mainland.

In 1995, Chinese President Jiang Zemin articulated an eight-point proposal for the peaceful unification of Taiwan with the Mainland based on the one country, two systems formula. That proposal outlined the basis for relations between Taiwan and the PRC. It required Taiwan to adhere to the principle of One China as the basis and prerequisite for peaceful unification. The proposal did not object to increasing Taiwan’s international living space, but only in socio-economic realms. It firmly opposed any move toward independence. Beijing reiterated its right to use force if peaceful reunification fails, but it limited such use of force to foreign forces that supported independence for Taiwan. Despite political difficulties, Beijing committed itself to deeper economic exchanges between the two sides and supported direct links in postal, air and shipping services. It sought to protect the perceived legitimate rights and concerns of the Taiwanese people and invited Taiwanese and PRC leaders and peoples to visit each other. Upon resuming sovereignty over Hong Kong (1997) and Macau (1999), unification with Taiwan has become the foremost priority in the unification of the “motherland.” The eight-point proposal has been criticized within the PRC as being too liberal.

After Hu Jintao became secretary general of the CCP on Nov. 15, 2002, the PRC stopped promoting the immediate unification of the country. Although the one country, two systems formula remained official policy, it was not mentioned in the anti-secession law passed by the PRC in 2005 to curb the independence movement in Taiwan. Gradual economic integration and political exchange seemed to be the preferred approach under Hu. In 2009, Hu advanced his own six-point plan for the peaceful reunification of Taiwan. The six points were: 1) firm adherence to the One China principle; 2) strengthening commercial ties including negotiating economic cooperation; 3) promoting personnel exchanges; 4) stressing common cultural linkages; 5) allowing Taiwan reasonable participation in global organizations; and 6) negotiating a peace agreement. Though made to appear as a fresh proposal, Hu reiterated key elements of Jiang’s proposal. President Xi Jinping, the current secretary general of the CCP, has said the one country, two systems formula remains the right basis for peaceful reunification of Taiwan with the Mainland.
Despite differences, especially over the future of Taiwan, all stripes of leadership in Taiwan rejected the eight-point and six-point proposals. President Ma (KMT) and Tsai Ying Win, then chairwoman of the DPP and now president of Taiwan, rejected the two proposals because they did not recognize the sovereignty of Taiwan and they were not grounded in democratic principles. Taipei has been trying to get the PRC to drop its threat to use force, but to no avail. The bottom line is that even a pro-Mainland president like Ma cannot support reunification. Taiwan’s goal is sovereignty and it has rejected outright Beijing’s insistence that all parties should adhere to the One China principle. Beijing’s heavy-handed implementation of the one country, two systems formula and interference in Hong Kong’s self-rule have undermined Taiwanese confidence and added to their fear of Beijing.

Beijing, meanwhile, does not appear ready to move beyond the one country, two systems formula, which was recently endorsed by President Xi, while Taipei will not accept anything short of sovereignty. It appears that peaceful unification is highly unlikely in the near to mid-term future.

**THREAT TO USE MILITARY FORCE**

This leaves the door open to the third pillar of Beijing’s Taiwan policy. With a growing economy, Beijing has devoted vast sums of money to upgrade its military. The Stockholm International Peace Research Institute (SIPRI) estimated that in 2012 China spent about US$160 billion to upgrade its military. The Stockholm International Peace and Distinguished Scholar in Residence at American University, both in Washington DC. He is also visiting professor at University Malaya, Kuala Lumpur, Malaysia.

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Washington deployed two aircraft carriers to the vicinity of the Taiwan Strait. US support for Taiwan is crucial. At the same time, the US does not want a war with China. It seeks to assist Taipei to develop the capability to defend itself. China, for its part, sees its military modernization and arendal strategy as essential to deter the US from entering the fray and to prevent Taiwan from declaring independence.

Although military force plays a crucial role, I would argue that it is more significant in the defense and deterrence roles and less so in the conquest role. Although China has military superiority over Taiwan and has developed an array of military capabilities focused on that island, Beijing cannot be certain of victory in a war with Taipei. Almost certainly, the US would come to the defense of Taiwan. The possibility of US military intervention is a key deterrent against the PRC pursuing a military option. Even if, for some reason, US military support is delayed or not forthcoming, PRC victory is not assured. Failure of an invasion of Taiwan would have negative consequences for China’s international aspirations and would almost certainly negatively affect the domestic legitimacy of the CCP. Killing Chinese compatriots in Taiwan would not appeal to Beijing or the Chinese people. Further, from earlier experiences, Beijing knows that intimidation by force is unlikely to yield the desired political results. Even if the PRC were to be successful in a military invasion, it would have a hard time politically absorbing a democratic Taiwan. Taiwan is a larger and more consolidated democracy than Hong Kong, which the PRC is not able to manage comfortably. Conquering and assimilating Taiwan would be much more difficult. Further, democracy in Taiwan could also be infectious and spread to other parts of China, creating problems for the CCP. For these reasons, Beijing would not easily resort to using force. The primary role of Chinese military force in the PRC-Taiwan conflict is in deterring US military intervention and preventing Taiwan from unilaterally declaring independence. Although superficially it may seem attractive, the third pillar also has clear limits and cannot guarantee success in unification.

**CONCLUSION: THE WORM ABOUT TO TURN**

All three key pillars of China’s Taiwan policy suffer shortcomings. Even when taken together, they cannot deliver unification. At best, they can maintain the status quo. Beijing appears to have recognized this and has soft pedaled the unification goal since the Hu era. Its primary concern since then has been to prevent unilateral declaration of independence and to limit Taiwan’s international living space. For its part, the US, especially after the Chen presidency, seems to have accepted that unilateral declaration of independence is not in line with peaceful unification and has counseled Taipei accordingly. Its support for Taiwan has become more circumscribed, but remains strong. And China appears to have accepted that the present status of Taiwan (no unification, no independence) can endure for a long time. However, the wild card is Beijing’s increased reliance on nationalism as the basis for CCP legitimacy. Nationalism is likely to become even more central as the Chinese economy slows. Growing nationalism is likely to focus attention on Taiwan (unification of the motherland) to which the CCP would have to respond. Although Beijing may prefer the current situation, it may be compelled to act in the interest of nationalism and its legitimacy, creating a dilemma for Beijing.

Until recently, it was common to posit that Taiwan is confronting a China dilemma. Taiwan’s economic dependence on the PRC undermines its quest for independence and sovereignty. However, it appears that the worm is about to turn. Increasingly, it will be Beijing that confronts a Taiwan dilemma. Growing nationalism in the PRC would make unification a high priority. Yet, PRC policy as formulated now cannot deliver that goal. Unification with Taiwan would demand that the CCP rethink its notions of nation, state and sovereignty, and adopt a more participatory political system in which it could lose state power. Unable to accommodate such changes, Beijing’s goal of unifying Taiwan with the Mainland will remain a distant dream.

For its part, Taiwan would only have to continue and strengthen the status quo. Democracy would have to be strengthened and Taipei would have to develop the military capability to ward off fait accompli military attacks by the PRC — with or without US assistance. The longer that Taiwan persists as a separate, prosperous and democratic entity, with most or a significant percentage of its citizens committed to separate statehood, the more difficult it will be for Beijing to unify and digest Taiwan. Eventually, it may have to accept Taiwan as a separate nation and sovereign state with which it shares some cultural traits.

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