

Introduction

Cross-strait relations between Taiwan and China are of great importance to the development of both countries and to peace and stability in East Asia. Originating from times of the Chinese civil war the so called “Taiwan issue” is one of the brightest examples of long-standing conflicts brought by superpower confrontation of the Cold war. Except Taiwan and China which are still officially in situation of civil war with each other, the problem involves the major powers including the United States and Japan. The position of Taiwan on the one of the most important sea lane of communications adds substantial geopolitical and geo-economical importance to the confrontation.

Cross-strait relations have become an international focus since the missile crisis of 1995-96 when the Chinese military exercises were used to threaten Taiwanese ahead of the presidential election. Though China doesn't use military demonstration anymore, it still has not renounced the right to use force against Taiwan. However, military and political tension is not the only dimension of PRC-ROC relations. The rapid development of trade and investment across the Taiwan Strait delineates other major areas of interaction between two societies. Overlapping sovereignty claims raise multiple historical and legal issues and the growing level of Taiwanese consciousness add another dimension to the problem making it even more difficult to resolve.

China is a reality which can not be ignored or neglected by Taiwan. The rapid rise of Chinese economy and consequently of its military capabilities has tipped the balance in the Taiwan Strait in favor of China and aggravated the situation for Taiwan. Growing of Taiwan-China economic ties opens huge prospects for Taiwanese economy but poses threat as well. China is powerful and its power will be growing. Therefore, for Taiwan developing rational and pragmatic response to the rise of Chinese power is of crucial importance.

New mainland policy launched by the ROC President Ma Ying-jeou gives a chance for the ultimate resolution of the longstanding conflict in the Taiwan Strait. Even if the ultimate solution may not be achieved in the foreseeable future, this policy has already played significant role in

the strengthening peace and stability in the Taiwan Strait and in the whole region. What is probably most important in this situation is that both sides have finally given up the “zero-sum game” mentality in favor of “win-win” cooperation.

In light of abovementioned, Taiwan problem emerges as one of the most complicated and multi-layered issues in the contemporary international politics. However, despite its vital importance and unique characteristics this subject has not been sufficiently dealt in a theoretical manner.¹

As professor Wu Yu-shan writes:

In order to answer the most urgent question of the current cross-Strait relations and take a glimpse of the future development we need firm theoretical foundations. We need to go beyond political partisanship and wishful thinking. In today’s Taiwan the high attention paid to cross-Strait relations has not translated into fertile theorization. Detailed description of events and preoccupation with current policies preclude the detached observation and comparative understanding. We are short of theoretical frameworks.²

One of the most salient issues of international relations is how small states respond to the rising powers. Put another way, do small states balance great powers or bandwagon with them? In my opinion, this is vital issue for understanding of the Taiwan’s mainland policy and Taiwan’s future in general, and unfortunately this issue has not been properly dealt in a theoretical manner. This is a great omission. If Presidents Lee’s and Chen’s mainland policy can be seemingly easily identified as balancing (though this point is questionable) then we can’t say the same about the current mainland policy led by President Ma. Taiwan’s mainland policy has drastically changed

¹ The complaints on the lack of theoretically based works on the cross-Strait relations were the recurrent topic on many conferences I visited recently including “International Conference on Taiwan Relation Act Entering Its 30th Anniversary: Continuities, Changes, and Challenges” (Taipei, March 27-28, 2009) and “The International Symposium on “Peaceful Development and Deepening Integration in the Greater China Region” (Taipei, June 11-12, 2009).

² Yu-shan Wu, “Theorizing Relations across the Taiwan Strait: nine contending approaches,” *Journal of Contemporary China*, 9:25 (2000): 407-408

in the wake of the Ma Ying-jeou's election therefore the question of Taiwan's response to China's rise is getting bigger practical and theoretical importance.

The lack of the theoretical frameworks designed specifically to suit Taiwan-China relation or based on the factual account of the cross-Strait interaction can be partially explained by the young age of the phenomenon itself.³

The development of cross-Strait relations and of the respective study field started in late 1980s. Prior to that, Taiwan and China were diametrically opposite to each other in their policies. The confrontation was embedded in the broader context of the Cold War and was conditioned by interaction of major world powers. In 1950-80s even the term "cross-Strait relations" didn't exist. In 1980s both China and Taiwan experienced huge political changes when the former launched the policy of opening and the latter started democratization. Then the whole international system underwent structural transformation after the collapse of the Soviet Union and establishing of the unchallenged American hegemony.

Since the main subject of my thesis, the Taiwan's mainland policy under Ma Yin-jeou administration, is very recent, the lack of theoretically based scholar works is even more striking.

Another possible reason which can explain insufficient number and theoretical inadequacy of most of research dedicated to the cross-Strait relations is the domination of the Eurocentric approaches which usually are taken for granted. This argument is developed by David Kang⁴ who claims that most established theories just don't work in East Asia. Kang states:

Because Europe was so important for so long a period, in seeking to understand international relations, scholars have often simply deployed concepts, theories,

³ Chi Su, "Domestic Determinants of Taiwan's Mainland Policy," *National Policy Foundation*, <http://old.npf.org.tw/Symposium/s91/910530-CL.htm>

⁴ See David C. Kang, *China Rising: Peace, Power, and Order in East Asia* (New York: Columbia University Press, 2007); David C. Kang, "Getting Asia Wrong: The Need for New Analytical Frameworks," *International Security* 27: 4 (2003): 57-85; David C. Kang, "Hierarchy, Balancing, and Empirical Puzzles in Asian International Relations," *International Security* 28:3 (2003-2004): 165-180.

and experiences derived from the European experience to project onto and explain Asia. This approach is problematic at best. Eurocentric ideas have yielded several mistaken conclusions and predictions about conflict and alignment behavior in Asia.⁵

These considerations have predetermined the selection of my master thesis topic. As a student of the International Master's Program in Taiwan Studies in the NCCU whose first degree was in the field of international relations I have deep interest in the cross-Strait relations. My interest is driven by two sets of considerations. First of all, my interest is predetermined by the vital importance of the Taiwan-China relations for Taiwan's future. Clear understanding of vital significance of relations with China is seen in the attention President Ma Yin-jeou pays to developing his new mainland policy. Secondly, I am interested in international consequences of the rise of China for the development of the regional order in East Asian. Third, my interest to the current mainland policy of Taiwan stems from general interest in international relations theories. In my opinion, cross-Strait relations provide an extremely fertile ground for building and/or testing theoretical concepts. New mainland policy has drastically changed Taiwan's stance toward China thus raising new theoretical questions about nature and direction of the cross-Strait relations. Therefore, I feel interested in developing theoretical model which would explain the essence, features, and outcomes of the Taiwan's new mainland policy.

Expected Results and Research Limitations

This thesis reflects my longtime interest in Taiwan studies and in particular, in the cross-Strait relations. And my expectations from working on the thesis are as follows:

- First, I expect the thesis will be able to contribute to the better understanding of the cross-Strait relations by scholars and students interested in the cross-Strait relations in Taiwan. Particularly, the theoretical concept of hedging which is used in the thesis can be useful for understanding changes and continuities in the Taiwan's mainland policy under Ma

⁵ David C. Kang, "Getting Asia Wrong: The Need for New Analytical Frameworks," *International Security* 27: 4 (2003): 57-58

Ying-jeou's administration. Since the researched subject is very recent and because the thesis develops an original theoretical framework which was never previously used for the explanation of the cross-Strait relations, the thesis can shed some new light on the widely known problems and give a chance to look at the issues from another angle.

- Second, my expectation is that the thesis will contribute to improvement of awareness of Taiwan's domestic and mainland policies among the scholar community of my country. Despite significance of Taiwan as one of the biggest trading nations in the world and despite general growing importance of the Asian region in the global politics and economics, the past and present of the cross-Strait relations remains mostly unknown to scholars and the political community in my country, Ukraine. By writing this paper I can hopefully improve this distressing situation e.g., through publishing an article based on the ideas of this research or presenting a paper for a conference.
- Third, the expectation is that the work on the thesis will enhance my knowledge and deepen my understanding of extremely complicated set of security, political, legal, identity etc. issues known as "Taiwan problem" as well as broaden my theoretical knowledge in the field of international relations. In the course of work I also expect to improve my research skills and techniques both in collecting and analyzing data.

The main limitation of this study is that the policy I am researching is currently being formed. The situation is changing very rapidly; new developments and initiatives might both significantly accelerate the pace of the cross-Strait developments and slow them down. Since both China and Taiwan still don't trust the other side completely it is not excluded that the cross-strait détente can be abruptly stopped as it happened twice in 1990s. Therefore, it is extremely important for me to follow the development on the daily basis. Another major limitation is that I might have not enough data and empirical evidences to test my research hypothesis. The reason is the same, namely, very "young age" of the researched phenomenon.

Yet another limitation is that I consciously limit myself to only one school of international relations thus I significantly narrow down the explanation ability for the sake of greater consistency.

Research Methods and Research Design

The underlying idea of the thesis is that the changes in the Taiwan's mainland policy initiated by President Ma and his administration were the results of sober and pragmatic analysis of the changing international environment and the place Taiwan occupies in it. In my paper I will try to demonstrate how the particular directions of the Ma's policy are being shaped to respond to the deteriorating economic, security, and diplomatic stance of Taiwan. By this I'll try to debunk the widely spread belief that Ma is going to "sell-out Taiwan" and show that new developments are a just reaction to factors challenging Taiwan. Of course, intensification of interactions with China is bringing bigger dependency between two sides however this process was, as futile attempts of Presidents Lee and Chen have proved it to us, and still is inevitable.

I will look at the cross-Strait relation from prospective of the neorealist theory of international relations.⁶ Though thriving economic ties between two sides have created fertile ground for researches from the position of neoliberal institutionalism and interdependence theory, I believe that is security concern and power distribution which can most adequately explain the crucial dynamics in the Taiwan-China relations. Therefore, I preferred neo-realism as a loose theoretical basis for my research. Of course, we can not deny the importance of economic ties and growing interdependence which benefit both sides, however, this interdependence is not symmetrical – the size of two economies is just incomparable. The situation of asymmetry in the cross-strait relations therefore raises the question of maintaining balance of engagement and security.

That is the concern about rising China and its implications for Taiwan's future which drove my interest to the topic. The powerful China is a reality Taiwan can not ignore. In view of growing disparity in aggregate power of Taiwan and China and taking into consideration firm

⁶ I won't engage here in the dispute on the nature of the cross-Strait relations. In my opinion, since they deal with power and security, they can be analyzed as international relations.

determination of the PRC to achieve unification, the most crucial question for Taiwan is how to respond.

The most authoritative approach to answer this question is the theory of balance of threat developed by Stephen Walt. States either balance of bandwagon with preponderant powers, claims Walt.⁷ However, there are numerous evidences that this concept is too narrow and thus misses some important variation of states' behavior. Therefore, the strict dichotomy of Walt's concept might be wrong since states can combine elements of both balancing and bandwagoning in their strategies to manage preponderant powers. In order to make my deliberation credible I will test the following hypothesis in the paper:

Balancing-bandwagoning as defined by Waltz and Walt can not explain significant variations in the small states' (Taiwan) responses to preponderant power (China) since small states (Taiwan) usually combine elements of both balancing and bandwagoning in their responses toward preponderant powers (China) because they are driven by opposite motives – to minimize threat and to maximize gain.

I will need first to test the hypothesis in order to estimate the validity Walt's theory for Taiwan-China relations. In the respective chapter of the paper I will test the hypothesis on the empirical evidences of the cross-Strait relation since 1949 up to the present day. I argue that Taiwan's strategy toward China can be explained as balancing only in the period of 1950s-1980s. After the opening of cross-Strait relations, Taiwan continued to balance China however Taiwan's response to China has been incorporating more and more elements of the bandwagoning behavior. Then I argue that the concept of hedging is more suitable to explain the fact that states frequently combine balancing and bandwagoning in their strategies toward big powers. I will analyze the current mainland policy of Taiwan and show that Taiwan hedges China. Particularly, I will argue that mainland policy of Ma combines elements of balancing and bandwagoning and is dualistic in

⁷ Stephen M. Walt, *The Origins of Alliances* (Ithaca: Cornell University Press, 1987), 17

its goals and expectations: from one point of view, it is guided by necessity to engage and cooperate with China; from other point of view, it recognizes the existence of threat from China and therefore stresses the necessity of strong national defense and confidence building as well as maintaining security relations with the United States.

By testing this hypothesis I anticipate to accomplish few purposes. First of all, my purpose is to demonstrate the weaknesses and limitations of Cold War theoretical concepts for the international relation in Asia in the post-Cold War era, for cross-Strait relations in particular. Second, my purpose would be to offer more suitable theoretical concept which would be able to explain the nature and dynamics of Taiwan's response to the rising China. And the main purpose of the paper is to create a consistent and relevant theoretical explanation of the current mainland policy of Taiwan.

In order to achieve the purposes stated above I will need to answer the following research questions:

- What is the essence of classical approach towards analysis of states' alignment behavior? What are the critical points and developments?
- Can Taiwan's mainland policy be explained adequately by Stephen Walt's theory of balancing-bandwagoning? Does Taiwan purely balance or purely bandwagon China?
- What theoretical approach is the most suitable for the case of Taiwan's mainland policy?
- What is the essence of Taiwan's hedging strategy towards rising China? How Taiwan combines balancing and bandwagoning strategy in its mainland policy?
- By what reasons can one explain recent changes in the Taiwan's mainland policy and its continuities?
- What are the prospects of Taiwan's hedging strategy?

In my analysis I will stick to the core assumptions of political realism which serves researchers as the baseline expectation in empirical observations.⁸ The main method of the thesis will be qualitative analysis of the official documents, speeches, interviews, agreements, conference reports, journal and newspaper articles etc. For the elaboration of the theoretical part of the research I will refer to a vast critical literature on balancing and bandwagoning paying special attention to the works which apply and/or criticize this concept on the empirical evidence from the Asian region. Regarding empirical part, it is unrealistic to expect a lot of sources, especially books, to be accessible since the subject of the research is very recent. In data collection, therefore, I would primarily rely on the official documents, public speeches, conference reports, newspaper articles due to the lack of books. I would also widely use comparison of different stages of Taiwan's mainland policy in order to reveal elements of continuity and change in it.

Taiwan's mainland policy is complex and controversial set of political perceptions, expectations, and practical steps made basing on those perceptions and expectations. Therefore the simplistic view on the rationales, reasons, directions, and the outcomes of the policy is misleading and incomplete. In my analysis I will try to avoid making these mistakes.

Chapters Outline

The thesis consists of introduction, three chapters, conclusion, and the bibliography. In the Introduction, I explain my interest and motives in researching the issue, define expected results and limitations, lay down my research framework, provide the chapter outline and literature review.

The first chapter of the thesis "Theoretical Debate over Balancing-Bandwagoning Concept in the Post-Cold War Era" introduces the most authoritative concept of the alignment behavior developed by Stephen Walt. In the chapter I show that this theory has, however, become a target for intensive criticisms. I review main critical points and indicate some of the development and improvements of the Walt's theory introduced by various scholars.

⁸ See Randall L. Schweller, "New Realist Research on Alliances: Refining, Not Refuting, Walt's Balancing Proposition," *The American Political Science Review* 91:4 (1997): 927-930.

In the second chapter “Testing Balancing-Bandwagoning on Taiwan’s Mainland Policy” I analyze the mainland policy of Taiwan since 1949 until today in order to test Stephen Walt’s balancing-bandwagoning concept on the empirical evidences from fifty years of ROC-PRC confrontation. I will argue that balancing and bandwagoning concept is too narrow to adequately describe the reality of cross-Strait relations. Though Taiwan definitely balances against China, Taiwan at the same time also bandwagons it. Therefore, Walt’s theory with its strict dichotomy proves to be inadequate to explain Taiwan’s mainland policy.

In the third chapter of the thesis “Taiwan’s Hedging Strategy” I stress that we need to find some new theoretical approaches in order to avoid the shortcomings of Walt’s theory. I consider the concept of hedging may be the best way to explain the Taiwan’s mainland policy. My analysis of the President Ma administration’s policy towards PRC suggests that Taiwan has shifted its overall attitude towards mainland in bandwagoning direction, though at the same time still applying some elements of the balancing. This new policy is driven by threat-minimization, on the one hand, and profit-seeking, on the other. I assume that such reasons as the failure of pure balancing, the growing disparity in capabilities between Taiwan and China, security maximization, uncertain American commitment, and the expectation of gains and legitimacy support have all contributed to this shift in Taiwan mainland policy under President Ma Ying-jeou.

The Conclusion summarizes main findings of the thesis. I also critically assess my contribution and outline the future directions and priorities of research.

Literature Review

In this section hereafter I will try to review some important ideas of the books, articles, conference reports, and other sources I am going to use in the process of work on my thesis. It is impossible to mention all sources used in this paper therefore here I'll mention only few most important of them.

The overview must be started from those works which laid down the theoretical basis for paper. First of all, Kenneth Waltz and Stephen Walt both contributed a lot to theoretical development of the neo-realism and to balancing-bandwagoning concept in particular.

Kenneth Waltz's *Theories of International Politics*⁹ was a first research to provide theoretical elaboration to balancing-bandwagoning concept. Waltz suggested that states in the view of a preponderant power tend to balance rather than bandwagon; balancing thus is a common behavior in the international politics. In the *Origins of Alliances* and other works, Stephen Walt offers a refinement of balance-of-power theory, called balance-of-threat theory.¹⁰ Like structural balance-of-power theorists, Walt concludes that states usually balance and rarely bandwagon; unlike them, however, Walt argues that states do not align solely or even primarily in response to the distribution of capabilities. States' alliance choices are driven instead, as Walt, argues, by imbalances of threat, when one state or coalition is especially dangerous. The level of threat that a state poses to others is the product of aggregate power, geographic proximity, offensive capability, and the perceived aggressiveness of its intentions.

The main conclusions of Walt's research are as follows: "First, external threats are the most frequent case of the international alliances. Second, balancing is far more common than bandwagoning. Third, states do not balance solely against power, they balance against threat. Fourth, offensive capabilities and intentions increase the likelihood of others joining forces in opposition, although the precise impact of these factors is difficult to estimate."¹¹

⁹ Kenneth N. Waltz, *Theories of International Politics* (New York: McGraw-Hill, 1979)

¹⁰ Stephen M. Walt, *The Origins of Alliances* (Ithaca: Cornell University Press, 1987); Stephen M. Walt, "Alliance Formation in Southwest Asia: Balancing and Bandwagoning in Cold War Competition," in *Dominoes and Bandwagons. Strategic Beliefs and Great Power Competition in the Eurasian Rimland*, ed. Robert Jervis and Jack Snyder (New York: Oxford University Press, 1991), 51-84.

¹¹ Stephen M. Walt, *The Origins of Alliances* (Ithaca: Cornell University Press, 1987), 148

Walt claims that his theory “improves on traditional balance of power theory by providing greater explanatory power with equal parsimony.”¹²

The issue of how states choose sides in conflict ignited a heated theoretical debate. The view that balancing predominates has been most forcefully articulated by Stephen Walt. Offering balance-of-threat theory to explain the causes of alignment, Walt claims that under most conditions balancing is far more common than bandwagoning. Some of his critics, however, point to numerous historical examples of bandwagoning and claim that balancing is the exception, not the rule. Others argue that Walt’s theory downplays the importance of domestic factors in alliance decisions. They suggest that illegitimate elites and states that are weak vis-à-vis their societies, bandwagon more often than balance-of-threat theory predicts.

Robert Kaufmann argues that democracies do not behave as balance-of-threat theory predicts, because various domestic constraints imposed by the democratic process delay balancing behavior and dilute its effectiveness.¹³ Deborah Larson’s central charge against Walt’s theory is that it cannot explain why similarly situated states behave in opposite ways and contrary to the theory’s prediction; why strong states sometimes bandwagon and weak states balance. To explain these empirical anomalies Larson offers an institutionalist approach that measures state strength by the nature of its state-society relations. Positing that elites’ primary concern is to preserve their rule, Larson concludes that bandwagoning can help a weak regime retain authority by ending external subversion, undermining domestic rivals and providing economic assistance.¹⁴ Steven David on the material of the Third World alliances argue that elites often bandwagon with hostile powers to balance more dangerous domestic or foreign threats.¹⁵ Jack Levy and Michael Barnett

¹² Stephen M. Walt, *The Origins of Alliances* (Ithaca: Cornell University Press, 1987), 263

¹³ Robert G. Kaufman, "To Balance or to Bandwagon? Alignment Decisions in 1930's Europe," *Security Studies* 1:3 (1992): 419-421

¹⁴ Deborah Welch Larson, "Bandwagon Images in American Foreign Policy: Myth or Reality?" in *Dominies and Bandwagons. Strategic Beliefs and Great Power Competition in the Eurasian Rimland*, ed. Robert Jervys and Jack Snyder (New York: Oxford University Press, 1991), 102-104

¹⁵ Stephen R. David, "Explaining Third World Alignment," *World Politics* 43 (1991): 238-240

similarly stress the resource-providing function of alliances and the impact of the domestic political economy on Third World alignments and conclude that Third World alliances are formed to secure urgently needed economic and military resources to promote domestic goals, respond to external and internal security threats and to consolidate their domestic political positions.¹⁶

One of the most articulated critique was developed by Randall Schweller. Unlike other critics of the Walt's proposition, Schweller doesn't accept the view that balancing and bandwagoning are opposite behaviors. Schweller argues that as a result of such a contraposition the concept of bandwagoning has been defined too narrowly as just giving up to threats.¹⁷ In Schweller's opinion states might have different reasons to bandwagon, and mostly this reason is opportunity for gain.¹⁸ States need external threat to prefer balancing, external threats are unnecessary for the bandwagoning behavior. "Defining bandwagoning as a form of capitulation Walt not surprisingly finds that balancing is more common."¹⁹

Schweller also severely criticizes the Walt's definition of bandwagoning which in his opinion departs from conventional usage; excludes common forms of bandwagoning for profit rather than security; and reflects a status-quo bias. Schweller doesn't oppose balancing and bandwagoning; in his opinion, rather than being opposite behaviors, they are associated with the opposite systemic conditions: balancing with status quo and bandwagoning with change.

¹⁶ Jack S. Levy and Michael N. Barnett, "Domestic Sources of Alliances and Alignment: The Case of Egypt, 1962-1973," *International Organization* 45:3 (1991): 375-377

¹⁷ Randall L. Schweller, "Bandwagoning for Profit: Bringing the Revisionist State Back In." *International Security* 19:1 (1994):72-107; Randall L. Schweller, "Rise of Great Power: History and Theory," in *Engaging China. The management of an emerging power*, ed. Alastair Iain Johnson and Robert S. Ross (London and New York: Routledge, 1999), 1-31; Randall L. Schweller, "New Realist Research on Alliances: Refining, Not Refuting, Walt's Balancing Proposition," *The American Political Science Review* 91:4 (1997): 927-930.

¹⁸ Randall L. Schweller, "Bandwagoning for Profit: Bringing the Revisionist State Back In." *International Security* 19:1 (1994): 72

¹⁹ *Ibid.*, 79

David Kang similarly observes that contrary to prediction of realism Asian states do not appear to be balancing against rising powers such as China. Rather, they seem to be bandwagoning.²⁰

One of important development over Walt's theory is the concept of hedging which tries to overcome the limitations imposed by balancing-bandwagoning dichotomy. There are various definitions of "hedging" but the common point is that hedging is a two-pronged approach because it operates by simultaneously pursuing two sets of mutually counteracting policies: one aimed at maximizing security in view of preponderant power and another one aimed at gaining some profits from relation with this power. Such scholars as Robert Art, Evan Meideros, David Kang, Evelyn Goh, Cheng-chwee Kuik, Denny Roy, and others contributed to the concept.²¹

Despite an abundance of detailed descriptions of the cross-Strait relations there are unfortunately quite few serious attempts to look at the problem from theoretical basis. Among these few paper it is necessary to mention articles of Prof. Wu Yu-shan who tried to summarize existing theoretical approaches toward the cross-Strait relations. Wu also suggests that a state's choice in the relations with a preponderant power depends on the level of economic development and foreign support. The more a states economy developed comparing with a preponderant power and

²⁰ David C. Kang, "Getting Asia Wrong: The Need for New Analytical Frameworks," *International Security* 27: 4 (Spring 2003): 58-60

²¹ Robert J. Art, "Europe Hedges Its Security Bets," in *Balance of Power. Theory and Practice in the 21st Century*, ed. T. V. Paul, James J. Wirtz and Michel Fortmann (Stanford: Stanford University Press, 2004) , 179-213; Evelyn Goh, "Great Powers and Hierarchical Order in Southeast Asia. Analyzing Regional Security Strategies," *International Security* 32: 3 (2008): 113-157; Eric Heginbotham and Richard J. Samuels, "Japan's Dual Hedge," *Foreign Affairs* 81:5 (2002): 110-121; David C. Kang, *China Rising: Peace, Power, and Order in East Asia* (New York: Columbia University Press, 2007); Byung-Kook Kim, "Between China, America, and North Korea: South Korea's Hedging," in *China's Ascent. Power, Security, and the Future of International Politics*, ed. Robert S. Ross and Zhu Feng (Ithaca and London: Cornell University Press, 2008), 191-217; Cheng-chwee Kuik, "Essence of Hedging: Malaysia and Singapore's Responce to a Rising China," *Contemporary Southeast Asia* 30:2 (2008): 159-185; Evan S. Meideros, "Strategic Hedging and the Future of Asia-Pacific Stability," *The Washington Quarterly* 29:1 (2005-2006): 145-167; Denny Roy, "Southeast Asia and China: Balancing or Bandwagoning?" *Contemporary Southeast Asia* 27:2 (2005): 305-322; Sutter, Robert G. *China's Rise: Implications for the U.S. Leadership in Asia* (Washington: East-West Center, 2006) etc.

the more small state's fate interests foreign power the more likely it will choose balancing as a main strategy towards a preponderant power.²²

Applying this logic to the situation of power asymmetry in the Taiwan Strait Wu claims that:

First, Taiwan can only opt for balancing or bandwagoning as its main strategy toward mainland China. Equal relation is excluded. Second, as the economic gap between the two sides is still enormous, Taipei tends to balance. Third, Taipei's balancing strategy is reinforced by the support that the US gives to Taiwan. Fourth, there are various political forces in Taiwan championing different mainland policies. Their relative strength reflects the economic gap and the Western help that Taiwan receives.²³

Now I proceed to the sources on the history and present of the Cross-Strait relations. These materials provide me with empirical material for the testing of research hypotheses.

This part of the literature review must be started from main speeches and interviews of the President Ma, in which he set forth the main ideas of the new policy.²⁴ They are particularly important since they reveal us the essence of the new mainland policy and the reasons for such drastic changes in it. President Ma's speeches demonstrate for us the idea that confrontational balancing against China didn't improved Taiwan's security and that new approach which would combine balancing and accommodation with China must be developed.

²² Yu-shan Wu, "Theorizing Relations across the Taiwan Strait: nine contending approaches," *Journal of Contemporary China*, 9 :25 (2000): 414

²³ Ibid., 415

²⁴ Ying-jeou Ma, "Taiwan's Renaissance," *Taiwan Security Research*, <http://taiwansecurity.org/2008/Inauguration-2008.htm>; Ying-jeou Ma, "A SMART Strategy for National Security," *Taiwan Security Research*, <http://www.taiwansecurity.org/TS/Ma-SMART.htm>; Ying-jeou Ma, "Adress to the 'Double Tenth' Rally," *Taiwan Security Research*, <http://www.taiwansecurity.org/2008/DoubleTen-101008.htm>

In his inaugural speech called “Taiwan's Renaissance” the President touched upon all salient issues of the contemporary Taiwan and made clear the principles of cross-strait détente. In the speech Ma implicitly criticizes the previous administration of Chen Shui-bian for the corruption, ethnic tension, and depressive economy. The central theme of the speech is the new paradigm of the relations with China. Very briefly, President-elect Ma mentioned about new ideas: such as “3 no's principle”, the 1992 consensus, the “win-win-win” thinking, establishing direct flight etc. Also very briefly Ma sketched the timetable: first, economic and cultural normalization, second, direct flight and tourist services, third, the possibility of broader international space for Taiwan, and finally peace accord. Stressing common Chinese heritage of people of both sides of the Taiwan Strait Ma urges both sides to “do their utmost to jointly contribute to the international community without engaging in vicious competition and the waste of resources.” Ma criticized attempts to ignore and neglect China and stressed that Taiwan must open itself to the world and that this opening is only way for survival and prosperity of the island. Regarding economics, this argument was reflected in the words that “islands like Taiwan flourish in an open economy and wither in a closed one”. Rejecting Chen Shui-bian's stubborn accentuation of the sovereignty issues Ma said that “In resolving cross-strait issues, what matters is not sovereignty but core values and way of life” implying that Taiwan shall and will be flexible in order to reach practical goals. At the same time Ma accented the necessity to maintain national security and promised to strengthen ties with the USA, particularly through acquirement of necessary defense weapons.²⁵ This main speech reveals us the Ma’s two-pronged approach towards China: on the one hand, it stresses the necessity to cooperate, and on the other, to strengthen security.

Overall, main points of the inaugural speech was not a surprise since many of its ideas had been voiced before (e.g. at Boao Forum for Asia) however we can not overestimate the importance of the speech which opened the road for further development of Cross-Strait relations.

²⁵ Ying-jeou Ma, "Taiwan's Renaissance," *Taiwan Security Research*, <http://taiwansecurity.org/2008/Inauguration-2008.htm>

Those main ideas have found their development in other speeches by President Ma. For instance, in the Double Tenth Day address President mentioned the improvements in the situation in the cross-strait relations and once again emphasized the importance of opening and deregulation for the economics of the island. President recognized that despite those improvements there existed many contested issues of sovereignty between Taiwan and China. President stressed the inadmissibility of any compromises on the Taiwan's security and pledged to maintain a solid national defense. Describing the cross-strait situation President said the existence of many problems and hazards in the cross-strait relations didn't mean that “that we must give up eating simply for fear of choking; rather, we should turn crises into opportunities.”²⁶

In a number of interviews President Ma further elaborated on the particular ideas of his new policy.²⁷ For instance, in the interview with the New York Times President Ma stressed the importance of restoring good relations with the US. Talking about the timetable President once again stressed that economic issues must go before security and international space issues. However, Ma stressed that those issues are important for people of Taiwan and that the positive response from China will strengthen the determination of Taiwan to improve cross-strait relations.

In another interview, to the Taipei Times, Ma elaborated on the Comprehensive Economic Cooperation Agreement (CECA) and rejected the allegations that this agreement would undermine Taiwan's sovereignty and security. President Ma also reiterated his Taiwan's commitment to the 1992 consensus and “one China” principle as laid down in the ROC Constitution. According to Ma the signing of this agreement is a necessary step to avoid marginalization of Taiwan in the international economy. President acclaimed the four direct links agreements signed during Chen Yun-lin's visit to Taipei in the early November, 2008. Regarding

²⁶ Ying-jeou Ma, "Adress to the 'Double Tenth' Rally," *Taiwan Security Research*, <http://www.taiwansecurity.org/2008/DoubleTen-101008.htm>

²⁷ "Interview with Ma Ying-jeou," *New York Times*, http://www.nytimes.com/2009/02/22/world/asia/matranscript.html?_r=1; Jane Macartney, "Ma Ying-jeou on the wisdom of improved relations between China and Taiwan," *Times Online*, <http://www.timesonline.co.uk/tol/news/world/asia/article4636132.ece>; "Exclusive Ma Ying-jeou Interview. Nothing to fear from CECA with Beijing: Ma," *Taipei Times*, February 20, 2009

diplomatic truce President stated that ROC gave up “pursuing fruitless efforts, such as striving for allies through vicious attacks” because those attacks led to the distortion of the Taiwan's international image and loss of its diplomatic allies.²⁸

The historical preconditions of Ma's new policy are described in a number of works.²⁹ These works trace the evolution of Taiwan-China relations from 1950's to Ma's election as a President. Various aspects of cross-Strait relations are considered in them. Particularly, these works provide empirical evidences demonstrating the changes and continuity in Taiwan's mainland policy over the time. We can observe how uncompromising balancing against China has been step by step changing as a result of strategic, security, economic, political, and other factors.

Another significant group of sources for my research is represented by the conference reports. Some of main conferences held during the period of 2008-2009 include 37th Annual Taiwan-American Conference on Contemporary China (August 26-27, 2008), 21st Annual International Meeting of the Association of Chinese Political Studies (October 11-12, 2008), and International Conference on Taiwan's Relations Act (March 27-28, 2009). Hereafter, I'll give an overview of some important papers presented on those conferences.

²⁸ "Exclusive Ma Ying-jeou Interview. Nothing to fear from CECA with Beijing: Ma," *Taipei Times*, February 20, 2009

²⁹ Richard Bush, "Taiwan Faces China. Attraction and Repulsion," in *Power Shift. China and Asia's New Dynamics*, ed. David Shambaugh (Berkeley: University of California Press, 2005), 170-186; Dennis V. Hickey and Yitan Li, "Cross-Strait Relations in the Aftermath of the Election of Chen Shui-bian," *Asian Affairs* 28:4 (2002): 201-216; David C. Kang, *China Rising: Peace, Power, and Order in East Asia* (New York: Columbia University Press, 2007); Julian J. Kuo, "Cross-Strait Relations: Buying Time Without Strategy," in *Assessing Lee Teng-hui's Legacy in Taiwan's Politics. Democratic Consolidation and External Relations*, ed. Bruce J. Dickson and Chien-min Chao (New York: An East Gate Book, 2002), 204-217; Robert S. Ross, "Explaining Taiwan's Revisionist Diplomacy," *Journal of Contemporary China* 15:48 (2006): 443-458; Chi Su, "Driving Forces Behind Taiwan's Mainland Policy," in *Peace and Security Across the Taiwan Strait*, ed. Steve Tsang (London: Palgrave Macmillan, 2004), 45-76; Nancy Bernkopf Tucker, *Strait Talk. United States-Taiwan Relations and the Crisis with China* (Cambridge, London: Harvard University Press, 2009); Øystein Tunsjø, *US Taiwan Policy. Constructing the Triangle* (London: Routledge, 2008); Philip Yang, "Cross-Strait Relations Under the First Chen Administration," in *Presidential Politics in Taiwan. The Administration of Chen Shui-bian*, ed. Steven M. Goldstein and Julian Chang (Norwalk: EastBridge, 2008), 203-228; Suisheng Zhao, "Reunification Strategy: Beijing Versus Lee Teng-hui," in *Assessing Lee Teng-hui's Legacy in Taiwan's Politics. Democratic Consolidation and External Relations*, ed. Bruce J. Dickson and Chien-min Chao (New York: An East Gate Book, 2002), 218-240 and numerous others

Dennis V. Hickey in his report in the 21st Annual International Meeting of the Association of Chinese Political Studies gives a broad picture of the improving cross-strait relations. Mainly, D. Hickey stresses the main challenges for the Ma administration which are according to him are as follows:

1. To stabilize Taiwan (alleviating ethnic tensions; seeking domestic consensus; improving economic performance; strengthening position in the KMT);
2. To stabilize relations with Beijing including economic stabilization, negotiations on the broader international space for Taiwan, and the signing of the peace treaty.
3. To stabilize relations with Washington (restoring mutual trust; guaranteeing non-provocative stance; non-abuse of the transit stopovers; reinvigorating defense cooperation; arms procurement).³⁰

In this agenda for President Ma Ying-jeou Dennis Hickey has briefly sketched the contours of the hedging strategy for Taiwan.

The materials of the 37th Annual Taiwan-American Conference on Contemporary China held in the Institute of International Relations, NCCU, (August 26-27, 2008) and published in the separate volume provide comprehensive, insightful, and timely considerations on the main directions of the current mainland policy.³¹

In the opening remarks Vice-President of the Republic of China, Vincent C. Siew presents perspectives on Taiwan's position in the contemporary international system and the challenges Taiwan faces in it. Giving a brief overview of Taiwan's problems Vice-President Siew stresses the necessity of openness and flexibility in dealing with them. "We want to turn threat to the opportunity for both cross-strait relations and, as much as possible, for the world. Without doubt,

³⁰ Dennis V. Hickey, "New Directions and New Concepts: President Ma and Taiwan's Chief Challenges" (paper presented at the 21st Annual International Meeting of the Association of Chinese Political Studies, Missouri State University, Springfield, Missouri, October 11-12, 2008)

³¹ Yuan I, ed., *Cross-Strait at the Turning Point: Institutions, Identity and Democracy* (Taipei: Institute of International Relations National Chengchi University, 2008)

the best way to do this is through liberalization and normalization of economic relations across the Taiwan Strait,” - says Mr. Siew.³² In Mr. Siew's opinion the strategy employed by President Ma is significantly reducing the cross-strait tensions and improving the international stance of Taiwan.

Robert Sutter in his paper “Cross-Strait Developments: Emerging American Debate and the Implications for the U.S. China Policy” notes that “The immediate impact of the recent improvements in the cross-strait relations has been to relax tensions in U.S.-China relations over Taiwan. However, the drivers and brakes affecting forward movement in cross-Strait ties are numerous and can push US-China relations in different directions.”³³ The author analyzes the debate in the American foreign policy over the necessity and scope of cooperation with Taiwan (in particular, arms sales). He makes a conclusion that the most probable outcome of the debate would be a compromise which will not undermine the positive momentum in U.S.-Taiwan-China triangular relations.

Dennis V. Hickey in the chapter titled “Evolving Policy Towards Taipei: Engagement or Entrapment?” researches on the dilemma Beijing faces since the launch of new mainland policy by Ma Ying-jeou. Analyzing Beijing's both positive and negative responses to Ma's initiatives Dennis Hickey concludes that decision-makers in Taiwan still are not convinced that new Beijing's approach towards the Taiwan issue represents the “paradigm shift.”³⁴

There are not so many articles published on the problems of the current cross-strait relations. However, among those published there are few very interesting. They concentrate on particular

³² Vincent C. Siew, "Cross-Strait at the Turning Point: Rooted in Taiwan but Connected to the World," in *Cross-Strait at the Turning Point: Institutions, Identity and Democracy*, ed. I Yuan (Taipei: Institute of International Relations National Chengchi University, 2008), 18

³³ Robert G. Sutter, "Cross-Strait Developments: Emerging American Debate and the Implications for the U.S. China Policy," in *Cross-Strait at the Turning Point: Institutions, Identity and Democracy*, ed. I Yuan (Taipei: Institute of International Relations National Chengchi University, 2008), 33

³⁴ Dennis V. Hickey, "Evolving Policy Towards Taipei: Engagement or Entrapment?" in *Cross-Strait at the Turning Point: Institutions, Identity and Democracy*, ed. I Yuan (Taipei: Institute of International Relations National Chengchi University, 2008), 207-238

aspects of Taiwan-China relations thus providing me with empirical evidence which can strengthen or refute my arguments.

William S. Murray in his excellent though controversial article titled “Revisiting Taiwan's Defense Strategy”³⁵ gives quite a pessimistic assessment of the Taiwan defense capabilities. The author suggests that given growing imbalance between China and Taiwan the purchase of advanced weapon systems is a mistake. Instead, W. Murray offers a kind of “porcupine strategy” for Taiwan which would enable the country to survive an initial precision bombardment, deny the PRC the uncontested use of the air, repel an invasion, and defy the effects of a blockade for an extended period. In Murray's opinion, this kind of strategy would have other positive geopolitical implications as it will decrease the risk of U.S. hastily involvement into the conflict. This consideration sparked debate over the best way to guarantee Taiwan’s security in the new era of cross-Strait relations.³⁶

I have also extensively used articles from periodicals, mostly from two major Taiwan’s English newspapers, *The China Post* and *Taipei Times*, which give different or even opposite vision of main problems of the cross-Strait relations.

Of course, in such a limited space I can not give an exhaustive overview of all major sources; those mentioned are just some of the most important.

Overall, the sources give the feeling of the huge and important changes. However, if President Ma's speeches are emanating confidence and optimism, the reaction of the scholars is more

³⁵ William S. Murray, "Revisiting Taiwan's Defense Strategy," *Naval War College Review* 61: 3 (2008): 13-40

³⁶ Michael S. Chase, "Taiwan’s Defense Budget Dilemma: How Much is Enough in an Era of Improving Cross-Strait Relations?" *China Brief*, [http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews\[tt_news\]=5061&tx_ttnews\[backPid\]=168&no_cache=1](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews[tt_news]=5061&tx_ttnews[backPid]=168&no_cache=1); Richard D. Fischer, "Taiwan's Call to Arms," *The Wall Street Asia*, <http://online.wsj.com/article/SB123740840622475841.html>; Alexander Huang, "The road ahead for ROC military," *Taipei Times*, March 20, 2009; *Quadrennial Defense Review* (Taipei: Ministry of National Defense, 2009); Michael M. Tsai, "An Assessment of Taiwan's Quadrennial Defense Review." *China Brief*, [http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews\[tt_news\]=34870&tx_ttnews\[backPid\]=25&cHash=9ec4afa3d8](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews[tt_news]=34870&tx_ttnews[backPid]=25&cHash=9ec4afa3d8) and others

reserved. Scholars generally appreciate the reduction of mutual hostilities and instability achieved by two sides of the Taiwan Strait and encourage both China and Taiwan to extend the cooperation to incorporate new fields. However, there are many concerns and questions. How to promote genuine trust and partnership between China and Taiwan? How to reconcile engagement and security? How shall Ma's administration maintain the domestic consensus while developing cross-strait ties? What is the future of the arms sales, and generally of the U.S. security commitments? All those and many other questions reflect the concerns I suppose to be of the great importance for the future development of the cross-strait relations.

The issue of how to deal with China is, of course, one of central in the scholar literature on the cross-Strait relations and on many occasion I found that scholars raise virtually the same issues I mentioned and share similar vision on the changing nature of the Taiwan-China relations. Therefore, the overview of the literature gives me confidence that the topic I chose is relevant and important. First impression of the literature on Ma Ying-jeou's mainland policy also reinforces my hypothesis that Taiwan's choices and strategy goes beyond balancing-bandwagoning.