Taiwan’s Domestic Politics and Its Mainland China Policy

By

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Introduction

The tensions between the Republic of China (ROC) on Taiwan and the People’s Republic of China (PRC) on the mainland had been greatly eased since the ROC government, in 1987, decided to allow its citizens to visit their relatives on the mainland. Dialogues and various types of exchanges between the two sides across the Taiwan Strait had been somewhat regularized over the years. And each side had also set up specific organizations to handle the cross-Strait affairs. However, the easing of tensions was reversed in mid-1995 when ROC President Lee Teng-hui visited his alma mater, Cornell University. The PRC regarded Lee’s visit to the United States as evidence of his hidden agenda to seek Taiwan independence. Consequently, the PRC suspended bilateral talks and many of the exchange programs, and even launched military exercises aimed at Taiwan. The tensions were escalated as Taiwan’s first direct popular election of the president in March 1996 approached. In fact, even after the election, the cross-Strait relations remained somewhat strained. Although, occasionally, there seemed to be a thaw, it was often replaced by exchanges of harsh words before long.

How do we account for the development of the cross-Strait relations in the past decade, first the easing of tensions and then the reemergence of tensions? The purpose of this paper is to look into the development from the perspective of Taiwan’s domestic politics. First, a brief historical account will be offered. Next, the salient issues involved in the policy-making process will be discussed. And then, the players and their preferences will be delineated, on the basis of which the existence or lack of equilibrium will be examined. Finally, by adding structural factors, a different type of equilibrium
analysis will be conducted. The equilibrium obtained from an analysis of the players’ preferences only will be dubbed preference-induced equilibrium, and the equilibrium found under structural constraints structure-induced equilibrium.¹

The Cross-Strait Relations in Historical Perspective

Since the ROC government moved to Taiwan in 1949, hostility had been a constant feature characterizing the relations between Taiwan and mainland China. The situation began to change in 1979 when the United States shifted its diplomatic recognition from Taipei to Beijing, and the leadership in Beijing began to launch their ambitious modernization programs. On January 1, 1979, the Standing Committee of PRC’s National People’s Congress (NPC) issued a letter addressed to “Taiwan compatriots,” stating that “we will respect the current situation in Taiwan, and the opinion of the people from all walks of life in Taiwan, by taking appropriate policy and methods so as not to inflict any damages on the people of Taiwan,” and calling for “direct transportation and postal service to facilitate direct contacts between the people on both sides.”²

On September 30, 1981, Marshal Ye Jianying, then chairman of NPC’s Standing Committee, put out a nine-point proposal to further delineate PRC’s position on reunification. He proposed that negotiations between Taiwan’s Kuomintang (Nationalist Party, KMT) and the mainland’s Chinese Communist Party (CCP) should be held; that the two sides should facilitate direct mail, trade, transportation, visitation, tourism,

academic, cultural, and athletic exchanges; and that after reunification, Taiwan would be
treated as a special administrative region enjoying a high degree of autonomy, preserving
its current socio-economic system, and even keeping its own army. Such ideas were
later reformulated by Deng Xiaoping, China’s top leader, as “one country, two systems,”
which became the PRC’s standard formula for reunification.

These proposals were almost immediately turned down by the ROC government,
charging that they were merely united-front tactics used by the Chinese communists to
topple the ROC. Nonetheless, in violation of Taiwan’s laws and regulations, many ROC
citizens sneaked into mainland China to visit their relatives, and quite a few businessmen
also tried to do business with the mainland through Hong Kong or other third places. The
ROC government was just unable to halt the trend. Indeed, it was estimated that, before
1987, over ten thousand people went to China each year. And the indirect trade between
Taiwan and the mainland via Hong Kong had increased from US$460 million in 1981 to
US$955.5 million in 1986. Finally, the government, under the leadership of President
Chiang Ching-kuo, decided to allow its citizens to visit their relatives on the mainland
beginning from November 1987. After Chiang passed away in January 1988, his
successor, Lee Teng-hui, continued his policy, and exchanges between Taiwan and
mainland China were further expanded. Since 1992, there have been over a million

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3People’s Daily, October 1, 1981.
6Mainland Affairs Council, Cross the Historical Gap: Retrospect and Prospect of a Decade of Cross-Strait Exchanges [in Chinese] (Taipei: Mainland Affairs Council,
people visiting the mainland each year.\textsuperscript{7} The volume of indirect trade between the two sides reached US$24 billion in 1996.\textsuperscript{8}

However, it should be noted that the ROC government maintains up to now that the relationships between Taiwan and the mainland should be non-governmental so long as the mainland authorities do not recognize that Taiwan is an independent political entity, or renounce the use of force against Taiwan, or allow Taiwan to play an active role in the international community. Such a stand has been clearly stipulated in the Guidelines for National Unification issued by the ROC government in 1991. In accordance with the Guidelines, direct trade and communication links are prohibited.

In order to handle the cross-Strait affairs, a number of organizations were established. In the ROC presidential office, there is a National Unification Council which serves as the president’s arm for formulating basic principles regarding mainland affairs. However, for the day-to-day work, the Mainland Affairs Council (MAC) of the Executive Yuan (cabinet) is much more important, which was formerly the Mainland Affairs Task Force. Moreover, since the ROC government insists that the cross-Strait relations remain non-governmental, an intermediary organization, the Straits Exchange Foundation (SEF), was set up to directly contact the mainland authorities. On the PRC side, in addition to a number of organizations in the CCP and the government dealing with Taiwan affairs, an organization called Association for Relations Across the Taiwan Straits (ARATS) was established as a counterpart of the SEF. Since 1991, the SEF and the ARATS had held formal talks twenty times, the most important one being the Koo-

\textsuperscript{7}The 1996 figure was 1,526,000. See \textit{ibid.}, p. 367.
\textsuperscript{8}\textit{Ibid.}, p. 371.
Wang talks in April 1993 held in Singapore, the highest-level talks between the two sides in years.\(^9\)

In January 1995, CCP General Secretary Jiang Zemin issued an eight-point statement, asking for negotiations for peaceful reunification, and welcoming the leaders of the Taiwan authorities to visit the mainland. In April, President Lee responded with a six-point proposal, indicating China’s reunification should be based on the fact that the two sides were now ruled by two separate political entities, and all controversies between them should be solved peacefully, and suggesting that both sides should participate in international organizations on equal footing, and the leaders of the two sides could meet on such occasions.\(^10\) Although both sides still insisted on something they cherished, they did try to show some good will.

However, the atmosphere across the Taiwan Strait had been changing gradually as Taiwan stepped up its efforts for “pragmatic diplomacy,” including the bid for reentering the United Nations. Such moves were all regarded by the PRC as the camouflage for seeking Taiwan independence. More emotionally tainted were President Lee’s words from time to time. In a widely circulated interview with a Japanese writer, for instance, he talked about the sorrow of being a Taiwanese, and was quoted as saying that the KMT regime, like all other regimes ruling Taiwan, was externally imposed on Taiwan, and the KMT should be changed into a Taiwanese party.\(^11\) Such words have been interpreted by many in China as well as in Taiwan as evidence that his identity of being a Chinese is

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\(^10\)The texts of the two statements and their comparison can be found in Wu, *op. Cit.*, pp. 256-60 and 314-22.
The turning point of the cross-Strait relations was Lee’s visit to the United States in June 1995. The PRC protested against the visit, postponing indefinitely the second Koo-Wang talks and many other exchange programs between the two sides. Beginning from July of that year, the PRC even launched a series of military exercises and missile tests aimed at Taiwan. One of the objectives of the Chinese military exercises and missile tests was apparently to unseat Lee in the presidential election of March 1996.

However, PRC’s moves backfired. Lee was reelected with 54% of the popular vote. To some extent, the PRC actually boosted Lee’s support since many voters, as a result, rallied around the incumbent president to show their support for the country.\footnote{For an account of this election, see John Fuh-sheng Hsieh and Emerson M.S. Niou, “Taiwan’s March 1996 Elections,” \textit{Electoral Studies}, Vol. 15, No. 4 (November 1996), pp. 545-50; and John Fuh-sheng Hsieh, Dean P. Lacy, and Emerson M.S. Niou, “Retrospective and Prospective Voting in a One-Party-Dominant Democracy: Taiwan’s 1996 President Election,” \textit{Public Choice}, Vol. 97, No. 3 (December 1998), pp. 383-99.}

Following the presidential election, the cross-Strait relations remained strained. It is only in the past several months that tensions began to ease somewhat.

Obviously, the easing or reemergence of tensions across the Taiwan Strait can be attributed to a variety of factors. However, what I intend to do in this paper is not to give a full account of these factors, but to look into Taiwan’s domestic politics to see why Taiwan has done what it has done.

Since Taiwan has become more democratic now, there are undoubtedly very many people who may, at one time or another, be involved in the making of Taiwan’s mainland China policy. These people may bring into the game quite different ideas about what should be done. In order to talk about the players and their preferences, we will first
discuss, in broad terms, the salient issues involved in the game.

**The Salient Issues**

Anyone interested in Taiwanese politics could not fail to notice the significance of the national identity issue. For some people on the island, Taiwan is part of China, and should be reunited with the mainland sooner or later; for some others, Taiwan is a different country, and should be separated from China for good; and there are still others who take a stand somewhere in between. Figure 1 shows the distribution of voters on this issue over the years.

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Figure 1: The Distribution of Voters on the National Identity Issue, 1992-96

Source: The 1992 survey was conducted by Opinion Research Taiwan. Others were done by Election Study Center, National Chengchi University.
This figure is based upon surveys conducted by the Opinion Research Taiwan in December 1992, and by the Election Study Center (ESC) of National Chengchi University in January 1994, January 1995, and March 1996. They are all nationwide surveys except for the 1994 one in which Taipei and Kaohsiung Cities are excluded. Hence, strictly speaking, the 1994 data are not comparable to the other data. But since the trend displayed in the 1994 data is consistent with the results of other surveys, they are shown here as well. Of course, the 1994 data should be read with more care.

In these surveys, the respondents were asked to locate their positions on an eleven-point scale ranging from 0 to 10, with 0 standing for Taiwan independence and 10 for the reunification of Taiwan and the mainland. As is clear from the figure, there has been, over the years, a slight increase in the number of people more or less in favor of independence (0 to 4), and a marked decrease in the number of people in support of reunification (6 to 10). More and more people are now taking the middle position (5) which can be dubbed status quo, neither independence nor reunification.

It should be noted that this issue is closely intertwined with ethnic identity. Except a small group of aborigines, there are three major ethnic groups in Taiwan: Minnan people, Hakka people, and mainlanders. The first two groups are native Taiwanese whose ancestors came from mainland China to Taiwan several hundred years ago, and the last group, the mainlanders, came to Taiwan mostly in the late 1940s. As can be seen from Table 1, Minnan people are more likely than others to favor Taiwan independence, while the mainlanders are more likely to support reunification. The Hakka people are somewhere in between. Clearly, in each ethnic group, more people are in favor of status quo than other options.
## Table 1: Positions on the National Identity Issue by Ethnicity

<table>
<thead>
<tr>
<th>National Identity Ethnicity</th>
<th>Independence*</th>
<th>Status Quo**</th>
<th>Reunification***</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwanese (Minnan)</td>
<td>205</td>
<td>444</td>
<td>165</td>
<td>814</td>
</tr>
<tr>
<td></td>
<td>(25)</td>
<td>(55)</td>
<td>(20)</td>
<td></td>
</tr>
<tr>
<td>Taiwanese (Hakka)</td>
<td>29</td>
<td>79</td>
<td>51</td>
<td>159</td>
</tr>
<tr>
<td></td>
<td>(18)</td>
<td>(50)</td>
<td>(32)</td>
<td></td>
</tr>
<tr>
<td>Mainlanders</td>
<td>8</td>
<td>80</td>
<td>67</td>
<td>155</td>
</tr>
<tr>
<td></td>
<td>(5)</td>
<td>(52)</td>
<td>(43)</td>
<td></td>
</tr>
</tbody>
</table>

Note: Cell entries are number of respondents with row percentages in parentheses. Based upon a survey conducted by the Election Study Center, National Chengchi University, in March 1996.

*Including those taking a position from 0 to 4 on an eleven-point scale running from 0, standing for independence, to 10, for reunification.

**Including those taking a position of 5.

***Including those taking a position from 6 to 10.
Among the political parties, the ruling KMT and three opposition parties, Democratic Progressive Party (DPP), New Party (NP), and Taiwan Independence Party (TAIP), can be aligned along this dimension. In general, the DPP and the TAIP are parties advocating Taiwan independence with the DPP more moderate than the TAIP on this issue. The KMT and the NP lean more or less toward reunification with the former being less zealous than the latter. Thus, if we align these parties from the most pro-independence to the most pro-reunification, it should be TAIP, DPP, KMT, and NP in that order.

Obviously, the mainland China policy is closely tied to the national identity issue. But this is not the only issue involved. Another important one has something to do with the debate between business interests and security concerns. For some people, mainland China represents a huge market that should not be ignored, and Taiwan should capitalize on the opportunities to do business with it. However, for some others, too much dependence upon the mainland market may endanger Taiwan’s security, and should, thus, be averted.

It is true that Taiwan’s dependence on the mainland market, as indicated by the proportion of Taiwan’s trade with China to the total foreign trade, has been increased as time goes by. In 1981, the figure was merely 1.05%; in 1987 when the government decided to allow its citizens to visit their relatives on the mainland, it became 1.71%; and after 1994, it is over 10% each year.\(^\text{14}\) For those who are concerned about Taiwan’s security, this is a dangerous sign.

Although, occasionally, some other issues may emerge in the debate over Taiwan’s

\(^{14}\text{Wu, op. Cit., p. 67.}\)
mainland China policy, the national identity issue and the business vs. security issue remain the two dominant ones. Thus, in the following discussion, we will focus on these two issues.

**The Players and Their Preferences**

Now, who are the major players in the game concerning the making of Taiwan’s mainland China policy? What are their preferences on the above-mentioned issues? Undoubtedly, President Lee is a powerful figure to be reckoned with in this regard. He is the first native Taiwanese to serve as the president of the republic, and is also the chairman of the KMT. He has built up a large power base within the ruling party. In local parlance, the president and his men are often referred to as KMT’s mainstream faction.

On the national identity issue, President Lee’s view is quite ambiguous. In public, he always talk about reunification, but in private, his words are often interpreted differently. The interview with the Japanese writer mentioned above is one example. Indeed, even the general public is not sure of his position on this issue. In a survey conducted by the ESC in March 1996, for instance, 23% of the respondents believed that he was in favor of either “reunification soon” or “maintaining status quo and then moving toward reunification;” an equal number of respondents held that he was in support of either “independence soon” or “maintaining status quo and then moving toward independence;” another 23% maintained that his position was either “maintaining the

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15He is a Hakka, but was raised in the Minnan neighborhood.
status quo and then depending upon the situation” or “maintaining the status quo for good;” and the rest refused to answer or had no opinion. The responses were really divided.

However, it is safe to say that President Lee—and possibly many of his followers, too—are less enthusiastic than his predecessors to support reunification, but not to the point of promoting outright independence. Nonetheless, if we take a closer look at his position in the past ten years or so, it can be seen that he has been moving toward a less pro-reunification stand now than before.

On the business vs. security issue, given his good relations with the business community, he should be sympathetic toward their needs. However, as shown by his insistence on diverting Taiwan’s trade from mainland China to other places, he is evidently concerned more about security now than ever before.

In addition to President Lee and his mainstream faction, there is a non-mainstream faction within the KMT. This group includes many mainlanders who had previously served in the government. Generally speaking, they are more pro-reunification than the president and his men.

On the business vs. security issue, their position is less clear-cut. Some of them are very much anticommunist, and are, thus, concerned about Taiwan’s security. Others may believe that, in order to facilitate the reunification of Taiwan and the mainland, exchanges in the form of, say, trade may be necessary, and since the Chinese communists are now changing, exchanges are even more easily justified.

As for the major opposition party, the DPP, it is also not unified. Although almost all of them support Taiwan independence, there are differences with regard to the pace
toward that goal. In actuality, there are such moderates as many of those in the Formosan faction, who would not hesitate to compromise if the situation asks for. There are also traditionalists who are more dogmatic in this regard, one example being the New Tide faction.

Recently, in view of the fact that they have been unable to gain many more votes in the national elections, particularly the presidential and Legislative Yuan (Parliament) elections, a lot of DPP politicians, especially the moderates, begin to somewhat modify their positions. For instance, instead of asking for de jure independence, they are now saying that Taiwan has already been independent, and there is only the problem of unification, not independence. Such an argument justifying de facto independence, i.e., the status quo, is seen by many fundamentalists as betraying the cause, so some of them split from the party to form the TAIP.

On the business vs. security issue, some moderates are also becoming quite adventurous recently. One example is former DPP Chairman Hsu Hsin-liang who has been advocating “westward policy” to engage in the Chinese market. But such a drastic proposal has brought about controversy within the party. In general, those who are more dogmatic on the national identity issue also tend to be more cautious of any economic ties with China.

Another opposition party, the NP, is also somewhat divided. But, essentially, they are pro-reunification. Indeed, one of the reasons that they split from the KMT in 1993 is to protest against President Lee’s attitude toward the national identity issue. On the business-security issue, they seem more or less in favor of closer economic ties with the mainland.
The TAIP, a very new party split from the DPP, is, as noted earlier, in support of Taiwan independence. They have been accusing those advocating closer economic ties with China as betraying Taiwanese people.

To complete the picture, it should be mentioned that there are some ultra-unificationists who would like to speed up the reunification process. There may be some overlaps between this group and those in the KMT’s non-mainstream faction or the NP. But since many people in the KMT’s non-mainstream faction or in the NP are still suspicious of the communists, they should be treated separately from those ultra-unificationists.

Two other groups should be taken into account as well. One is the business community. As can be expected, they are quite anxious to do business in China. On the national identity issue, they are very much divided. But it is safe to assume that, on the average, they are more or less in the middle.

Another group is the security people. Since their job is to defend the country against the enemy, they are surely concerned about the security of the country. They would, thus, be suspicious of any types of ties, including economic ties, with the mainland. However, given that many of these people are socialized in Chinese nationalism, it can be expected that they are more or less in favor of reunification between Taiwan and the mainland.

Of course, we can identify many more people who may, at one time or another, exert influence on the making of Taiwan’s mainland China policy. For example, the MAC, the SEF, and the Ministry of Economic Affairs may, from time to time, influence the mainland policy. However, these are the agencies in charge of the day-to-day work.
They may influence specific policies, but given that the president and his men are now in firm control of these agencies, they are playing a less conspicuous role than before in setting the general direction of Taiwan’s mainland China policy. As a result, I will not include them in the following discussion.

The Preference-Induced Equilibrium

Given the players’ preferences on the issues, we can now specify the result of the game.\textsuperscript{16}

In Figure 2, the players’ ideal points in the two-dimensional issue space in the earlier period of the past decade are identified. As can be seen from it, President Lee seems to be the median voter in all directions. If there is a point on one side of Lee’s ideal point, there is always another point on the other side of it. That is to say, President Lee’s ideal point seems to be at the intersection of the contract curves of pairs of other players. Thus, his position should be the equilibrium.\textsuperscript{17}

However, it seems that many of these players change their positions recently, the conspicuous ones being the president and the DPP moderates. As noted earlier, President Lee seems to move away from the more pro-reunification stand, and to lean further toward the security concerns. As for the DPP moderates as exemplified by DPP Chairman Hsu, they are moving in the opposite direction. These changes are represented by the arrows in Figure 2. Accordingly, as shown by the figure, there is no longer a

\textsuperscript{16}For the moment, we disregard the weight each player may bring into the game.
\textsuperscript{17}There is a huge literature on this subject. A good introduction can be found in William H. Riker, \textit{Liberalism Against Populism: A Confrontation Between the Theory of
median voter in all directions, and this is the typical disequilibrium result in multidimensional issue space.
Figure 2: The Impact of the Players’ Preferences on Taiwan's Mainland Policy

Substantive Interests

Independence

Reunification

Security Concerns

The Structure-Induced Equilibrium

The above discussion is based upon the players’ incentives only. Apparently, this is not very realistic since not all players exert the same amount of influence in the policy-making process. Some are obviously more influential than others. One important factor affecting the players’ influence is the role each plays in the constitutional structure of the government.

The ROC Constitution provides essentially for a parliamentary form of government. According to the Constitution, the highest administrative organ in the country is the Executive Yuan, not the president; the Executive Yuan is responsible to the Legislative Yuan, not to the president; the Legislative Yuan can employ a vote of no confidence against the Executive Yuan although the president or the premier, the head of the Executive Yuan, with the consent of the president, can dissolve the Legislative Yuan after the Legislative Yuan passes the vote of no confidence; and when the president promulgates laws and issues ordinances, he or she should obtain the countersignature of the premier or the countersignatures of the premier and the ministers concerned. All these seem to indicate that the system is essentially parliamentary.\(^ {18} \)

However, the ROC president has almost always played a powerful role in the policy-making process in the past with the exception of Yen Chia-kan in 1975-78. In addition to, say, being military strongmen in the case of the Chiangs, an important source for their power was, and remains to be even today, the president’s role as the president or

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chairman of the ruling party. In fact, the power structure within the KMT is so centralized that the president or chairman of the party dominates almost everything within the party. By means of the party leadership, Chiang Kai-shek, Chiang Ching-kuo, and Lee Teng-hui could all wield a great deal of influence in the country’s policy-making process, mainland affairs being an important part of it.

Thus, undoubtedly, the recent development of Taiwan’s mainland China policy reflects the fact that President Lee, serving simultaneously as the chairman of the KMT, becomes the most powerful figure in the policy-making process. Particularly, after defeating many of his political enemies, he is now in firm control of Taiwan’s mainland policy.

Obviously, Taiwan is now in the process of transition to democracy, and becomes more democratic than ever before. Thus, any single person’s influence in any policy area may not be so dominant as previously. However, this is not the case in Taiwan’s mainland affairs. On the one hand, this is the area that has much to do with Taiwan’s security; as a result, a single leader’s influence may be particularly apparent than in other policy areas. On the other hand, given the highly centralized structure within the KMT, the president remains very powerful by means of his position in the party. Moreover, the president interprets the Constitution quite liberally, insisting that he be in charge of national defense, foreign affairs, and mainland affairs although such an interpretation is controversial at best.

Therefore, to a large extent, Taiwan’s mainland China policy becomes more or less a one-man show. Given the president’s change of attitude, the policy changes as well. But since there is no preference-induced equilibrium as a consequence of the change of
attitude on the part of the president, among others, such a structure-induced equilibrium—based more on the party structure than on the formal constitutional structure of the government—may not be that stable in the long run. The recent controversy over the president’s insistence on “no hurry, be patient” with regard to doing business in China may reflect this fact.

The Prospects

In the past several months, there seems to be changes in the atmosphere between the two sides across the Taiwan Strait. It is likely that a thaw may eventually emerge. This may have less to do with President Lee’s change of mind than with, say, the pressure exerted by the U.S.. Quite a few American scholars and former government officials visited Taiwan, expressing concerns about the tensions between the two sides of the Taiwan Strait. Hence, Taiwan has to do something to accommodate the U.S. pressures. But since there is no sign that President Lee is going to change his mind soon, the talks between Taiwan and mainland China, if any, may be a very slow process.