



## **Beijing Fears about Chen Shui-bian Subside as Taiwan's Political and Economic Troubles Mount**

by Bonnie S. Glaser

China's alarmist reaction to the election of Chen Shui-bian as Taiwan's president last March has given way to a more relaxed posture. Beijing is no longer worried that Chen will seek a near-term separation of Taiwan from the Mainland. Chen's political and economic difficulties have evoked a self-satisfied response from China, which largely attributes Chen's predicament to his vacillating policy toward China and his failure to improve cross-Strait relations. It judges Chen as beleaguered and constrained by political opponents from within his own party (the DPP) and from the opposition. Taiwan's political confusion and economic woes are seen as pressuring Chen to make concessions to Beijing.

Beijing's policy of "listening to his words and watching his deeds," reaffirmed at Chinese leadership meetings in Beidaihe last August, remains firmly in place. There are scattered civilian and military voices calling for stepping up pressure on Chen by publicly criticizing him or increasing military pressure, but these proposals are not welcomed at the top - at least not at present. Chinese leaders see dividends from their "united front strategy" that seeks to entice anti-independence politicians to visit the Mainland to pay homage to the Middle Kingdom and woo Taiwan businessmen to increase investment in China. These dividends include a realignment of Taiwan politics that is favorable to Chinese interests.

Chinese experts on Taiwan affairs outline four scenarios for Chen's political future and his cross-Strait policy, three of which they view as favorable to Beijing. In the first scenario, Chen stubbornly refuses to accept "one China" and return to the 1992 consensus. The Taiwan stock market continues to fall accompanied by low economic growth, high unemployment, and financial instability. Chinese analysts predict that social turmoil would ensue, including street demonstrations and heightened social as well as ethnic tensions that, if left unchecked, could even lead to civil war. Support for Chen would decline precipitously and he would likely be removed from office. The Chinese estimate that his successor would most likely be from the KMT and predict that the decline of Lee Teng-hui's political influence would ensure that the new president would be easier for Beijing to deal with.

The second scenario posits enduring, but manageable, political and economic instability in Taiwan for the next several years. Chen does not make any appreciable concessions to Beijing and thus cross-Strait relations do not improve and may even deteriorate. Chen fails in his attempts to forge a working coalition in the Legislative Yuan and rebuild his power base, but he nevertheless completes his term of office. In 2004 an alliance between the two main opposition parties, the KMT and the People's First Party (PFP), defeats Chen or another DPP

candidate by a large margin and the new president makes a firm commitment to the preservation of one China. Taipei and Beijing would then return to squabbling over who controls that one China, the ROC or the PRC, as they did for more than three decades following the Communists' victory in 1949.

This scenario has the greatest appeal to Chinese leaders who plan to be absorbed in their own succession struggle for the next two years and prefer to not confront either crisis or opportunity in cross-Strait relations during this period. Chinese analysts favor this outcome because they claim that prolonged instability on the island would teach the Taiwan people a lesson about the inability of the DPP to rule and virtually eliminate the pro-independence party as a contending political force in Taiwan for years to come. The bottom line is that for the time being, stalemate is better for China than dialogue. Rather than improve cross-Strait relations through a process of mutual accommodation with Chen Shui-bian, Beijing believes it is better to wait for international and domestic pressure to compel Chen to compromise.

In the third scenario, Chen recognizes that he must conciliate Beijing or face limited and inconsequential gains in DPP-held seats in the Legislative Yuan elections in December 2001 and certain defeat in the 2004 presidential election. Chen opts to make only small concessions to assuage his KMT critics and win back support of the people. Such concessions could include a return to the eight-character expression fashioned by the KMT that in essence means that Taipei acknowledges that one China exists, but insists that each side of the Strait can maintain its own definition of one China. Chen might also give a nod to proceed with direct trade, mail, and transportation links with the Mainland. Such steps would kick the ball back to Beijing's court, but would not likely be sufficient for China to agree to resumption of cross-Strait talks, in the view of most Chinese analysts. Cross-Strait relations would stabilize, but not appreciably improve, experts say, unless Chen returns to the agreed upon 1992 consensus, which Beijing insists included a commitment to uphold the one China principle and seek peaceful reunification.

If the above developments were to take place, the Mainland would benefit in several ways. Progress on the three "big links" will win the support of businessmen on Taiwan who will subsequently pressure Chen to make additional compromises. In addition, greater trade and economic interaction will promote Taiwan's dependence on the Mainland, which will give China greater leverage over Taiwan's security. For those Chinese who continue to believe that economic integration of the two sides of the Strait will eventually promote political integration, a decision by Chen Shui-bian to lift restrictions on trade and investment in China would be momentous.

The worst-case scenario for China envisions Chen Shui-bian successfully dividing his KMT, PFP, and New Party opponents and co-opting the middle of the political spectrum. To accomplish

this, the Chinese maintain that Chen would have to take substantial steps to improve relations with Beijing, including an acknowledgement that the two sides agreed on the principle of one China in 1992. An acceptance of this position could pave the way for the restoration of cross-Strait dialogue and improved overall relations between Taipei and Beijing. This course would provide a boost to Taiwan's economy and enable Chen to strengthen his political position, thus increasing his chances of being re-elected.

Should this fourth scenario be realized, concerns in China would mount that in a second presidential term, Chen would be less constrained in pursuing independence for the island. Irrespective of the positions that Chen adopts on one China, Beijing simply may be unwilling to trust him and in any case would prefer to deal with his successor, whom it expects will be from the KMT. Chinese experts maintain that Chen's predilection for independence is apparent in his refusal to convene the National Unification Council and assume the position of chairman. They also charge that Chen is implementing policies aimed at promoting the development of a Taiwan national identity separate from China, including: 1) modification of Taiwan's textbooks to expand education of the island's history, a process begun under former President Lee Teng-hui; 2) advocacy of a different Chinese phonetic alphabet than the Mainland; 3) declaration of the new Taiwan dollar to be the national currency, instead of a local currency as it was considered in the past; and 4) President Chen's continuing insistence that he is only an ethnic Chinese.

Beijing worries that the U.S. could play a role in strengthening Chen's position, revitalizing the DPP, and enhancing Chen's prospects for re-election. The Chinese fear that decisions required early in the new Bush administration on arms sales to Taiwan along with other steps to shore up Washington's ties with Taipei could shift the realignment of political forces in Chen's favor, even in the absence of any concessions to the Mainland. Chinese officials and experts are issuing strong warnings against the sale of major weapons systems to Taiwan, especially the Aegis battle management system or any TMD-related technologies or components. In addition to upsetting relatively manageable cross-Strait relations, Chinese experts worry that such sales would be perceived by the senior leadership as signaling a stronger, more overt, U.S. commitment to Taiwan's defense, which, in turn, could compel a tough response from Beijing to prevent President Bush from continuing down a dangerous path.

Chinese leaders' present confidence that they can adroitly manage their relationship with Taiwan is not necessarily based on sound reasoning and a sophisticated understanding of the political and economic situation in Taiwan. In Beijing's analysis of Chen's troubled first six months in office, undue weight is accorded to the Taiwan president's failure to improve cross-Strait relations as well as to U.S. policies toward Taiwan, including continuing arms sales. China blames the island's economic troubles largely on Chen's unwillingness to proceed with the three links; it does not acknowledge the role played by the downturn in the global market for Taiwan's high-tech goods. Beijing also underestimates the enduring support for the DPP in Taiwan, even if Chen falters. The continuing failure of Chinese analysts to grasp political and economic developments on the island does not bode well for

Beijing's ability to correctly forecast and comprehend Taipei's policies and the future course of events on the island.

On one issue, however, there are signs that realism has taken hold in Beijing. Chinese analysts say that their leaders now recognize that the Taiwan people have few incentives to become part of the People's Republic of China that exists today on the Mainland. Chinese analysts are proposing new ways of winning over the hearts and minds of the people on Taiwan and some are pinning their hopes on the two sides' entry into the World Trade Organization early next year as a catalyst for improved ties. But only a dwindling minority appears to believe that peaceful reunification with Taiwan is achievable in the next several decades and most who hold this optimistic assessment are Shanghai experts who claim association with Wang Daohan, China's negotiator with Taipei who is known for his more moderate views. A growing number of Chinese analysts situated in Beijing insist that reunification will only be possible if force is first used to coerce Taiwan to the negotiating table. Although there is no consensus on whether force will eventually be necessary, there is agreement on the need for making serious military preparations to expand Beijing's options for dealing with Taiwan in the future.

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