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The Economic and Political Sources of Hostility—
Taiwanese and Chinese Relations, 1975 to 2004

By

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Abstract

This dissertation provides a new perspective in dealing with international relations research questions. Using the concept of *hostility* to represent the interstate power relationship, my research intended to create a broader understanding of foreign policy making formation.

Although international relations scholars have been engaging in various studies based upon insights offered by both international relations and comparative politics, most research on the relations between China and Taiwan focuses primarily on international factors rather than on domestic ones. In this research, I argue that this kind of approach may hinder our further understanding of China-Taiwan relations and their future development.

Based on the Samuelson-Stolper theorem, I argue that the opening of cross-Strait commerce since 1989 has resulted in economic restructure and wealth redistribution within Taiwan. Different economic factors, such as land, labor and capital, allied with anti- and pro- China political coalitions respectively. Since then, the persistent and bitter competition between these two domestic coalitions has significantly shaped Taiwan's China policy. When anti- China coalition got into power, Taiwan adopted more hostile attitude toward China.

In the first part of the empirical testing, I statistically examine the correlation between US' support to Taiwan and Taiwanese hostility toward China. The result shows a striking implication that Taiwan does not act in accordance with US strategic preferences in the region. The second part of test explores the correlation between domestic politics and Taiwan's China policy making. I adopted event dataset (Cross Strait Hostility Event Dataset) to present the dependent variable and thirty-nine political events from 1991 to 2004 such as national elections, legislature battles or factional competitions as the primary independent variable. The result shows that, even when highly salient security issues are at stake, the fluctuation of domestic politics within Taiwan is significantly correlated with the level of its hostility toward China. In other words, I argue that domestic politics, rather than international factors, plays the key role in shaping cross-Strait relations.

The Economic and Political Sources of Hostility and Benevolence:

Taiwanese and Chinese Relations, 1975 to 2004

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The Economic and Political Sources of Hostility and Benevolence:

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Chapter 1: Introduction

The relationship between Taiwan and China is a product of a half-century of changing international and cross-strait circumstances. Now that the flourishing cross-strait commerce has made it attractive for both countries to further cooperate, both states have increased incentive reduce their long and lasting political rivalry.¹ Peace between Taiwan and China will help both of their economic developments and it should help strengthen the stability and development in East Asia more generally.

This dissertation will review theories of international relations regarding political and economic factors, as well as international and domestic ones, that may lead to interstate hostility or benevolence between states. The current studies do not completely capture the reality of relations between Taiwan and China from 1975 to 2004.² Thus this work seeks to create understanding of that relationship. The interesting fact is that although Taiwan and China are becoming more closely linked economically, and although the

¹ "A Survey of Taiwan: The Dragon Next Door." *Economist*, 15 Jan. 2005: 64. "China and The Key to Asian Peace." *Economist*, 26 March. 2005:12.

² The literature review will be provided in the next chapter.

United States had gradually drifted away from the Taiwanese side, these economic ties and structural forces are not likely to ease Taiwanese hostility toward China or to bridge the political gap between Taipei and Beijing. In other words, the true sources and resolution of Taiwanese hostility toward China are still unknown. Therefore, the purpose of this dissertation is to find out how variation of cross-strait hostility/benevolence has changed over time, what factors create this variation, and what the implications are for future reconciliation between Taiwan and China?

Research Question

In 1949, the Chinese Nationalists lost the Civil War to the Chinese Communists and retreated to Taiwan. The Communist Party established the People's Republic of China on the mainland while the Nationalists stayed in Taiwan. The separation between China and Taiwan became a long and lasting military rivalry because of the start of Cold War soon after 1949. Taiwan was on the US side and China followed USSR's leadership. Although the global strategic politics had largely changed after 1949, the separation between China and Taiwan has continued today and from 1949 to 2004, the political relationship between Taiwan and China has been antagonistic. Although the cross-strait relationship has been defined as "persisting hostile", in fact, according to my observation

of the Cross Strait Hostility Event Dataset, the degree of Taiwanese hostility toward China has varied over this time.³ Accordingly, if the degree of Taiwan's hostility toward China from 1975 to 2004 is not constant, then the nature of the explanation that can illustrate this hostility must be variation. This explanation must contain factors engaging high hostility, low hostility and all kinds of variation of hostility. The fluctuating hostility can not be comprehended by such simplified terms as ethnic hatred, military threat, xenophobia or enduring rivalry. In this doctoral dissertation, my main research question is: **What are the sources of Taiwanese hostility toward China between 1975 and 2004?** This explanation must have a dynamic nature and should systematically account for the rise and fall of Taiwanese hostility toward China. In the field of International Relations, identifying the correct explanatory variable that captures the complexity of political events is difficult and sometimes frustrating. However, this work is tremendously important if we want to truly understand the world politics and Chinese-Taiwan relations in particular. Due to the fact that there was already plenty of research discussing the general sources of interstate hostility, I will adopt various theories from the field and apply them to my research question and launch the hypothesis-testing study.

³ Cross Strait Hostility Event Dataset is a collection of all talks, acts and policies between Beijing and Taipei from 1975 to 2004. The data sources are Central News Agency and United News Data. The detail of this dataset will be provided in chapter three.

My goal of this dissertation is to provide comprehensive theoretical inferences and solid data analysis to understand Taiwanese fluctuating hostility toward China in the period from 1975 to 2004.

Significance of the Study

My research question is crucial because first, it can improve our understanding of war and peace. One of the fundamental and original purposes of international relations theory is to understand war. From realism to liberalism, from external to internal accounts, from rational choice to cultural studies, from constructivism to post-constructivism, scholars in the field have already cumulated extensive knowledge on the subject of war. However, the debate of which theory's explanatory power prevailed has endured. It is important for students of international relations to keep probing the cause of war by testing the existing theories in various cases. And, the Chinese-Taiwan case will provide excellent chance for me to study this perpetual puzzle.

In examining the important studies of war and peace, most of them were focused either on very general discussion of the topic, or concentrated on very specific cases.⁴

These specific cases are always "Great Wars" in history, or current events, to the degree

⁴ Most of current conflict and peace studies whether focus on very broad topic such as the correlations among key factors or being categorized as field research in different regions of the world.

that we hardly find scholars analyzing rare cases that might contain interesting insights. In this dissertation, I focus on the formation of hostility instead of war because I assume that the projection of state's hostility toward other states is the most important indicator of the likelihood to war. By studying the formation of a state's hostility, we can enlarge our research scale to include cases without war and to expand our understanding of the causes of peace and cooperation. In sum, understanding the sources of interstate conflict and cooperation between China and Taiwan is the final destination of this dissertation.

Second, Taiwan's case contains lots of research opportunities for researchers. I choose the case of Taiwanese hostility toward China because in the 54 years of separation, the relationship between Taiwan and China has presented rich opportunities for scholars to test their hypotheses. Taiwan and China were heavily involved in world politics and constituted the frontlines of the Cold War. Now, there is a greater amount of commerce between them even though each of them represented two distinct political regime types. All the materials in the Taiwan-China relationship had proved to be a good case for multiple purposes. The primary focus of this dissertation is the Taiwan-China relation from 1975 to 2004 and by connecting this case and major theories; we can further strengthen our understanding of international relations theories and approaches.

Third, understanding Taiwanese hostility toward China can help to prevent regional conflicts in the East Asia. The cross-strait rivalry between Taiwan and China has long been a potential of major conflict in East Asia. Concerning the fact that the United States and China were competing in this region, another round of regional military confrontation could be easily aroused if Taiwanese hostility toward China were totally out of control. All three countries, Taiwan, China and United States, probably also Japan because of its intensive relations with China and security treaty with the United States, would be dragged into an unnecessary war for no one's good. Therefore, reducing the cross-strait hostility is vital to continuing the regional peace in the next hundred years.

Concept of the Key Term: Hostility

Before introducing my major hypotheses, I need to clarify the definition of the most important term in this dissertation—hostility. In the field of International Relations, researchers try to give clear-cut line among some frequently-used terms such as the most important concept of my research—hostility.⁵ One can agree that hostility is the broadest

⁵ The conceptualization of the term, hostility, will be discussed in the chapter three. About the various definitions and adoptions of the concept of hostility, see Zinnes, Dina A. "Hostility in International Decision-making." *The Journal of Conflict Resolution* Case Studies in Conflict 6.3 (1962): 236-243. Hilton, Gordon. "A Closed and Open Model Analysis of Expression of Hostility in Crisis." *The Journal of Peace Research*, 8.3/4 (1971): 249-262. Giles, Micheal W., and Arthur Evans. "The Power Approach to Intergroup Politics." *The Journal of Conflict Resolution*, 30.3 (1986): 469-486. Ozyildirim, Suheyla, and Nur Bilge Criss, "Survival of Rationalism between Hostility and Economic Growth." *The Journal of Peace Research* 38.4 (2001):515-535. Goldstein, Joshua S. "A Conflict-Cooperation Scale for WEIS Events

concept in most of the terms indicating negative relationship among states. Hostility is the state of enmity and warfare. This concept refers to all kinds of different acts, words and feelings associated with the nature of antagonism. In this research, I exclusively define “Taiwanese hostility toward China” as the *explicit or implicit expression of antagonism toward China through Taiwanese governmental acts, talks and policies*. It is very important to point out that conceptually, the degree of hostility always changes. Hostility rises and falls and thus is not a constant concept. This research is trying to explain the fluctuation of Taiwanese hostility toward China (THC) and more specifically, to find the factors dynamically correlated to THC.

I adopt several examples to explain the concept of hostility. Between 1991 and 1993, cross-strait hostility is relatively low. In March 11, 1991, Taiwan government approved the establishment of Strait Exchange Foundation as the window of future China-Taiwan negotiations.⁶ In March 14, 1991, Taiwan declared *the Guidelines for National Unification* and this document officially corresponded to Beijing’s One China principle.⁷ In May 1, 1991, Taiwan declares the termination of the Period of General Mobilization for the Suppression of the Communist Rebellion that had not been practiced

Data.” The Journal of Conflict Resolution 36.2 (1992): 369-385. Schrod, Philip A., and Deborah J. Gerner. “Empirical Indicators of Crisis Phase in the Middle East, 1979-1999.” The Journal of Conflict Resolution 41.4 (1997):529-552.

⁶ “Strait Exchange Foundation Begins Service Today.” Taipei Central News Agency 11 Mar. 1991.

⁷ “President Declares the Guidelines for National Unification.” Taipei Central News Agency 14 Mar. 1991.

for decades.⁸ All these policies contributed to the first cross-strait political negotiation after the 1949 separation in May 2, 1993—Koo-Wang Talks in Singapore. On the other hand, cross-strait relation has soured since 1995. Taiwanese President Lee Tung Hui's visit to the United States in June 1995 that signaled a Taiwanese desire to pursue international identity and ultimate independence caused Beijing to start a two-year military exercise that seemed aimed at Taiwan. Taiwanese hostility toward China peaked when President Lee declared the argument of "State to State Remark" in 1998. In this period, the level of Taiwanese hostility toward China was very high. These examples show the variety of cross-strait events and point out the fluctuating nature of hostility.

The study of hostility can help us to understand the long-term causes of war because increasing hostility would probably lead to war and war is the ultimate stage of interstate hostility. To a certain degree, the study of hostility can be taken as the study of war. Further, concept of hostility can be used with any level of analysis. Key politicians' hostility, states' hostility and exchange of states' hostility can all become interesting topics. In this research, I focus on the hostility in the second image (Taiwanese projection of hostility toward China) because I emphasize the importance of domestic politics in the formation of hostility. I focus only on Taiwan because there is no

⁸ "President Gives Speech to International Media Press." Taipei Central News Agency 1 May. 1991.

sufficient data and information of Chinese domestic politics, at least not sufficient for a qualified quantitative research. While it may be more important to study the domestic formation of Chinese hostility toward Taiwan (CHT), without sufficient secondary material, I will attempt to the puzzle from the Taiwanese side.

Major Hypotheses and Results

This dissertation project plans to account Taiwanese fluctuating hostility toward China between 1975 and 2004. The major explanatory variables come from three major schools—realism, liberalism and domestic politics school. I set up three models to include all the valid variables. They are the realist structural power model, liberal commerce-institution model, and domestic politics model.

First, based on their emphasis on structural force and the assumption that power is the most important driving force in world politics, realists argue that the triangular relations among the US, China and Taiwan are the sources and the catalysts of Taiwanese hostility toward China. More specifically, Chinese hostility/benevolence toward Taiwan, the United States' support/indifference toward Taiwan and Taiwanese economic/military might are the independent variables explaining THC. If Chinese hostility toward Taiwan increases, the United States' support toward Taiwan deepens, or Taiwanese military or

economic capability grows, THC will increase. After the empirical testing, the results show that first, there is action-reaction affect between Taiwanese and Chinese hostility projection. Second, the change of Taiwan's own economic or military capability did not correlate to changes its hostility projection toward China. Third, the United States' influence toward Taiwan did not significantly influence Taiwanese China policy.

According to the second model, political liberals believe that economic links as well as shared political regime type (e.g. democracy), could improve interstate relationship. In Taiwan's case, they argued that the difference between Taiwanese democracy and Chinese authoritarianism is the source of Taiwanese hostility toward China and only by increasing cross-strait commerce can this hostility be reduced. Therefore, I adopted the regime type differences (freedom level in Taiwan and China), cross-strait trade and Taiwanese investment in China as the explanatory variables to test the liberal predictions. If the gap between Taiwanese and Chinese regime type shrinks, as when they were both authoritarian in the 1970s, or if China became a democracy in the future, Taiwanese hostility toward China would decrease. And if the amount of cross-strait trade and Taiwanese investment in China increased, Taiwanese hostility would also decrease. After the tests, the results showed that the liberal predictions about cross-strait relations are unsubstantiated. First, there are no correlations between regime type difference and

THC. There are significant correlations between Taiwanese investment in China, cross-strait trade and Taiwanese hostility toward China. However, the causal directions of these correlations are the opposite of liberal prediction. The empirical study showed that when cross-strait trade or Taiwanese investment in China increased, THC would increase. In other words, this result somewhat corresponded to realist proposition of relative gain—the increasing economic dependence would threaten Taiwan and arouse its hostility.

The third model focuses on the domestic politics. I argue that unlike the realist or liberal approaches, domestic factors have a more systematic impact on Taiwanese China policy-making. Only the domestic politics model appropriately and completely explains the variation of Taiwanese hostility toward China. I adopted a two step test to show the strength of the third model. First, I utilize the Samuelson-Stolper Theorem to argue that after the opening of cross-strait commerce in 1989, Taiwan faced rapid wealth redistribution and economic restructuring. This process fueled the political competition between anti China and pro China political coalitions. The result of the test showed that in all of Taiwan's 23 counties and cities, if there were more agriculture/manufacture-oriented industries that suffered from the opening of cross-strait commerce, voters would be more likely to support anti-Chinese coalition. On the other hand, if there were more

service-oriented industries that benefited from the opening of cross-strait trade, voters would be more likely to support pro-Chinese coalitions. In sum, the first test showed that economic restructuring and wealth redistribution were the driving forces behind of Taiwan's domestic political competition over creation of national Chinese policy.

The second test focuses on the correlation between Taiwan's domestic political competition and its' hostility toward China. If anti-Chinese sentiment took a lead in the political competitions, THC would increase. And if pro-Chinese feelings were dominant, THC would decrease. After the test, the results showed that there are significant and strong correlations. The domestic political competition between anti and pro China coalitions is the true source of Taiwanese hostility toward China.

Table 1-1 Brief Summary of Tests on the Sources of Taiwanese Hostility toward China

Theoretical Approach	Independent Variable	Dependent Variable	Correlation
Realism	CHT (H1)	THC	Positive/Significant
	Taiwanese Eco/Military Might (H2)	THC	Insignificant
	US Support to Taiwan (H3)	THC	Insignificant
Liberalism	Regime Type Differences (H4)	THC	Insignificant
	Taiwanese Investment in China (H5)	THC	Positive/Significant
	Cross Strait Trade (H6)	THC	Positive/Significant
Domestic Politics	Industrial Concentration in A/M (H7)	Voting Support	Positive/Significant
	Political Competition (H8)	THC	Positive/Significant

Note: THC refers to Taiwanese Hostility toward China. A/M refers to agriculture/manufacturer. H refers to Hypothesis.

Intro of Chapters

The plan of this dissertation will be described next.

The second chapter will include theoretical discussion and literature review. I will present the debates regarding the case of Chinese-Taiwan relationship from three theoretical models—realism, liberal and domestic politics. From these debates, the second chapter will generate testable hypotheses for empirical testing in the chapter four.

Throughout this work, I intend to emphasize the importance of methodology. In discussing the comparison, formation, definition, and measurement of the key variables in chapter three, my ultimate goal is the careful construction of the Cross-Strait Hostility Event Dataset. I will also discuss other event datasets in the field of conflict and cooperation study and I will explain how my data were collected and then compare my dataset to other datasets such as WEIS and COPDAB. Basic descriptive statistics will be provided in this stage and the varying nature of the cross-strait hostility held by Taiwan will be clearly presented.

In the fourth chapter, I adopt empirical testing. Three models will be tested one by one, all the variables will be fully discussed, and the results will be reported. I will introduce them in the sequences of research design, measurement of variables, findings, discussion and implications. In the fifth chapter, I further elaborate my domestic politics explanation. I present additional qualitative and quantitative materials on how factions formed in Taiwan and how politicians determined China policy. I follow the time line to

demonstrate the relation between political competition and hostility projection. I will select 39 crucial political events in Taiwan from 1991 to 2004 to further elaborate my major argument.

In the sixth and final chapter, I will provide some possible policy implications. Because the findings of the empirical tests suggested that Taiwanese hostility came from its own domestic political competition, my policy implications will focus on how to adopt reforms inside Taiwan. First, I will suggest Taiwanese government to actualize and expand social welfare benefits to who suffered from the opening of cross-strait commerce. They are mainly the agricultural and labor class. Second, Taiwanese government shall cut down the illegal and corruptive relations between business groups and China policy-making units. A few groups pursuing their parochial economic interests by manipulating citizens' sentiment and hijacking governmental policy-making would ultimately threaten the survival of Taiwan. Third, Taiwanese government shall not only help domestic industries to upgrade and broaden their business but also assist Taiwanese business in mainland. There should not be discrimination against Taiwanese businessmen with different political preferences.

The Economic and Political Sources of Hostility and Benevolence:

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Chapter 2: Theory and Literature Review

Intro

In September 19th 2004, the former President of China, Jiang Zemin resigned his last and most important official post, Chairman of the Central Military Commission, and handed power over to his successor, the new President of China and the Secretary General of the Chinese Communist Party, Hu Jintao during the Party's 16th National Congress. Although accompanied by factional conflicts behind the scenes, this power transition, in relation to the broader political history of communist China, was deemed as extremely smooth, orderly, mature and peaceful.⁹ Hu as the new supreme leader of China had the reputation of being cautious, mild and practical.¹⁰ While facing lasting national problems such as inequality between rural and urban areas, slowdown of state-owned enterprise reforms, rising pressure for political change, and an unstable foreign relationship with the United States as well as an enduring rivalry with Taiwan, most

⁹ "Hu Jintao the New Chairman of Central Military Commission." Hong Kong Wen Wei Po 19 Sep. 2004. "Peaceful Military Power Transition." Taipei China Post 19 Sep. 2004.

¹⁰ "Jiang Zemin Going to Resign From the Central Military Commission." Taipei Central News Agency 7 Sep. 2004.

observers optimistically believed that Hu with his distinguished political style would keep up China's open reform policies that were established and consolidated by his predecessors, Deng and Jiang ultimately they hoped he would continue the national focus on economic development and steady political reform in order to achieve a more prosperous and modern China.¹¹

Unlike most observers' optimistic opinions about Chinese progress, the newly elected President of Taiwan, Chen Shui Bian held a rather pessimistic attitude. Two days after Hu's seizure of power, Chen said: "Although Jiang Zemin resigned as the Chairman of Central Military Committee, we could not have illusion about this and we should not expect too much. We have to protect our own national security that could not wishfully rely on our enemy's possible benevolence or any other external help."¹² President Chen's pessimistic statement did not imply his inability to deal with cross-strait rivalry. To the contrary, his following comments revealed his stubborn resistance to Chinese military threat. "Disarmament can not bring us peace. We should strengthen our military capability, prepare for possible war, and purchase necessary weaponry to deter our enemy. Although not in the purpose of starting arm race with China, building up is

¹¹ "Hu Becomes Disputed Leader of China." New York Times 20 Sep. 2004. "China's Jiang Cedes Military Post." BBC News On-line 19 Sep. 2000. "China Keeps the Same Tone on Cross-Strait Issue." Taipei China Times 20 Sep. 2004. "The Important Guidance for Party to Improve Governance." Beijing People Daily 20 Sep. 2004.

¹² "Illusion about Hu Jintao." Taipei China Times 21 Sep. 2004.

needed to protect our national security which we all firmly stand for.”¹³ Facing China’s gigantic population, resources, and military might, President Chen chose self build-up to counterbalance Chinese threat. This attitude toward a strong neighbor is not very wise and rational since militarily Taiwan could not deter Chinese invasion and the United States has never clearly promised to secure Taiwan’s sovereignty when attacked. Not only President Chen, but also other Taiwanese leaders who belonged to different political parties in the 1990s had similar kinds of seemingly irrational courage to deal with Chinese military threat. These leaders should clearly understand the fact that without external help, Taiwan would be quickly crushed by overwhelming Chinese military force. But they still kept projecting hostility to China. This controversial situation always puzzled scholars and observers.¹⁴

The puzzle of China-Taiwan relations also raises several important questions in the field of international relations. If we agree with the conventional wisdom that a nation is composed of a group of people who share cultural, historical, linguistic, religious or ethnic affinity, then why do China and Taiwan, so similar in every aspect of life, not get along? If we agree with political realist theories that world politics is determined by the principle of power, then why does a tiny country like Taiwan dare to challenge the giant

¹³ Ibid,

¹⁴ “A Survey of Taiwan: The Dragon Next Door.” The Economist 13 Jan. 2005: 65-68.

super-power like China? If we agree with liberal theories that mutual understanding and economic interdependence could ease the tension between states, then why do China and Taiwan, who have established beneficial cooperation in economic and cultural aspects, not just sit down and have a constructive talk? It is a significant puzzle because Taiwan's aggressive attitude might not only endanger its own people but also threaten regional stability. Therefore, it is worthwhile that we go further to study this subject.

The Conceptualization of the Research Question

Let me clearly state the primary puzzle of this research: what are the sources of Taiwanese hostility toward China? What are the factors determining Taiwanese hostility toward China? Before attempting to answer these questions, I will discuss their fundamental pieces and theoretical or historical origins.

First, what is China and what is Taiwan? In my definition, China refers to the People's Republic of China whose capital is Beijing and which has a population of 1.3 billion people; it was established in 1949 by the Chinese Communist Party after years of war.¹⁵ Taiwan refers to the Republic of China, whose capital is Taipei and represents 23

¹⁵ Ministry of Foreign Affairs, Republic of China. ROC Information. <http://www.mofa.gov.tw>

million people, was originally established in 1911 by Chinese Nationalist, Kuomintang.¹⁶

Second, what is hostility? Hostility is by definition, the attitude of enmity, and antagonism. Taiwanese hostility towards China refers to all kinds of negative expressions concerning China made during Taiwanese governmental talks, policies or acts. These negative expressions theoretically represent Taiwanese overall opinion and will, but are revealed only as collective governmental behavior. Again, the main research question is asking what factor or factors led to Taiwanese negative expression toward China? I want to find the factors that can appropriately and consistently explain this hostility. Let's go further to discuss my conceptualization process.

Major schools in the field of international relations make different assumptions before they conduct research. Structural realists assume that sovereign states are the only actors while liberals also bring other functional entities such as international organizations or multi-national corporations into the theoretical structure.¹⁷ Structural realists narrow down the unit of analysis in order to achieve the purpose of simplification and resolve the problem of scarce information. The advantage of this simplification is

¹⁶ Ministry of Foreign Affairs, People's Republic of China. About China.
<http://www.fmprc.gov.cn/eng/default.htm>

¹⁷ Baldwin, David A. "Neoliberalism, Neorealism, and World Politics." David A. Baldwin. Eds. Neorealism and Neoliberalism—the Contemporary Debate, New York: Columbia University Press. Moravcsik, Andrew. "The Liberal Paradigm in International Relations Theory: A Scientific Assessment" in Colin Elman and Miram Fendius Elman, eds. Progress in International Relations Theory: Metrics and Measures of Scientific Change, Cambridge: MIT Press, 2003. Moravcsik, Andrew. "Taking Preferences Seriously: A Liberal Theory of International Politics," International Organization 51.4 (1997): 513-53.

that in the cases with scarce information, scholars could still follow realist theoretical structure to analyze problems and predict outcomes or future development. Liberals take various actors into consideration in order to conform to current developments of world politics that seem to indicate security-political issues are less dominant while cultural-economic issues are becoming more and more important. Therefore, the choice of level of analysis depends directly on the researchers' epistemology. In my case, I focus on the dyadic level, or more specifically the relationship between China and Taiwan. Dyadic level is between the state level (second image) and system level (third image).¹⁸ I adopted dyadic level of analysis because I want to simultaneously pursue the goal of parsimony and accuracy. After all, my research would be more like foreign policy study accompany with international relations among several key countries.

Although I define China and Taiwan as two political entities to start this research, I don't use them as "black boxes."¹⁹ The concept of the black box, which defining state as unified body implies that researchers could ignore the abundant information inside the state and focus on a set of rational preferences to analyze states' behavior. I do not agree with this simplification. I argue that both in theory and reality that domestic politics

¹⁸ Kenneth Waltz adopted the phrase "image" to represent the different level of analysis. See Waltz, Kenneth. Man, the State and War—a Theoretical Analysis. New York: Columbia University, 1959, p.16.

¹⁹ The phrase "black box" refers to the theoretical approach that taking state as a closed unit to analyze the world politics.

should not be neglected because they play a crucial role in foreign policy making as well as in understanding international relations.²⁰ It is the reason I establish the dyadic level between international level and state level instead of deciding which level is more important. In my point of view, these two levels are closely connected and only by understanding this connection could research questions be answered. Next, I use one example to illustrate what I mean by state as the aggregation of society's attitude and.

In April 16th 1992, the Vice Chairperson of Taiwan's Mainland Affairs Council under the Executive Yuan, Kao Kung-Lien, announced to the press that the Taiwanese government had decided to support a "grassroots" boycott against the traveling to China. The boycott was started by the Taipei Association of Travel Agents to protest changes made by the Chinese government concerning Taiwanese travel to China. Beginning from May 1st 1992, China's National Tourism Administration announced that first, the application fee of Taiwanese people traveling to China would be raised from HK dollar 70 to 120. Second, the CNTA would now require all Taiwanese tourists to submit their birth certificate when applying to travel in China. Third, they changed the title of the

²⁰ See the literature review in the rest of the chapter.

Taiwanese people's identification card when traveling in China from "Travel ID" to "Pass ID."²¹

Concerning these three new rules, Taiwan's travel agents were mostly concerned about the increase in the application fee that would directly affect the cost of travel and thus harm business. On the other hand, the Taiwanese government itself was more mostly concerned about the other new rules. As a sovereign state, at least as much as Taiwan's government claimed to be, she felt her citizens should travel to other sovereign states with normal passports instead of any other kind of identification card. Taiwan's government suspected that the purpose of China ordering new rules to the Taiwanese people's identification cards was to demonstrate the inferior status of Taiwan as one of the provinces of China. If we look closely, we find that China's new rules on travel could be seen as a political act in order to set the "right tone" on the newly opened cross-strait links. This right tone is that the relationship between China and Taiwan is not the ordinary state-to-state situation; instead, it is a central to local one. Of course, Taiwan's government would not accept this degradation. Therefore, Taiwan's travel agent business circle raised the boycott against China and the government appeared to support this action.

²¹ "New Rules on Taiwanese Travel to China." Taipei Central News Agency 13 Apr. 1992.

This example could help to clarify the concept of “Taiwanese hostility toward China.” If Taiwan’s travel agent association began the boycott but the government did not support the action, the whole event could not be considered a projection of Taiwanese hostility toward China. The reason is that Taiwanese hostility refers to the overall society’s will reflected in the government’s acts, policies and talks. If Taiwan society’s voice were not strong enough, the government would not respond to it. Therefore, I focus on governmental acts, policies and talks that can represent the overall Taiwanese will. This approach can appropriately capture the reality of Taiwanese attitude toward China and also achieves the goal of simplicity. This example, Vice Chairperson’s formal announcement supporting the non-governmental protest against China, is an event that clearly illustrates how Taiwan projects hostility toward China.

First Attempt: Realism Perspective

In this section, I discuss the theories of different political realist factions such as structural and classic realism and how these theories lead to their observations toward cross-strait rivalry. Second, I provide testable hypotheses generated from realist theories and I also explain why some seemingly apparent variables were excluded.

- **Classic Realist Perspective**

Based on the assumption—1. The nature of international relations is anarchical and relies on the principle of self-help, 2. The core of international relations is the power struggle between rational state actors, 3. Power, mainly referring to actual military force, is the ultimate driving force of world politics.²² Classic realism would characterize the cross-strait relationship after 1949 as simply the continuation of the Civil War between Chinese Communists and Nationalists.²³ This struggle is determined by each state's power, mainly military power. And through military competition and the balance of power, temporary peace can be reached. The source of Taiwanese hostility toward China, in classic realist perspective, comes from the fundamental nature of world politics—power struggle between two sovereign states. China wants to destroy Taiwan's sovereignty through re-unification and Taiwan resists this political proposal. Taiwan raised its hostility toward China to protect its sovereignty just like every small state facing strong neighbors. Therefore, in Taiwan's case classic realists would argue that the source of Taiwanese hostility toward China comes from the threat created by China, namely Chinese hostility toward Taiwan.

²² Morgenthau, Hans J. Politics Among Nations—The Struggle for power and Peace, Brief Edition New York: Rev. Kenneth W. Thompson, McGraw Hill Press, 1993, CH.1.

²³ Since China is the more powerful one in the cross strait dual, she holds a rather realist point of view in her relations with Taiwan. See "Full Text of Anti-Secession Law." Beijing People's Daily 14 Mar. 2005.

While some people say “It takes two to make a quarrel,” it is reasonable to argue that Taiwanese hostility toward China is basically a reaction to Chinese hostility. China projected hostility through its talks, policies or acts against Taiwan, so, Taiwan was forced to reply with same level of hostility. It is more like self defense. As a matter of fact, Taiwan’s government has always used this reason—self defense—to justify its’ hostility toward China. This seems true even when we trace cross-strait relations back over the last fifty years. In the 1950s and 1960s, China claimed to have crushed the “Chiang Kai-shek gang of bandits and American Imperialism” by brutal force and Taiwan returned the hostility through military preparation and mobilization.²⁴ In the 1970s and 1980s, China gradually gained international recognition and began a diplomatic campaign against Taiwan’s status. To resist China’s pressure to push for reunification, Taiwan isolated itself from any kind of communication with Mainland China. In the late 1980s and 1990s, China started another round of “Unification Warfare” by offering “One country, two systems principle” that would ultimately abolish Taiwan’s sovereignty.²⁵ Taiwan did not accept China’s proposals and gradually moved away from Beijing’s bottom line—One China Principle. This event again illustrates an action-

²⁴ “People Daily in Retrospect: The Years of Instability.” Beijing People’s Daily 16 May. 2005.

²⁵ “Deng’s One Country Two System Trick would fail.” Taipei United News 3 Jul. 1983.

reaction interchange, a large portion of which is focused on negative aspects and incidents within Chinese-Taiwanese relationship.

The situation of *reciprocal effect* is pervasive and usual in relations among states. There are many examples that could illustrate this interaction such as the security dilemma, arm races and disarmament negotiations. Although central to the debates and subjects just mentioned, scholars also find this interaction in many works in the field of *event dataset studies*. Based on his empirical work represented in the Conflict and Peace Data Bank (COPDAB) and the World Event/Interaction Survey (WEIS), Michael Don Ward's article in 1982 stated that there was high degree of reactivity in the relations between states.²⁶ Thus, in this model, I assume that foreign policy behavior sent from one nation to another is a direct consequence of the behavior of that nation directed toward the initiator. Therefore, hostility and benevolence are viewed as reciprocal.

In sum, to generate the influence of Chinese threat to Taiwanese hostility toward China, I set two hypotheses: one to represent the military-economic capability confrontation and the other to represent the interactive talks, policies or acts. The hypotheses to explain Taiwanese hostility toward China generated by the classic realism school is:

²⁶ Ward, Michael Don. "Cooperation and Conflict in Foreign Policy Behavior-Reaction and Memory" *International Studies Quarterly* 26.1 (1982): 87-126

***Hypothesis 1:** Chinese threat to Taiwanese sovereignty is a primary source of Taiwanese hostility toward China. If Chinese hostility toward Taiwan increases, Taiwanese hostility toward China would also increase.*

***Hypothesis 2:** Taiwanese military and economic capability explains its hostility projection toward China. When Taiwanese capability increases, Taiwanese hostility toward China also increases.*

● **Structural Realist Perspective**

Structural realism followed classic realism's key assumptions but especially emphasized the importance of external factors, namely systematic level force. This systematic-level force came from the distribution of power in the international system.²⁷

In Taiwan's case, the power distribution in East Asia after the World Wars was decided by two superpowers and especially by the United States. The United States had a history of cooperation with the Chinese Nationalists since the early years of the Republic of China and had the crucial power to influence the Taiwanese power struggle with Communist China after 1949.

²⁷ Waltz, Kenneth. "Political Structure" eds. Keohane Robert O. Neorealism and Its Critics New York: Columbia University, 1986, P.70.

Many scholars followed the structural realist tradition to study cross-strait relations. They emphasized the importance of comparative military capability between Taiwan/the United States and the PRC, they analyzed the evolution of cross-strait confrontation, and most of them agree that neither Taiwan nor China, but the United States, has the absolute might to decide cross-strait relation.²⁸ Only compare giant China and tiny Taiwan's military capability is not enough since it is an incomparable pair. Without the US support, China would take over Taiwan immediately and Taiwan would seriously negotiate with China to gain more profits in reunification. As a matter of fact, many researches held the assumption that the US was not the broker but the decider in Taiwan China confrontation.(L. J. Wu 1996, Y. G. Chen 1996, C. L. Chou 1996) Here, I followed structural realist approach to discuss the role of the US' in China Taiwan rivalry.

In the first period of China Taiwan rivalry from 1949 to 1978, Taiwan was capable of challenging China by violent means because the US provided ample military equipments and financial aids to Taipei. In the second period from 1979 to 1988, Taiwan

²⁸ Christensen, Thomas J. "The Contemporary Security Dilemma: Deterring a Taiwan Conflict" The Washington Quarterly 25:4 (2002): 7-21, Ross, Robert S. "Navigating the Taiwan Strait: Deterrence, Escalation Dominance, and US-China Relations" International Security 27.2 (2002): 48-85, Whiting, Allen S. "China's Use of Force 1950-96, and Taiwan" International Security, 26.2 (2001):103-131, Betts, Richard K. "Wealth, Power, and Instability: East Asia and the United States after the Cold War" International Security, 18.3 (1993): 34-77, Glosny, Michael. "Strangulation from the Sea: A PRC Submarine Blockade of Taiwan" International Security 28.4, (2004): 125-160.

became less hostile because she lost the support from the US after they officially normalized relations with Beijing and terminated diplomatic relations with Taipei. In the third period from 1989 to 2004, the United States initiated her famous ambiguous strategy toward Taiwan Strait rivalry. Regarding Taiwan, Washington D.C. on the one hand sells weaponry to help secure her de facto independence and to resist Chinese political proposals or military attempts at reunification, and on the other hand, seriously warns Taiwan not to dash its de jure independence and not to militarily challenge China. The inner logic of the American foreign policy is that “if we supported Taiwan too much, Taiwan would feel too secure and begin unnecessary hostile acts toward China. In the end, Taiwan would drag the US into an unnecessary war with China.”²⁹ Regarding China, Washington D.C. guaranteed that the US wouldn’t support Taiwan’s independence and while at the same time warning Beijing not to militarily invade Taiwan. The US logic here is that “if we guaranteed Beijing too much, Beijing would feel confident about her own military capability and invade Taiwan. In the end, the US would have to fight China to protect Taiwan.”³⁰ Accordingly, in the 1990s, the US tried to follow this logic and keep the balance between Beijing and Taipei. By clearly stating her bottom line in a possible war between China and Taiwan and while making sure that

²⁹ “The New US Balancing Strategy in Cross-Strait Relations.” Taipei Central News Agency 23 Feb. 1994.

³⁰ Ibid.

Taiwan will keep buying US made weaponry without using them and Beijing will not destroy the regional balance, the US could benefit most in this game. Taiwanese attitudes toward China in the 1990s reflected this American's strategy and also structural realist predictions.

Thus, the structural realist hypothesis in the case of Taiwanese hostility toward China would be:

***Hypothesis 3:** The systematic-level factors influence Taiwan's capacity to increase or decrease its hostility toward China. When the International support (the United States) to Taiwan is increased, Taiwanese hostility toward China increases.*

Second Attempt: Liberal Perspective

The other major school of theory in the field of international relations is political liberalism. Contemporary discussions of realism and liberalism tend to agree that the two traditions share more similarities than differences (Baldwin 1993, Kegley 1995).³¹ However, some major assumptions of liberalism do lead to different observations and conclusions concerning world politics. These assumptions are 1. Bad part of human nature can be improved by good education, as well as that bad part of international

³¹ Legro, Jeffrey W. Andrew Moravcsik. "Is Anybody Still a Realist," *International Security* 24.2 (1999):65-92.

relations can be improved by states' right efforts. 2. not only states can act in international politics, but also international institutions.³² 3. not only international institutions can improve world politics but also domestic institutions. 4. The right arrangement of cooperation in whether domestic or international level could and should promote world peace.³³ Under these assumptions, liberal scholars have developed different approaches that focus on understanding different aspects of society. In my research, I utilize institutional liberalism and commercial liberalism perspective because their foci are more appropriate to China Taiwan case.

- Institutional Liberalism

In general, liberals believe that the adequate arrangement of domestic and international institutions can promote peace and that's why their theories are also sometimes called institutionalism.³⁴ At the international level, states participate and engage in international organizations and regimes because they give them more opportunities to improve understanding, to strengthen cooperation, and ultimately resolve disputes that may lead to war. (Keohane 1984, Krasner 1983) After the Second World

³² International institutions refer to all kinds of real organizations, corporate units and also rules, regulations and regimes.

³³ These shared assumptions of liberal tradition can be found in several books. Keohane, Robert O. After Hegemony: Cooperation and Discord in the World Political Economy. New Jersey: Princeton University Press, 1984. Kegley, Charles W. Jr., "The Neoliberal Challenge to Realist Theories of World Politics: An Introduction," in Kegley eds., Controversies in International Relations Theory: Realism and the Neoliberal Challenge New York: St. Martin's, 1995.

³⁴ Russett, Bruce. Oneal, John. Triangulating Peace—Democracy, Interdependence, and International Organization New York: W.W. Norton & Company, 2001, Ch.3. 5.

War, developing trends in politics and economics brought human beings a new perspective on cooperation based on optimism and aimed at improving global welfare and peace. From Karl Deutsch, Robert Keohane, Joseph Nye, John Gerald Ruggie to more current scholars, all have strongly promoted the idea of developing international ways to solve not only world conflicts but also each state's domestic problems.³⁵

In the domestic level, using the same logic, if all the political coalitions, parties, and groups could have more opportunities to talk, negotiate, and compromise, then the disputes and conflicts would be more likely to be resolved. Democratic regimes would do a better job than others in providing more opportunities for citizens to generate a more rational decision.³⁶ Zeev Maoz and Bruce Russett pointed out the fundamental advantage of democratic regime come from two concepts: compromise and cooperation.³⁷ From these theoretical inferences institutional liberals generated the democratic peace theory that has been a key research platform in current international relations study. This theory argued that democratic systems could do a better job than other regime types in preventing irrational foreign policy, as well as winning interstate conflicts because of

³⁵ Deutsch, Karl W. The Analysis of International Relations New Jersey: Englewood Cliffs, 1968. Keohane, Robert O. Joseph S. Jr. Nye. Transnational Relations and World Politics Massachusetts: Harvard University Press, 1972. Ruggie, John Gerald. "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order," International Organization, 36.2 (1982).

³⁶ Russett, Bruce, John Oneal. Triangulating Peace—Democracy, Interdependence, and International Organization New York: W.W. Norton & Company, 2001, Ch.3.

³⁷ Maoz, Zeev. Bruce Russett. "Normative and Structural Causes of Democratic Peace" American Political Science Review 87.3 (1993)

their characteristics of check and balance, respect for public opinion, voluntary extraction and efficient institutions.³⁸ More importantly, the fact that democratic states never fought each other proved that this domestic political arrangement could prevent war and promote peace among states.³⁹ Russett and Oneal theoretically and statistically verified the institutional liberal argument that democratic countries almost don't fight to each other.⁴⁰ Bueno De Mesquita, Morrow, Siverson and Smith in their milestone study adopted rational choice method to fully explain the democratic peace.⁴¹ Kinsella and Russett's research also shows that democracies have fewer diplomatic disputes with each other.⁴²

Although no research has proven that democratic countries are more likely to fight authoritarian ones, following institutional liberalism's logic democracies should have a hard time getting along with them.⁴³ First, they have different ways of dealing with foreign policy, different world perspectives, different domestic problems, and, different ideologies that have often led to conflicts. Second, based on Michael Doyle's typology

³⁸ Lake, David A. "Powerful Pacifists: Democratic States and War," American Political Science Review 86. 1 (1992)

³⁹ Ray, James Lee, "Does Democracy Cause Peace?" Annual Review of Political Science 1. (1998): 27-46.

⁴⁰ Russett, Bruce, John Oneal. Triangulating Peace—Democracy, Interdependence, and International Organization New York: W.W. Norton & Company, 2001, Ch.3.

⁴¹ Bueno De Mesquita, Bruce. James D. Morrow, Randolph M. Siverson, Alastair Smith, "An Institutional Explanation of the Democratic Peace," American Political Science Review 93.4 (1999)

⁴² Kinsella, David, Bruce Russett, "Conflict Emergence and Escalation in Interactive International Dyads," Journal of Politics 64.4 (2002)

⁴³ All the evidence to support Democratic Peace theory relied on dyadic nature. Scholars are striving to test these following inferences from Democratic peace theory. See Shapiro, Ian. "The State of Democratic Theory," in Katznelson, Ira and Milner, Helen V. eds. Political Science: the State of the Discipline. New York: W.W. Norton & Company, 2002. p.235-266.

of liberalism, none of the three liberal traditions—Kant’s liberal internationalism, Machiavelli’s liberal imperialism and Schumpeter’s liberal pacifism, entirely reject the idea of using necessary violence means to pursue liberal values.⁴⁴ Both in theory and reality, it is reasonable to say that democratic countries are not more peace loving than authoritarian ones.

Third, it is the fact that democratic states don’t fight to each other, but it is also the fact that democratic countries do not fight less than the authoritarian ones. Therefore, who do the democratic countries fight to? It is reasonable to argue that democratic and authoritarian countries do not get along too well since it’s the same logic to establish the democratic peace theory. This argument—different regime types do not get along and are more likely to project hostility to each other, had not been verified by scholars in the field and that’s why it’s worthwhile to test this hypothesis in Taiwan China case.

We look at Taiwan and China, they are different politically—China is an authoritarian state and Taiwan has gradually become a democracy. The Tiananmen Square incident in 1989 gave people the impression that China was absolutely an authoritarian country. Recent economic liberalization in China hasn’t changed this image much. In 2003, the Freedom House organization gave China the lowest rating in political

⁴⁴ Doyle, Michael W. “Liberalism and World Politics” *American Political Science Review*, 80.4 (1986): 1151-1169.

rights which was the same level with North Korea and Iraq. On the other hand, the overall political situation in Taiwan was defined as free and rated a 2 in political rights.⁴⁵

Several scholars have pointed out that regime type differences exacerbated cross-strait rivalry in the 1990s.⁴⁶ (Robinson and Moon 1999, C. C. Hsu 2000, Y. S. Wu 1998) This research was welcomed by Taiwan because it praised the Taiwanese style of western democracy and blamed China as the stubborn authoritarian eager to crush a new democracy. Moreover, scholars pointed out that in the Taiwan-China case, it was not simply democracy vs. authoritarianism, but a more dangerous one—democracy in transition vs. authoritarian. (T. C. Lin 1997, C. C. Hsiao 1996, C. Y. Wong 1995) As Jack Snyder pointed out; the period of transition to democracy was surprisingly more dangerous than other situations regarding conflicts domestically or internationally. (Snyder, 1991) Democratization always starts with relatively weak central authority, unstable domestic coalitions, and high-energy mass politics. These three features are the best environment for extreme political factions to manipulate the people and generate irrational policy. In this period, the strength of democracy hasn't been discovered and the state has already lost some of its strength, efficiency, stability, and solidarity that it may

⁴⁵ Freedom House Country Ratings 2005, <http://www.freedomhouse.org/>

⁴⁶ Wu, Yu-Shan "Taiwanese Elections and Cross-Strait Relations," *Asian Survey*, 39.4, (1999): 565-587. Wong, Ka-Ying "Democratization and the Emergence of the Popular State in Taiwan: Impacts on Taiwan-Mainland Relations," *The Chinese Public Administration Review*, 4.2 (1995): 1-36. Robinson, James A. Eric P. Moon, "Taiwan's Democratization and Cross-Strait Relations," *Tamkang Journal of International Affairs*, 3.3 (1999): 31-49.

have had under the authoritarian regime. In China and Taiwan's case, Snyder's perspective seems about right. Taiwan was experiencing democratization during the 1990s and all the situations Snyder described took place in Taiwan in this period.

In sum, the hypothesis generated by institutional liberalism to account for Taiwanese hostility toward China is:

Hypothesis 4: When the regimes type difference between Taiwan and China enlarged, Taiwanese hostility toward China would increase.

- **Commercial Liberalism**

Following Kant, Paine, and Cobden, modern commerce liberalists argue that increasing economic linkages among states could promote peace.⁴⁷ This argument can be illustrated in three ways. First, economic linkages among states create interdependence. As this interdependence grows, states would be less likely to conflict with other states in order to avoid endangering economic interests.⁴⁸ Second, economic transactions would promote growth of states' wealth and living standards and also promote mutual understanding between states in cultural, societal, and political aspects. This mutual

⁴⁷ Russett, Bruce. John Oneal, Triangulating Peace—Democracy, Interdependence, and International Organization New York: W.W. Norton & Company, 2001, Ch.4

⁴⁸ Papayoanou also points out that economic interdependence was a key concern for great powers to decide its allies. See Papayoanou, Paul A. "Economic Interdependence and the Balance of Power," International Studies Quarterly, 41 (1997): 113-140.

understanding and simultaneous economic growth would indirectly prevent states from conflicting with each other. Third, the “spirit of commerce,” namely cooperation, stability, and reciprocity, will help form a coalition of business interests concerned with reducing the possibility of war.⁴⁹ Scholars in the field of cross-strait relations gradually accepted the commerce liberal’s ideas and pay more attention to this approach. Early in 1995, Y. S. Wu discussed the impact to Taiwanese economy brought on by increasing cross-strait commerce.⁵⁰ Scholars also analyzed how economic means were utilized to achieve political ends. (Kuo 1993, D. S. Chen 1992) And they discussed the political influence on Taiwan’s society created by cross-strait commerce. (Wu 1996, Cabestan 1995) However, the political affects of cross-strait commerce has not to this point been theoretically discussed and studied in a sufficient way.

Commercial liberalism also has faced challenges mainly from its’ opposite tradition—realism. Realists have primarily used the concept of *relative gain* to challenge liberalism’s *Kantian triangle peace* theory. Disagreeing with commerce liberalism, Joseph Grieco argued that states gaining less than their trading partners might become enemies one day based upon a security incentive to re-negotiate terms or to limit their

⁴⁹ Kant, Immanuel. Perpetual Peace and Other Essays Indianapolis: Hackett Publishing Company 1983, P. 125.

⁵⁰ Wu, Yu-shan “Cross-Strait Relations’ Impact on Taiwan’s Economic Development Model” Issues and Studies 34.2 (1995): 1-19.

cooperation.⁵¹ Not only realists, but other schools as well provide discussion and evidence to criticize commercial liberal arguments.⁵² In Katherine Barbieri's empirical study, she argued that asymmetric trading relations were more dangerous than low trading relations. This finding pointed out that the more economic transactions do not necessarily mean a more peaceful relationship (Barbieri, 1995). One example in history, imperialism, is an extreme example of bad trading relationships. Great quantities of economic transactions between imperial states and underdeveloped states did not bring peace and wealth for both parties, but rather many conflicts and lasting hatred. The other school claims that the nature of commercial relations among states is the extraction from industrialized countries to underdeveloped ones. Dependency theory suggests that metropolis states unfairly extracted resources from periphery states by trade and investment.⁵³ This extraction somewhat creates dependence (not interdependence) but definitely no understanding and cooperation. We can not expect the increasing economic relation could reduce the possibility of conflicts and hostility.

These examples show us that international trade is not all benevolent. Is it true that fair and equal economic relations could create peace and benevolence between states?

⁵¹ Grieco, Joseph M. Cooperation among Nations: Europe, America, and Non-tariff Barriers to Trade Ithica, NY: Cornell University Press, 1990, p.39.

⁵² Scholars adopted game theoretic or expected utility models to challenge the trade/cooperation relation. See Barbieri 1996, Reuveny & Kang 1998, Polachek, Robst & Chang 1999, Oneal & Russett 1999.

⁵³ Chilcote, Ronald H. "Theories of Development and Underdevelopment" in the book of Theories of Comparative Politics. Boulder: Westview Press, 1994.

No, because real “equality” in trading relations could never been achieved. First, there are no fair trading relations at all based on the relative gains logic. States are always cautious about what they gain and what they lose. Second, states always take security and political concerns more seriously than economic ones. So, the true cooperation without selfish calculation between states is just impossible. In addition, for states who already involved in conflicts, trading to each other would definitely harm their own interests especially the key sectors of industries.⁵⁴ Edward Mansfield and Joanne Gowa do not agree with commercial liberalism. They argue that security concerns are of absolute importance to sovereign states and they then provide evidence showing that states were more likely to trade freely and fairly with their allies instead of others because of the smaller security concern.⁵⁵ Barbieri Katherine and Jack Levy in their research even directly challenge the basic logic of commercial liberalism. They provide evidence showing that throughout history, trade between warring states did not stop and wars did not stop trade. Therefore, the argument is trade could not prevent war.⁵⁶ This research implied two possibilities. One, security and economic concerns were separate in relation to states’ policy making. Two, state as the public sector does not always put private

⁵⁴ Grieco, Joseph M. Cooperation among Nations: Europe, America, and Non-tariff Barriers to Trade, Ithaca, NY: Cornell University Press, 1990, p.39.

⁵⁵ Mansfield, Edward. Joanne Gowa, “Power Politics and International Trade” American Political Science Review, 87.2 (1993)

⁵⁶ Barbieri, Katherine. Jack S. Levy. “Sleeping with the Enemy: The Impact of War on Trade” Journal of Peace Research, 36.4 Special Issue on Trade and Conflict (Jul., 1999)

sector's economic interest as priority. It is possible that state just ignore societal needs of avoiding conflicts with trading states and pursue its' political goals. Either possibility suggested that commercial relationship could not deter the occurrence of conflict. Peter Liberman summed up the critiques to commercial liberalism by arguing that security concerns and relative gain calculations dominated decision makers' thoughts not only in conflicting states but also ordinary trading states.⁵⁷

In the field of cross-strait relations, C. W. Lin and C. C. Lo adopted the concept of relative gains and the method of rational choice to create a cross-strait commerce game. Although no solid result was concluded, their research intimated that commerce liberal predictions about cross-strait commerce promoted peace.⁵⁸ C. L. Wu and S. F. Yiang adopted a quantitative method to analyze the correlation between cross-strait commerce and political fluctuation. Their research did not reach strong significance but suggested the possible existence of this correlation.⁵⁹ The scale of Wu and Yiang's research is limited, the time period is only five years and the selection political events has no clear criteria. However, Wu and Yiang's hypothesis is worthwhile for future study.

⁵⁷ Liberman, Peter "Trading with the Enemy" International Security, 21.1 (1996)

⁵⁸ Lin, C. W. and C. C. Lo "Zero Sum or Win-Win: New Explanation for Cross-Strait Commerce" Art Literature and Social Science Journal, 87.3 (1998): 33-77.

⁵⁹ Wu, C. L. and S. F. Yiang "Stay in Taiwan or Go West: The Analysis of Taiwan's Investment in China" Issues and Studies, 38.7 (1999): 43-59

In sum, I use commercial liberalism's perspective, as well as its challengers' perspectives, to observe China Taiwan case. Surely commercial liberalism would argue that increasing cross-strait economic links would ultimately promote peace.⁶⁰ Critics however argue either that there is no correlation, or that the causal direction is opposite. One thing I need to add here is the difference between the often-used term "conflict" and the phrase "hostility" in this dissertation. The concepts of conflict and hostility are different but in my research, they are used in similar ways. Therefore, the popular discussion about the correlation between economic interdependence and conflict could be applied to my research on hostility. One might argue that Taiwan can do business with China, keep peace with China, and at the same time, hate China. It is a possible situation for an individual but under the assumptions of my research, this is impossible because my hostility refers to the government. If Taiwanese government continues to increase its' hostility level toward China, China will inevitably adopt policies to stop cross-strait commerce. Governmental hostility would lead to interstate conflict, therefore to certain degree; the concept of hostility is identical to the concept of conflict. And on the other hand, the concept of benevolence in this study is identical to the concept of cooperation.

⁶⁰ See "Clinton: The Solution to Cross Strait Problem is Economy." Taipei China Times 2 Mar. 2005

Since there are many debates on this subject, it is crucial for me to test the validity of commercial liberal predictions in cross-strait case. Based on these propositions, commerce liberalism's hypothesis in Taiwan's case would be:

***Hypothesis 5:** When economic relations (defined as Taiwanese investment in China) were strengthened, mutual interdependence and understanding were created, and ultimately decreased Taiwanese hostility toward China.*

***Hypothesis 6:** When economic relations (defined as the total cross-strait trade between Taiwan and China) were further strengthened, it created mutual interdependence and understanding, and finally a decrease in Taiwanese hostility toward China.*

I spent more time discussing the commercial liberal perspective because this argument, continuing and enlarging cross-strait commerce to promote peace, has become the main approach in Taipei, Beijing and Washington D.C., thus it's important in this research to verify or falsify this argument. This hypothesis will be tested in the chapter 4.

Third Attempt: Domestic Politics Perspective

- **Methodology**

It is not possible that it is not really appropriate to list realism, liberalism and the domestic politics model in the same analysis because the former two have grand

frameworks and the latter is more like an approach for research. Simply put, the domestic politics model's main approach is to focus on politics inside states to see how this determines foreign policy and international relations. Regarding levels of analysis, realism mainly focuses on the international or systemic level, liberalism focuses on both the international and domestic levels, and domestic politics model focuses on the domestic level. This typology does not imply that they only focused on their target level; they just emphasize the importance of that level. I use these three schools within the same level of analysis in this dissertation because they all have different perspectives on the cross-strait relations and this typology—realism, liberalism, domestic politics model—should definitely help to clarify the key question of this paper.

Scholars have criticized the domestic politics model. First, they think that there is no theory at all in the model because all of its' arguments could not be generalized or simplified.⁶¹ One state's domestic politics could not be applied to another state's situation since their contexts are different. Therefore, all the research under this model could at best be described as a case study—providing information and applying some theories. Grand theories, whether realism or liberalism, believed that the domestic

⁶¹ Waltz, Kenneth. "International Politics Is Not Foreign Policy," Security Studies 6 (1996). Waltz, Kenneth "Political Structure" eds. Robert O. Keohane Neorealism and Its Critics New York: Columbia University, 1986, P.122.

politics approach only provided necessary information for research but could not become the thesis of the research.⁶² And, although there is nothing wrong with studying domestic politics, focusing only on this approach would make the research a historical work or country report, not an international relations study.

Second, scholars have also defined the domestic politics approach as one branch of foreign policy study. In other words, this model does not belong to international relations field. Since foreign policy study focuses on the policies and relations toward foreign states, one could not define it as domestic public policy. Falling in the middle of the international and domestic realms, foreign policy study has often been deemed as an auxiliary approach to the IR or public policy fields.⁶³ However, more and more scholars have rejected this point of view in recent years.⁶⁴ Instead, they argue that foreign policy study is very important for not only constructing a coherent explanation for states' foreign policy outcome but also interactions among them.⁶⁵ In other words, we should shift our focus from only looking at the domestic realm to the connection between

⁶² Waltz, Kenneth. Man, the State and War—a theoretical analysis New York: Columbia University, 1959, P.238.

⁶³ Rose, Gideon. "Neoclassical Realism and Theories of Foreign Policy" World Politics 51 (1998): 145.

⁶⁴ Frieden, Jeffrey. Lisa L. Martin, "International Political Economy: Global and Domestic Interactions," in Katznelson, Ira and Milner, Helen V. eds. Political Science: the State of the Discipline. New York: W.W. Norton & Company, 2002. p.118-147

⁶⁵ Ibid.

international and domestic aspects and take this connection as the most crucial factor in explaining world politics.

The domestic politics approach is all about the connection between international and state levels. After all, we are trying to find the answer to explain our research question and if possible, produce general implications for other cases. Therefore, we do not need to stick to one level of analysis and I do believe that the domestic politics approach is a very efficient way to solve this research puzzle. It's impossible to study international relations without knowing domestic politics, foreign policy and decision-making processes. Although researchers always face the problems of limited resources, time and information, omitting the importance of information inside states would just lead to incorrect conclusions and predictions. Therefore, maybe the chief question is whether or not we should study domestic politics or not, but how we should study domestic politics, and how important the domestic factors are in influencing the foreign policy making and relations among states. In this dissertation, I use every theory, I test their validity, and I put them into the context of my research questions. I adopted realist and liberal theories, and I also collect all the information of domestic politics. After the logical inferences and empirical testing, I find out which theory could adequately answer my research questions. My principle of methodology seems like an opportunist. We always labeled opportunist

or the saying of “I use whatever it works” as negative academic attitude.⁶⁶ However, I think it’s very constructive attitude—trying out all kinds of approaches to pursue a reasonable answer, and adopting approaches based on the likelihood of getting answer instead of scholarly bias or inability to use the approach. This dissertation is an example of methodological pluralism—using every possible means to achieve ends. I believe it is the right attitude scholars in the field of international relations should have.

● **Researches in Domestic Politics Model**

To pursue a high degree of accuracy and explanatory value, the researchers who use the domestic politics model always focus on a small number of cases or just one case. They usually point out the importance of domestic politics and argue that internal factors are more crucial than external factors. The variety of this model comes from different aspects of “domestic politics.” In various research efforts, scholars have focused on ideology (Goldstein, 1989, Robinson and Gallagher, 1953), partisan politics (Burnham, 1970), geographic difference (Trubowitz, 1998), industrial distribution (Ferguson, 1984), or political coalition formation (Snyder, 1991). Scholars have adopted the domestic politics approach across disciplines, subjects and methodologies. James Fearon utilized

⁶⁶ Kohli, Atul. Peter Evans, Peter J. Katzenstein, Adam Przeworski, Susanne Hoerber Rudolph, James C. Scott, Theda Skocpol. “The Role of Theory in Comparative Politics: A Symposium.” *World Politics* 48 (1995): 1-49.

rational choice method to study the escalation of international disputes. Instead of external factors, Fearon argued that the cost of domestic audience played an important role on determining interstate conflicts.⁶⁷ It is an obvious inside-out perspective to understand international relations. By exploring the political ramifications of different economic interests in the United States, Jeffrey Frieden concluded that it was true that different parochial economic interests determined their preferences toward imperial foreign policies.⁶⁸ Benjamin Fordham extensively analyzed US domestic politics to study several key policies prior to the Cold War period and provided a comprehensive and refreshing understanding of US foreign policy history.⁶⁹ D'Lugo and Rogowski pointed out that domestic coalition building; instead of the spiral effect of arm races was the crucial factor in Anglo-German naval competition before WWI.⁷⁰ These four studies all provided an alternative understanding—through domestic politics to probe the cause of events—to the historical events that we conventionally believed were caused by

⁶⁷ Fearon, James D. "Domestic Political Audiences and the Escalation of International Disputes," American Political Science Review 88.3 (1994)

⁶⁸ Frieden, Jeffrey A., "The Economics of Intervention: American Overseas Investment and Relations with Underdeveloped Areas, 1890-1950," Comparative Studies in Society and History 31.1 (1989)

⁶⁹ Fordham, Benjamin O. "Domestic Politics, International Pressure, and Policy Change: The Case of NSC 68." Journal of Conflict Studies 17.1 (1997): 126-147. Fordham, Benjamin O. "Economic Interests, Party, and Ideology in Early Cold War Era U.S. Foreign Policy," International Organization 52.2 (1998): 359-396.

⁷⁰ D'Lugo, David. Rogowski, Ronald. "The Anglo-German Naval Race and Comparative Constitutional Fitness," Rosecrance, Richard and Stein, Arthur eds., The Domestic Bases of Grand Strategy. Ithaca: Cornell University Press, 1993.

external factors. They provide us good examples to rethink about the cause cross-strait rivalry between China and Taiwan.

Next, I carefully introduce some examples that have a significant impact on my study of the cross-strait case. J.A. Hobson did not find fierce competition among imperial nation-states to be the source of Great Britain's over-expansion foreign policy in the 19th century. External forces did not actually create pressure on British decision makers and the economic payoff of continuous expansion was not really profitable. Hobson shifted his focus into domestic politics, and he found that specific interest groups controlled Great Britain's foreign policy making to fulfill their parochial interests abroad and domestically. This imperial foreign policy became hazardous to Englishmen because interest groups and the state machine together created all kinds of circumstances to support imperialism. They allied with the press, schools, churches, and businesses; they combined their own economic interests and national goals, and created patriotism to encourage citizens' self-sacrifice by joining the crusade-like imperialist acts. After the goals of foreign policy were not only made of specific groups' interests, but all citizens' illusionary beliefs.⁷¹ Hobson's work is a good example of how domestic factors (interest groups) matter and matter more than international factors.

⁷¹ Hobson, J. A. Imperialism Ann Arbor: The University of Michigan Press, 1965, p.361.

Lenin learned from Hobson and applied his imperialism theory to Russia's context. Methodologically, Lenin did not focus on domestic politics; rather he used the concept of class struggle to replace imperialist competition.⁷² Although Lenin did not further broaden the approach of domestic politics, after his application, the concept of class struggle had begun to be popularly adopted by scholars in the field of domestic politics.⁷³

Graham Allison also focused on the domestic politics model. In fact, the nature of his research on the Cuban Missile Crisis was more about foreign policy making than general international relations theory. However, his analysis has provided lots of insight into the domestic politics approach. Allison got into the black box and found layer after layer of political activities. The factors determining the efficiency and effectiveness of foreign policy were found not only in the external arena—the security of Berlin, missile deployment in Turkey, and Castro and the Kremlin's viscous intentions, but also in the competition and bargaining inside the administration, as well as in the conflict of politicians and individual characters.⁷⁴ In his work, Hobson only pointed out that there was a specific interest group but did not explain how this group worked and did not seek to prove the existence of this group. Similarly, Allison only argued that there were many

⁷² Lenin, V. I. "Imperialism, the Highest Stage of Capitalism," in Tucker, Robert C., eds. The Lenin Anthology, New York: Norton Press, 1975.

⁷³ Chilcote, Ronald H. Theories of Comparative Politics Boulder: Westview Press, 1994. Ch.8.

⁷⁴ Allison, Graham, Philip Zelikow, Essence of Decision: Explaining the Cuban Missile Crisis New York: Longman Press, 1999.

domestic factors out there but did not point out which domestic factors mattered more or why they mattered. I believe that if domestic politics mattered, it should matter in a way that could be verified and tested.

Jack Snyder attempted to establish this type of scientific domestic politics approach. He analyzed the overexpansion policy in five selected cases. He argued that powerful states “sometimes” did not act like realism predicted—being rational, expand when could and self-defense when necessary. Unfortunately, most of these “sometimes” were very crucial moments in human history. Snyder’s selected case proved that domestic factors were more significant than external pressure when states decided to act “irrationally.” Japan initiated the Pacific War with the invincible United States, Germany launched a two front total war with all of the Great Powers in the world twice, the United States used all of her resources to globally contain communist proliferation, Great Britain practiced imperialist policy in the nineteenth century, and the Soviet Union intended to spread its will and ideology over the world. The strength of Snyder’s study was that he did not attribute all of the policy decisions to only domestic sources, but more specifically to coalition making and logrolling. There were militaristic groups in Japan, rye and iron coalitions in Germany, the military industry complex in the US, imperial business groups in Great Britain and communist totalitarian groups in the USSR, all who manipulated national

policy to fulfill their parochial interests.⁷⁵ It was a step forward from Allison's tradition although Snyder did not provide a general theory to explain the coalition building and solid evidence to prove the existence of these political coalitions.

With the same focus, Ronald Rogowski adopted Stolper-Samuelson Theorem to argue that the opening of an economy would form a new round of domestic political alignments.⁷⁶ Rogowski adopted class difference—namely labor, land and capital—as his typology to describe the redistribution of economic interests and formation of political coalitions. He used a couple of cases—Germany, Britain, the US and Russia—to illustrate his hypotheses, and although they haven't been fully tested, his work has greatly enlightened many scholars in the field of political economy because he established a general theory—economic factor to determine the formation of political coalition—to make domestic politics model more scientific. Also, Rogowski's study somehow connects the international level and domestic level of analysis. The external influences—international economic competition—created the incentives for domestic coalition building and it comes back to shape state's foreign policy toward international market.

⁷⁵ Snyder, Jack Myths of Empire: Domestic Politics and International Ambition Ithaca: Cornell University Press.

⁷⁶ Rogowski, Ronald Commerce and Coalition: How Trade Affects Domestic Political Alignments Princeton: Princeton University Press, 1989.

Later on, Peter Trubowitz further elaborated the perspective of domestic politics with solid empirical evidence in one case, the United States. Although only one case, he carefully analyzed the origins of historical foreign policy changes in 1890, 1930 and 1980 in the United States. He argued that fundamentally the economic transformations in different regions determined political coalition making and thus decided American foreign policies for centuries.⁷⁷ Although Trubowitz called for a theoretical approach that transcended the false dichotomy between international and domestic politics, his approach was obviously domestic politics oriented. Trubowitz's work reminded me that the formation of political coalitions could be represented in a systematic way. For him, it's regional differences, and for me, it's citizens' diverse attitudes toward a state's primal foreign policy direction. In Taiwan's case, citizens' preferences of foreign policy direction toward either pro- or anti- China are the major factor to divide Taiwanese politics. I will follow this path to launch my study on China Taiwan relations.

Even the hardcore political realist has to admit the fact that domestic politics matters and thus it is hard to exclude this approach. Fared Zakaria pointed out in his research of US foreign policy that America always projects its power when capable.⁷⁸ External

⁷⁷ Trubowitz, Peter Defining the National Interest: Conflict and Change in American Foreign Policy Chicago: The University of Chicago Press, 1998.

⁷⁸ Zakaria, Fared From Wealth to Power: The Unusual Origins of America's World Role Princeton: Princeton University Press, 1998.

threats did not necessarily have to exist, and rewards might not always be there, but the US would expand anyway. It is a typical offensive realist's theoretical assumption. In this research, although the author label himself as a realist who should define state as a unitary actor in international relations and should stress the external factor rather than domestic ones, Zakaria needs include domestic factors to complete his explanation of American foreign policy. From 1777 to 1896, and from 1889 to 1908, there were two puzzles that needed to be explained: why did the US wait so long to expand her power? Zakaria argued that it would take almost two decades for the US to accumulate enough capability to realize its ambition and begin to project its power. This time lag took place because a great power needs time to generate consensus then act like a great power. I would say that Zakaria's explanation reflects the importance of domestic politics. The most interesting puzzle in his whole book was the question why did America delay its ambition to expand? Without an understanding of domestic politics, how can we hope to explain a states' foreign policy? How does Zakaria explain all other periods that the US did not expand? Why did the US not expand all of the time?

The last research by Ferguson enlightened me the most. Thomas Ferguson in his article in 1984 studied the formation of the American New Deal policy.⁷⁹ He adopted

⁷⁹ Ferguson, Thomas. "From Normalcy to New Deal: industrial structure, party competition, and American

two subordinate approaches to verify the correlation between domestic politics and New Deal policy. First, Ferguson adopted the “static theory of industrial partisan preference” built by James Kurth, Peter Gourevitch and Douglas Hibbs which argued that the static situation of industrial structure was the source of party competition and only by surveying regional economic differences could one understand the political preferences of the parties.⁸⁰ Second, he investigated how major changes in the level of national income affected the party system and political coalition building. He also discussed how this dynamic correlation led to the formation of New Deal policy after the Great Depression.⁸¹ Although it was strictly a policy study, Ferguson’s work helped me shed more light on my understanding of Taiwanese domestic politics and cross-strait rivalry. I want to find out the source of fluctuating Taiwanese hostility toward China and after my study I realized that the answer rested in their domestic politics. The static economic situation that had been influenced and transformed by the opening of cross-strait commerce seems to decide different regions’ political preferences in Taiwan. And, this

public policy in the Great Depression,” *International Organization* 38.1 (1984).

⁸⁰ About the “static theory of industrial partisan preference”, see Kurth, James “The Political Consequences of the Product Cycle: Industrial History and Political Outcomes,” *International Organization* 33 (1979): 1-34. Gourevitch, Peter “International Trade, Domestic Coalitions and Liberty: Comparative Responses to the Crisis of 1873-96,” *Journal of Interdisciplinary History* 8.2 (1977): 281-313. Hibbs, Douglas “Political Parties and Macroeconomic Policy,” *American Political Science Review* 71.4 (1977): 1467-1487.

⁸¹ Ferguson, Thomas. “From Normalcy to New Deal: industrial structure, party competition, and American public policy in the Great Depression,” *International Organization* 38.1 (1984): 47.

political preference might closely correlate to Taiwanese hostility toward China. Next, I state my domestic politics hypotheses.

- **Domestic Politics Factor in Cross Strait Case**

Now lets return to the cross-strait case. I follow the domestic politics model to look at all the related aspects inside Taiwan and try to connect this internal politics with external influences. I found Taiwan's seemingly irrational hostility toward China similar to the Great Powers' over-expansion as Snyder described. During the elections, the whole country became politically overzealous and extremely sensitive to any of Beijing's talks or acts. Pro and anti China coalitions depicted their competition as "cut throat game."⁸² The requirement of applying for governmental job in Taiwan included "must love Taiwan."⁸³ All these scenarios reminded me the Britain's society under imperialism and patriotism as Hobson described. Rogowski's book led me to look at the economic factors and class differences in Taiwan and how do they influence political coalition building. Trubowitz' insights took me to analyze Taiwanese regional economic redistribution after the open of cross-strait commerce.

⁸² "Secretary General of the President Hall Defines the Election as Cut Throat Game," Taipei Central News Agency 12 Apr. 2004.

⁸³ "The Side Effects of Ideology," Taipei Central News Agency 19 Jun. 2003.

Based on the arguments above, my hypothesis to explain Taiwan's intriguing hostility toward China is: *Taiwanese hostility toward China is the consequence of domestic political competition.* This anti- vs. pro- China political competition can be traced all the way back to 1949, but its nature changed after the opening of cross strait commerce in 1989. The redistribution of wealth and the restructuring of the agriculture, manufacturing, and service sectors after 1989 fueled the new round of political competition. Since then, political competition has become much more severe and dangerous. People in the agriculture and manufacturing sectors were more likely to support anti-Chinese coalitions because their economic interests suffered from the new economic situation. People in the service sector were more likely to support pro-Chinese coalitions because they profited from the changes in consumption patterns. The anti- and pro- China political coalitions competed with each other and struggled to obtain the power to set Taiwan's China policy. The rise and fall of this political competition has coincided with increases and decreases in Taiwan's hostility toward China. When anti-China coalitions took the lead, hostility would increase and when pro-China coalitions had the upper hand, hostility would decrease.

I generate two hypotheses and will test them in chapter four.

Hypothesis 7: *The Economic type of a county in Taiwan determined its political preferences. When a county in Taiwan had a higher percentage of its' population in agriculture and manufacturing sectors, this county would be more likely to support anti-Chinese politicians in national elections.*

Hypothesis 8: *Domestic political competition determines Taiwanese hostility toward China. When anti-China coalitions win the political competition, Taiwanese hostility toward China increases.*

The Economic and Political Sources of Hostility and Benevolence:

Taiwanese and Chinese Relations, 1975 to 2004

Chapter 3: Cross Strait Hostility Event Dataset

Reading everyday news in China and Taiwan, we hear all kinds of different messages sent by each government. Sometimes China threatens Taiwan by saying: “To keep the unification of our country, we would not hesitate to crush Taiwan into pieces,”⁸⁴ and at other times Chinese leader recite poems longing for unification with their Taiwanese siblings.⁸⁵ Taiwan can sometimes be very hostile saying things like: “China has missiles, we also have missiles. Two missiles would be enough. We will shoot one at Hong Kong and the other one at Shanghai. If the foreign capital fled, China’s economy would collapse.”⁸⁶ And sometimes Taiwan also patiently repeats its willingness to unify with China and claim themselves to be Chinese. These diversified expressions represent the variations of Chinese and Taiwanese hostility toward each other.

I want to clearly describe this variation across time because only by doing this can I move forward and find the source of hostility that correlates to this variation.

⁸⁴ “Beijing Threatened to Crush Taiwan into Pieces.” Taipei Central News Agency 21 Sep. 2000

⁸⁵ “Chian Chi-Chen Spoke to Taiwanese People in Chinese Lunar Festival.” Taipei Central News Agency 16 Sep. 1997

⁸⁶ “Liu Tai-Ying said that he did not intended to anger China.” Taipei Central News Agency 28 Jul, 1999

Otherwise, people could just select preferred events that they believe illustrates the cross-strait relationship between China and Taiwan and then argue whatever they want, misleading or not. In this dissertation, I established the “Cross Strait Hostility Event Dataset” to completely describe the variation of hostility/benevolence projection between China and Taiwan. This dataset focuses on the time period from 1975 to 2004 when the cross-strait relations included the most vivid scenarios. China in these thirty years has experienced the last part of the Cultural Revolution, initiation of Reform and Open Policy, the gradual evolution of the communist regime from a virtual dictatorship to a more egalitarian society, and finally the current economic boom that began in the 1990s and continues today. Taiwan was similarly experienced a dictatorship, international isolation, an economic miracle, democratization, the opening of cross-strait communication, and military confrontation with China. I selected this time period to establish the Cross Strait Hostility Event Dataset in order to test all the hypotheses listed in the chapter 2.

I will spend chapter 3 on the discussion of this dataset. First, I will discuss the construction of the event dataset in general and compare it with other datasets. Second, I will discuss the selection of events, source of the data, time period, and the coding system of the dataset. Third, I will go into the details of the coding process of each hostility level

and give examples to illustrate the coding criteria. Lastly, I will provide the descriptive statistics of the dataset. The basic information of two most important variables—Taiwanese hostility toward China and Chinese hostility toward Taiwan will be fully discussed.

Construction of the Dataset

● Concept and Usage of Hostility

I have briefly discussed in the last chapters the concept of hostility. I will further compare other examples of the usage of hostility in this section. In the existing literatures discussing the concept of hostility, Dina Zinnes and Gordon Hilton tended to define hostility as an emotional factor in decision makers' mind.⁸⁷ Micheal Giles and Arthur Evans also take hostility simply as any negative expression in inter-group politics.⁸⁸ Suheyyla Ozyildirim and Nur Bilge Criss, in their research paper testing the correlation between trade and hostility, defined hostility as the function of arm stocks and used this concept to compare with bilateral trade.⁸⁹ In other words, they had already deemed

⁸⁷ Zinnes, Dina A. "Hostility in international decision-making." *The Journal of Conflict Resolution* 6.3 *Case Studies in Conflict* (1962): 236-243. Hilton, Gordon "A Closed and Open Model Analysis of Expression of Hostility in Crisis." *The Journal of Peace Research* 8.3/4 (1971): 249-262.

⁸⁸ Giles, Micheal W., Arthur Evans, "The Power Approach to Intergroup Politics." *The Journal of Conflict Resolution* 30.3 (1986): 469-486.

⁸⁹ Ozyildirim, Suheyyla. Nur Bilge Criss, "Survival of Rationalism between Hostility and Economic Growth." *The Journal of Peace Research* 38.4 (2001): 515-535.

hostility as a variation that and can be measured by using fixed standard. Joshua Goldstein in his paper discussing the WEIS (World Event/Interaction Survey) coding process defined hostility as similar to the concept of conflict.⁹⁰ To some degree, hostility is identical with conflict and they both present a negative attitude. Schrodtt and Gerner also simply define hostility as “the negative expression” without special attention to this concept.⁹¹ Goldstein and Pevehouse in their series of studies by adopting WEIS defined hostility in a more complicated way. However, in general, the concept of hostility still refers to negative and their definition is different in how they categorized the range of hostility.⁹² I list all these usages of the concept of hostility in order to show that in the field of international relations, the concept of hostility does not have a fixed definition.

The concept of hostility is in general similar to the concept of conflict. I however define hostility in a broader perspective. As a matter of fact, I use the term “hostility” instead of conflict because most of cross-strait events are not prone to include actual military action. Therefore I wanted to use a broader term to represent the negative

⁹⁰ Goldstein, Joshua S. “A Conflict-Cooperation Scale for WEIS Events Data.” *The Journal of Conflict Resolution* 36.2 (1992): 369-385.

⁹¹ Schrodtt, Philip A., Deborah J. Gerner, “Empirical Indicators of Crisis Phase in the Middle East, 1979-1999.” *The Journal of Conflict Resolution* 41.4 (1997): 529-552.

⁹² Goldstein, Joshua S. Jon C. Pevehouse “Reciprocity, Bullying, and International Cooperation: Time-series Analysis of the Bosnia Conflict,” *American Political Science Review* 91.3 (1997): 515-529.

Pevehouse, Jon C. Goldstein, Joshua S. “Serbian Compliance or Defiance in Kosovo? Statistical Analysis and Real-Time Predictions” *The Journal of Conflict Resolution* 43.4 (1999): 538-546.

attitude between Taiwan and China instead of conflict. The basic features of my usage of hostility are: negative, variation, and broader sense of conflict.

In the other end, the concept of benevolence is, in this research, the opposite of hostility. Benevolence is a positive term, it also increases or decreases over time because of different events, and benevolence contains more possibilities than other terms such as cooperation. Benevolence refers to any positive expression of attitude, even a very slight one. I adopt benevolence instead of cooperation in this dataset as it is parallel with my concept of hostility and they both represent a broader approach to describing events.

Scholars usually adopt either Conflict-Peace or Conflict-Cooperation to represent the event scale. However, in these two phrases, the term conflict may have a totally different definition. If we assume conflict is the opposite of peace, then the definition of conflict is centered more on real violence, military action, or war. If we put conflict together with cooperation, the definition of conflict is more apt to be resistance or confrontation. Because of this distortion of definitions, I prefer to use a Hostility-Benevolence scale analyzing in a cross strait-case.

- **Current Event Dataset**

Using extensive collections of event data to understand the relations among states or to test possible correlations between variables has become popular among scholars in the

field of international security. Edward, E. Azar had worked on Conflict and Peace Data Book (COPDAB) for decades. This event dataset was the leading force in this scholarship because COPDAB was the first one to set the rules, the procedures and the coding system to make event data study possible.⁹³ COPDAB originally focused on the Middle East and then gradually broadened its scope to include relations between the US and USSR. Later on, the event data approach was extensively adopted in the study of the Cold War.

Charles Mclelland and Joshua Goldstein founded World Event Interaction Survey (WEIS) that also focused primarily on the US-USSR relations.⁹⁴ WEIS made changes to improve the quality of event collecting and coding to compete with COPDAB. Philip A. Schrodt was the major figure in promoting the Kansas Event Data System (KEDS) that has advanced the event data method in the last decade. KEDS adopted a machine coding system and collected information globally. The completeness and broadness of this dataset has drawn considerable attention in the international relations field.⁹⁵ By adopting these datasets, scholars broaden their research agenda not only in conflict-peace

⁹³ Azar, Edward E. "Conflict Escalation and Conflict Reduction in an International Crisis: Suez, 1956," The Journal of Conflict Resolution 16.2 (1972): 183-201.

⁹⁴ Goldstein, Joshua S. "A Conflict-Cooperation Scale for WEIS Event Data" The Journal of Conflict Resolution 36.2 (1992): 369-385.

⁹⁵ Gerner, Deborah. Philip A. Schrodt, Ronald A. Francisco, Judith L. Weddle, "Machine Coding of Event Data Using Regional and International Sources," International Studies Quarterly 38.1 (1994): 91-119.

studies but also in early warning systems, political economy, and foreign policy researches.⁹⁶

There are several problems if I adopt these current datasets. First, the event data approach has long been criticized for the problem of inconsistency.⁹⁷ Simply put, every dataset has its own criteria for event collection, coding, definitions, and formulation procedure. Therefore, even if studying the same topic and same period of time, different event datasets usually have different research findings. For example, WEIS and COPDAB both strongly focused on US-USSR relations, but their observations of this relationship are not consistent.⁹⁸ Ultimately, it seems the most appropriate way to use the event dataset method is to create one that fits your own research agenda. It is not efficient but it would increase the likelihood of finding a reasonable answer to your research question.

Second, the current events datasets tend to focus on the international level of politics. They list almost all of the nation-states in the world and thus these datasets are more suitable for scholars who want to study more general issues. For this reason, I could not

⁹⁶ Schrodt, Philip A. Deborah J. Gerner, "Cluster-Based Early Warning Indicators for Political Change in the Contemporary Levant," *The American Political Science Review* 94.4 (2000): 803-817. Ward, Michael Don. "Cooperation and Conflict in Foreign Policy Behavior: Reaction and Memory," *International Studies Quarterly* 26.1 (1982): 87-126.

⁹⁷ Howell, Lieweiyn D. "A Comparative Study of the WEIS and COPDAB Dataset," *International Studies Quarterly* 27.2 (1983): 149-159. Reuveny, Rafael. Heejoon Kang, "International Conflict and Cooperation: Splicing COPDAB and WEIS Series," *International Studies Quarterly* 40.2 (1996): 281-305.

⁹⁸ Vincent, Jack E. "WEIS vs. COPDAB: Correspondence Problems," *International Studies Quarterly* 27.2 (1983): 161-168.

just adopt these big datasets because the relationship between China and Taiwan was only one of their foci. The information they provided that might improve our understanding of cross-strait relations, or to test the possible correlations associated with my hypotheses was not sufficient.

Third, most of the event datasets recently created adopted the machine coding system. The machine coding system selects specific words and searches them in everyday electronic newspaper. It can efficiently generate plenty of information but needs more work to polish and distill the events. In this dissertation, since the research scale only focus on the Taiwan-China case, I would rather adopt a more qualitative way to select the event and code them by my knowledge on cross-strait history. I will read the original language of Taiwan-China dialogue, compare the events and code them with appropriate criteria. To avoid my own bias, I will set up multiple tests to assure the quality of the dataset. I believe that it would be a better way to solve the research question.

I need to learn some essential know-how from current datasets in order to construct the cross-strait event dataset because the way others have collected data and coded events has been tested, amended and improved by scholars for many years. In the cross-strait relations field of research, Hung Chi had attempted to establish the event dataset based on

the same logic and rules of COPDAB. Huang Chi's "Taiwan Strait Conflict Dataset" extensively collected all kinds of news related to the relationship between China and Taiwan from 1995 to 2000.⁹⁹ However, there would be two major problems for my research agenda if adopting Huang Chi's dataset. First, the time period covered by Hung Chi's dataset did not fit my research design. I concentrate on the China-Taiwan relationship from an earlier period of time in 1975 until the second term of the DPP administration in 2004. I want to investigate the change in Taiwanese hostility toward China during this period and find out its' sources. The selection of the time period should cover all of the variations of the independent variables. For example, since I want to test the correlation between cross-strait commerce and Taiwanese hostility, the time period should include a significant part of the time when there was no cross-strait commerce. And since I want to test the correlation between regime type-difference and Taiwanese hostility, then the selection of the time period should also include the period when Taiwan was not a democracy. The shorter and different time period of Huang's dataset (1995~2000) could not fully meet the requirements of my research agenda. Because of Huang's dataset's incompleteness, it should be adopted in the research focusing on descriptive information or research without a time series focus.

⁹⁹ Huang, Chi. Woosang Kim, Samuel Wu, "Conflicts Across the Taiwan Strait: 1951-1978." Issues and Studies 28.6 (1992): 35-58.

Second, to achieve the purpose of extensive collection, Huang's dataset included all kinds of news from everywhere, even sometimes unreliable newspapers or magazines. And, Huang's dataset was not fully coded and thus it would be very difficult for me to use. I need to divide my dataset into two parts—Taiwan's hostility toward China and China's hostility toward Taiwan. It is also important to reiterate that I only focus on the governmental acts, policies and talks. If I choose to adopt Huang's dataset, I have to set up my own filter system to re-collect events from Huang's dataset. And I still need to collect information about cross-strait events outside the fixed time period and it would create inconsistency problem. After all, it would be more appropriate for my research to just create a new dataset.

Because of all these difficulties if adopting and adapting other dataset, I decided to create the Cross Strait Hostility Event Dataset. Here are the introductions of the dataset.

Information of the Dataset

- **Definition**

Taiwanese hostility towards China refers to the negative acts, talks or policies of the government projected at the PRC. In the other direction, Chinese hostility towards Taiwan refers to the negative acts, talks or policies projected at Taiwan by the PRC's

government. I have clearly discussed the concept of these key words in the first chapter and also above, and I will follow those definitions in the Cross-Strait Hostility Event Dataset.

- **Actors**

I focus on only governments as the hostility projectors because theoretically only the government represents the broad attitude of the society as a whole. The target of hostility, China, covered not only People Republic of China government that located in Beijing but also the overall China and Chinese people. Same logic, as the target of Chinese hostility, Taiwan covered not only Republic of China government that located in Taipei but also the overall Taiwan and Taiwanese people.

The definition of government does not include the representative body because in the democratic regime Taiwan, all kinds of voices could be expressed in congress or by congressmen but only these voices be adopted and reflected by administrative body, they are significant enough to be a hostility event. And in authoritarian China, the voices of rubber stamp representative body were just not important; therefore, I excluded them from the dataset.

- **Time Period**

The collection of events in the dataset started from January 1, 1975 and covers the whole period to July 31, 2004. The full historical discussion of cross-strait relation should start from 1949 when Chinese Nationalist fled to Taiwan. However, this may cast cross-strait relations as the continuum of the Chinese Civil War. I think the reasonable starting point should depend on the major research questions and the hypotheses. Since my research questions all focused on the current rivalry between China and Taiwan and many of my hypotheses rest on the impact of the opening of cross-strait commerce, I will choose the period with the most hostility fluctuations and the widest collection of cross-strait interactions to run my empirical tests. I picked 1975 as the starting point because during that time, China had not yet launched their Reform and Open Policy, Taiwan was still under a dictatorship, and the United States still had formal diplomatic relations with Taiwan. I pick 2004 as the end point because I finished the dataset work at that time and more importantly, the Taiwan independence-oriented party had just won its second term in the Presidency 2004 was also the year that Taiwan completely bid farewell to its KMT ruling legacy.

One problem was that the statistical data was more available and reliable after the 1980s. However, I am confident that I collected the crucial information and will report the problems I encountered assembling data next.

- **Data Sources**

The event news of Cross Strait Hostility Event Dataset came from the Central News Agency (CNA) based in Taipei and United Data News (UDN) also in Taipei. First, CNA was founded in southern China in 1924 by the Chinese Nationalist government as the state-owned broadcasting unit. CNA relocated to Taipei along with the Nationalist government in 1949 and gradually became the biggest news provider in Taiwan. In 1996, the Taiwanese Legislative Yuan passed a law to enable the CNA to more adequately serve as the country's national news agency for the general public, both at home and abroad.¹⁰⁰ I chose CNA as my major source of event news from 1991 to 2004 for several reasons. To get as close to primary sources as possible, it would be much better to read the information written by individuals who were closest to the event. For this reason, I have to narrow down the selection pool into news sources in China, Hong Kong, Singapore, and Taiwan as well as Chinese newspapers in the United States. Being an authoritarian government, the strictly controlled news sources in China are not reliable, especially their reports about Taiwan's politics and foreign policies. There was not sufficient coverage of cross-strait event news in Singapore or United States-based newspapers. Although there were many newspapers in Hong Kong and Taiwan covered

¹⁰⁰ "The Central News Agency at a Glance" Taipei Central News Agency
<http://www.cna.com.tw/eng/service/index.php>

all kinds of cross-strait news, their reliability was doubtful because of their all-about business nature and their explicit or implicit political leaning. After searching a while, I decided to adopt the national news agency of Taiwan because first, all the news on CNA was written in Chinese which is the language of both China and Taiwan . Second, although CNA is a state-sponsored national news agency, it is more like a news provider instead of ordinary media that could easily express its own political stance. Third, as a news provider, CNA not only has its own staff to generate reports but also collects international news in its archives. Therefore, the CNA is more like a pool of news, including all the sources. I can collect and filter the news. Last and perhaps most importantly, CNA is the news source that covered the longest time period in current cross-strait event news (from 1991 to 2004). Thus it was much easier for me to have an extensive, consistent and reliable news source.

The Central News Agency will not however be the only news source of my dataset. I will also consult the *People's Daily*, *New China News* from China, the *World Journal* from the United States, *Oriental Daily News* and *Sin Tao Daily* from Hong Kong, *Straits Times* from Singapore, and the *China Times* and *United News* from Taiwan all in order to construct the Cross Strait Hostility Event Dataset. I will clearly note the major source and minor source in the codebook as the appendix.

Second, the data from 1975 to 1990 was collected from the United Data News Service. This on-line dataset consisted of information from six major Taiwanese newspapers and the selected time period goes back to 1954. UDN is the only news service available that includes the time period before 1990 and is also available on-line. I chose this news source because of the practical reason of accessibility, although I also faced several problems because of the choice. First, the political background of the UDN is apparently pro-China and they don't hesitate to reveal this perspective. However, the fact that before 1986, all the newspapers in Taiwan were strictly under governmental control means that I would have to more carefully distill the news no matter which news sources I used. Second, since I selected news from UDN between 1975 and 1990 and from CNA between 1991 and 2004, it might create inconsistency problems. I felt that all I could do was create a better filter system and complete coding criteria.

- **Coding System**

I divided the dataset into two major sections—Taiwanese hostility toward China, and Chinese hostility toward Taiwan. And under these two major sections, I divided the information into eight categories. They are Event Number, Date, Sender, Receiver, Category, Summary, Sources, and Hostility Level. Event number, date, and source are the basic information for the dataset. Sender, receiver, and summary are the primary

indicators I need to code the hostility level. I evaluate the event by considering the importance of the sender and receiver. For example, a formal occasion such as a governmental press conference would represent a more serious attitude than casual conversation between politicians. Here, I discuss the most important considerations of the coding criteria.

I followed several rules to code all the event data and these rules were transferred from COPDAB and also Huang Chi's Taiwan Strait Conflict Dataset. First, in relation to individual sources, what they do represented a more serious indication of intent than what they said. In other words, acts were more serious than words. Second, official policies were more ranked seriously than acts or talks. Governments have their fixed procedures to generate policies despite the regime type. These procedures took time, and bureaucratic action. Therefore, policies must represent more consideration on the part of politicians and therefore must have more serious meaning than spontaneous talks or acts. Third, military-political related events were ranked as more serious than economic-cultural-societal related events. Although a dramatic economic crash would be considered much more serious than minor military threats, one can easily tell the difference when my coding procedures are examined. Fourth, I followed Huang Chi's theory to transfer the general hostility levels into China-Taiwan's context. I use clear

subtitles and examples to clarify the meaning of each hostility level. I then establish the Cross Strait Hostility Event Dataset to study relations between China and Taiwan. Therefore, it was relatively easy to narrow down Huang's work into the context needed for this research. Fifth, to improve the weakness of Huang Chi's dataset, I set my hostility levels to reflect the reality of cross Strait relationship. For example, the most benevolent level of Huang's dataset is "China openly recognized Taiwan's independent sovereignty and proactively helped Taiwan to join international organization". For the people who are familiar with cross Strait politics, these scenarios are not at all impossible or the likelihood is close to zero. Thus, it is not meaningful to put this kind of level into the coding system. My dataset's most benevolent level is "Taiwan accepts One China Principle and launches political negotiation to pursue reunification". This scenario is possible, although not in the near future, and I believe ultimately more useful as a level of coding. It made no sense to enlarge the hostility level with meaningless indicators in order to expand the statistical significance. In sum, I set the scale to seventeen hostility levels (Huang's dataset has twenty one levels). Here are their major indications and sub explanations:

A. Taiwan's Hostility toward China

1. Accepting China proposed One China Principle, Taiwan launches political negotiation in order to reunify with China.

- Taiwan identified China as the mother country and opens all aspects of cross-Strait exchange.
 - Taiwan abandons the idea of militarily resistance to China's force and also abandons the efforts to become a sovereign state.
2. Without accepting China proposed One China Principle, Taiwan launches political negotiation with China.
 - With different political principles, the leader of Taiwan's Strait Exchange Foundation meets the leader of China's Association for Relation across the Taiwan Strait.
 3. Without accepting China proposed One China Principle, Taiwan launches negotiation in administrative matters with China.
 - The high officials of Taiwan's Strait Exchange Foundation meet the high officials of China's Association for Relation across the Taiwan Strait.
 - The high officials of Taiwan's China policy making agencies meet China's Taiwan policy making agencies.
 4. Without accepting China proposed One China Principle, Taiwan launches routine meeting with China.
 - The low officials of Taiwan's Strait Exchange Foundation meet China's Association for Relation across the Taiwan Strait.
 - The low officials of Taiwan's China policy making agencies meet China's Taiwan policy making agencies.
 5. Taiwan actively adopts positive policies or acts toward China at home or abroad.
 - Taiwan sets up the infrastructure, loosens the regulation, initiates conferences and establishes new rules and institutions in the purpose of deepening cross-Strait exchange.
 6. Taiwan passively adopts positive policies or acts toward China at home or abroad.
 - Taiwan sets up the infrastructure, loosens the regulation, initiates conferences and establishes new rules and institutions in the purpose of helping Taiwanese business in China.
 - Taiwan launches policies to promote cross-Strait exchange because of the citizens' pressure or real necessities.
 7. Taiwan verbally supports, assists or promises China with concrete contents
 - Taiwan verbally accepts to cooperate with China in specific subjects.
 - Taiwan verbally promises to participate in deepening cross-Strait exchange policies.
 8. Taiwan verbally supports, assists or promises China without concrete contents

- Taiwan provides optimistic opinions on future reunification with China.
 - Taiwan verbally condemns Taiwan independence.
 - Taiwan verbally approves the one China principle by its own definition.
 - Taiwan verbally promises to cooperate with China.
9. Neutral acts and talks
- Taiwan repeats her already made China policy.
 - Taiwan provides mixed message to China such as insisting reunification and One China Principle meanwhile resisting cross-Strait exchange and dialogue.
10. Taiwan verbally criticizes, protests or threatens China without concrete contents
- Taiwan criticizes Chinese Communist Party, condemns Beijing's domestic or foreign policies, admires Chinese democracy movement and predicts the future demise of Chinese Communist Party.
 - Taiwan declines the one country two systems principle proposed by China.
 - Taiwan promotes the Taiwan experience, Taiwan miracle or Taiwan democratization to China.
11. Taiwan verbally criticizes protests or threatens China with concrete contents.
- Taiwan announces to enhance the military capability in order to create deterrence to China.
 - Taiwan claims to restrict cross-Strait exchange to prevent China's penetration.
 - Taiwan verbally refuses to cooperate with China in specific subjects.
12. Taiwan passively adopts negative policies or acts toward China at home or abroad.
- Taiwan's leader visits the frontline military bases to raise troops' morale.
 - Taiwan enhances the military capability to defend homeland.
 - Taiwan captures the suspected boats from China.
 - Taiwan declines to launch political dialogue with China.
13. Taiwan actively adopts negative policies or acts toward China at home or abroad.
- Taiwan launches restriction against visitors and products from China.
 - Taiwan hosts Chinese democracy activists.
14. Taiwan adopts diplomatic, politically or militarily hostile action toward China without obvious intention of Taiwan independence.
- Taiwan purchases modern weaponry and surpasses China's technology level.
 - Taiwan establishes diplomatic relation with countries that have formal relation with China.
15. Taiwan adopts diplomatic, politically or militarily hostile action toward China with obvious intention of Taiwan independence.
- Taiwan visits great powers to gain diplomatic support.

- Taiwan applies to the membership of international organizations that were constituted by sovereign states.
16. Aiming formal Taiwan independence, Taiwan adopts diplomatic, politically or militarily hostile action toward China.
 - Taiwan declares state to state, or one side one country argument, constitution amendment, or referendum in the purpose of Taiwan independence.
 17. Taiwan adopts diplomatic, politically or militarily hostile action toward China to assert formal independence.
 1. Taiwan announces de jure independence, or amends constitution to become a new state.
 2. Taiwan launches war with China.

B. China's Hostility toward Taiwan

1. Accepting Taiwan as a sovereign state and respecting Taiwan's choice of its own destiny, China still attempts to reunite with Taiwan.
 - China does not welcome Taiwan's de facto or de jure independence but accepts the situation and follow peaceful path to pursue reunification with Taiwan.
 - China voluntarily helps Taiwan to join the international organizations.
2. Without accepting Taiwan proposed political principle, China launches political negotiation with China.
 - With different political principles, the leader of China's Association for Relation across the Taiwan Strait meets the leader of Taiwan's Strait Exchange Foundation.
3. Without accepting Taiwan proposed political principle, China launches negotiation in administrative matters with Taiwan.
 - The high officials of China's Association for Relation across the Taiwan Strait meet Taiwan's Strait Exchange Foundation.
 - The high officials of China's Taiwan policy making agencies meet Taiwan's China policy making agencies.
4. Without accepting Taiwan proposed political principle, China launches routine meeting with China.
 - The low officials of China's Association for Relation across the Taiwan Strait meet the low officials of Strait Exchange Foundation.
 - The low officials of China's Taiwan policy making agencies meet Taiwan's China policy making agencies.
5. China actively adopts positive policies or acts toward Taiwan at home or abroad.

- China sets up the infrastructure, loosens the regulation, initiates conferences and establishes new rules and institutions in the purpose of deepening cross-Strait exchange.
6. China passively adopts positive policies or acts toward Taiwan at home or abroad.
 - China sets up the infrastructure, loosens the regulation, initiates conferences and establishes new rules and institutions in the purpose of promoting unified warfare or attracting Taiwanese investment.
 - China launches policies to promote cross-Strait exchange because of the citizens' pressure or real necessities.
 7. China verbally supports, assists or promises Taiwan with concrete contents.
 - China verbally promises to launch policies that can deepen cross Strait exchange.
 - China verbally guarantees Taiwan's rights or interests after the reunification with China.
 - China loosens its strict definition of One China Principle.
 8. China verbally supports, assists or promises Taiwan without concrete contents.
 - China provides optimistic opinions on future cooperation with Taiwan
 - China verbally requests Taiwanese people to support reunification.
 - China verbally encourages cross Strait dialogue and exchange.
 9. Neutral acts and talks
 - China repeats her already made Taiwan policy.
 - China provides mixed message to Taiwan such as insisting peaceful reunification and enlarging cross Strait exchange meanwhile refusing to deal with Taiwan government.
 10. China verbally criticizes, protests or threatens Taiwan without concrete contents
 - China verbally complains about Taiwan's diplomatic activities, delay of cross Strait negotiation, implicit or explicit attempts to pursue Taiwan independence, spy activities, or arm purchase.
 - China protests the third country especially the United States for their relationship with Taiwan.
 - China asks Taiwan to accept One China Principle or One Country Two System proposal that both offended Taiwan's sovereignty.
 11. China verbally criticizes protests or threatens Taiwan with concrete contents.
 - China claims to use force or not to give up on using force on Taiwan.

- China verbally threatens the third country especially the United States for their relationship with Taiwan. This threat contains real requests such as the third country shall stop all relationship with Taiwan.
 - China verbally claims that Taiwan has no rights to participate in international affairs without China's approval.
12. China passively adopts negative policies or acts toward Taiwan at home or abroad.
- China formally protests or boycotts any occasions that were against the One China Principle.
 - China requests the third country to follow One China Principle in diplomatic occasions.
 - China requests Taiwan to apologize or compensate because of fishing quarrels.
13. China actively adopts negative policies or acts toward Taiwan at home or abroad.
- China's military or broadcast agencies adopt campaigns to promote unification warfare targeting Taiwan.
 - China bans the Taiwan made products; Taiwan related jargons or Taiwan's national flag or anthem.
 - China requests the third country or international organization to adopt specific acts to be against Taiwan.
 - China arrests, prosecutes, or sentences suspected Taiwanese spies.
14. China adopts diplomatic, politically or militarily hostile action toward Taiwan without obvious intention of harming Taiwan's sovereignty.
- China adopts formal diplomatic acts to protest the third country's relations with Taiwan such as calling in the ambassadors or calling back China's ambassadors.
 - China begins to prepare for war or deploy troops aiming Taiwan.
15. China adopts diplomatic, politically or militarily hostile action toward Taiwan with obvious intention of harming Taiwan's sovereignty.
- China launches military exercise to threat Taiwan.
 - China terminates or establishes diplomatic relations with countries in order to diminish Taiwan's sovereignty.
16. Aiming to harm Taiwan's sovereignty, China adopts diplomatic, politically or militarily hostile action toward Taiwan.
- China launches military actions to enforce its will over Taiwan.
 - China holds Taiwanese people or business as the hostage to enforce its will over Taiwan.

17. China adopts diplomatic, politically or militarily hostile action toward Taiwan to destroy Taiwan's sovereignty.
- China launches war with Taiwan.

The reasoning of these hostility levels and all other information about the coding system will be provided in the codebook (Appendix 1).

Descriptive Statistics

After computing the two datasets measuring the level of Taiwanese and Chinese hostility toward each other, I list the descriptive information of the variable of Taiwanese hostility toward China (THC) and Chinese hostility toward Taiwan (CHT). This basic information provides us with some very important insights into the cross-strait relationship.

Table 3-1 Descriptive Statistics of the Cross Strait Hostility Variables

	THC 1975~2004	THC 1975~1988	THC 1989~2004	CHT 1975~2004	CHT 1975~1988	CHT 1989~2004
Mean	9.42	10.41	9.31	9.54	10.24	9.49
Mode	10	11	10	10	11	10
Median	10	11	10	10	11	10
Max	16	14	16	16	14	16
Min	2	5	2	2	5	2
SD	1.84	1.23	1.86	1.84	2.35	1.80

N of THC is 3117. N of CHT is 2863.

First Observation: Cross-strait relationship is prone hostile but not as intense as expected.

Lets' look at the overall time period between 1975 and 2004. The average of THC 9.42 and the average of CHT 9.54 are close to the neutral point 9. The mean and median of both variables is 10. Accordingly, the interactive hostility/benevolence projections between Taiwan and China are actually close to the neutral point and with a slight tendency toward hostility. In other words, it is not true that Taiwan and China are always in a situation of severe rivalry, but they are not in a steady situation of cooperation either. Instead, they had a generally peaceful relationship with frequent although not harmful quarrels from 1975 to 2004. By reading newspaper articles discussing the intense relationship between Taiwan and China, the Taiwan Strait crisis and the two states coming close to war, or five decades of hostility between Chinese Communist Party and KMT, we sometimes take it for granted that Taiwan and China are enemies and tend to believe that there will be a war between them someday. However, the descriptive statistics show that both Taiwan and China generally treated, or tried to treat each other fairly respectfully. It is true that China and Taiwan's average attitude is above the neutral point. But based on the range of the dataset, 1 to 17, their hostility toward each other, if any, was only 3% higher than the neutral point. The interactions between China and Taiwan from 1975 to 2004 were prone to hostility. However, this hostility was much less pronounced than expected.

Second Observation: THC and CHT both varied over time and the scale of variation are very similar.

The standard variation of THC and CHT are both 1.84. It is an important finding since these two sets of dataset (THC and CHT) have different events collection and coding procedure. This number showed that the hostility projection between Taiwan and China did vary over time and had a similar scale of variation from 1975 to 2004. This number also corresponded to the first point—the hostility projection between Taiwan and China did not fluctuate in a dramatic way. Instead, it kept in a relatively steady way. Cross-strait relationship from 1975 to 2004 is not all about conflict, disagreement and confrontation and there were also conciliation, consensus and cooperation.

Third Observation: China and Taiwan treated each other almost in the same degree of benevolence/hostility.

The mean of THC is 9.42 and the mean of CHT is 9.54. It seems like China treated Taiwan in a relatively worse. However, the mean between CHT and THC, in the scale from 1 to 17, has only a 0.5% difference. Therefore, with this extremely slight difference, it would be false to conclude that the hostility projection was different between China and Taiwan. In fact, they are very similar. This observation corresponds to the first and second observations.

Fourth Observation: In general, the hostility projection between Taiwan and China was more severe before 1989 than after.

1989 is the year that Taiwan opened the cross-strait commerce with China. From this year, cross-strait relations stepped into a different level. In relation to the variable THC, the descriptive statistics showed that before 1989, the mean (10.41), mode (11) and median (11) of hostility were all higher than those after 1989 (9.31, 10, 10) respectively. In relation to the variable CHT before 1989, the mean (10.24), mode (11) and median (11) of hostility were all higher than those after 1989 (9.49, 10, 10) respectively. This fact supports the argument that cross-strait relations were more severe in the Cold War period and that the opening of cross-strait commerce, although yet proved to be the factor or consequence of the benevolence, was the turning point between 1975 and 2004.

Fifth Observation: The scale of variation of cross-strait hostility projection (before and after 1989) was different between Taiwan and China.

In Taiwan's case, the hostility projection after 1989 had more fluctuation than before. The standard variation was 1.23 before 1989 and was 1.86 after 1989. And the difference between the max and min level of hostility is also larger before 1989 than after. (14, 9) The reason for this could be that after Taiwan's democratization, the leadership in Taiwan was not as consolidated as in the authoritarian period. Thus, the

talks, policies and acts toward China revealed certain instability in decision making, agenda setting and policy implementation. Also the increasing cross-strait transactions might bring more opportunities for hostility/benevolence projection. In China's case, the hostility projection after 1989 had less fluctuation than before. The standard variation was 2.35 before 1989 and was 1.8 after 1989. Unlike Taiwan, China has always been an authoritarian regime. Thus, its hostility projection toward Taiwan should not be influenced by its own domestic political situation. One reason for the fact that China's Taiwan policy was more stable after 1989 could be that China's leadership before 1989 was not as stable as after. There were continuous political competition in China and after Deng Xiaoping seized the absolute power, China established its consolidated one party regime. This observation somewhat shows us that foreign policy making in Taiwan and China was not entirely influenced by their different regime types but by the stability of the leadership.

Three Sets of Dependent Variable

From the Cross Strait Hostility Event Dataset, I generated three sets of different dependent variables for the empirical tests in the next chapter. I created three sets of dependent variables based on the same dataset because first, a single dependent variable

only could not fully present the concept of hostility and second, three sets of dependent variables could help in cross examining the validity of the empirical findings. Here I introduce how I generate them.

- **THCD1: The Average of Monthly Hostility Events**

First, to show the variation of cross strait hostility projection over time, I transfer the daily dataset into a monthly time series dataset. I generate the average monthly hostility and present it in a time series framework from 1975 to 2004. Although the Cross Strait Event Dataset was coded as a daily measure, there was not an event happening every single day. The dialogues, actions, or policies between Taiwan and China usually take place more frequently in some periods of time, but not all of the time. Therefore, in this test, I take the monthly period as the basic unit. I did not choose an annual period or weekly period because first, there would be too few cases for a statistical test and second, there would be many weeks without any events. By choosing a monthly period, the number of cases in this test is still sufficient because the dataset includes more than 360 months. I generate the averaged value of the hostility level using months as the basic unit. The average (mean) represented the aggregate value because of two reasons. First, as I mentioned, the distribution of the amount of events in every month is not even. Hence, using the sum of the hostility points in each month as the aggregate value would

inevitably exaggerate the value of months that have more events whether not they have a hostile or benevolent nature. Second, by the same reason, counting the amount of all events or only extreme cases would also under-represent the months with fewer events. Therefore, I create a simple equation to generate the hostility point of every month:

$$\textit{Monthly Hostility Point} = \textit{Sum of Events' Hostility Points} \div \textit{Number of Events}$$

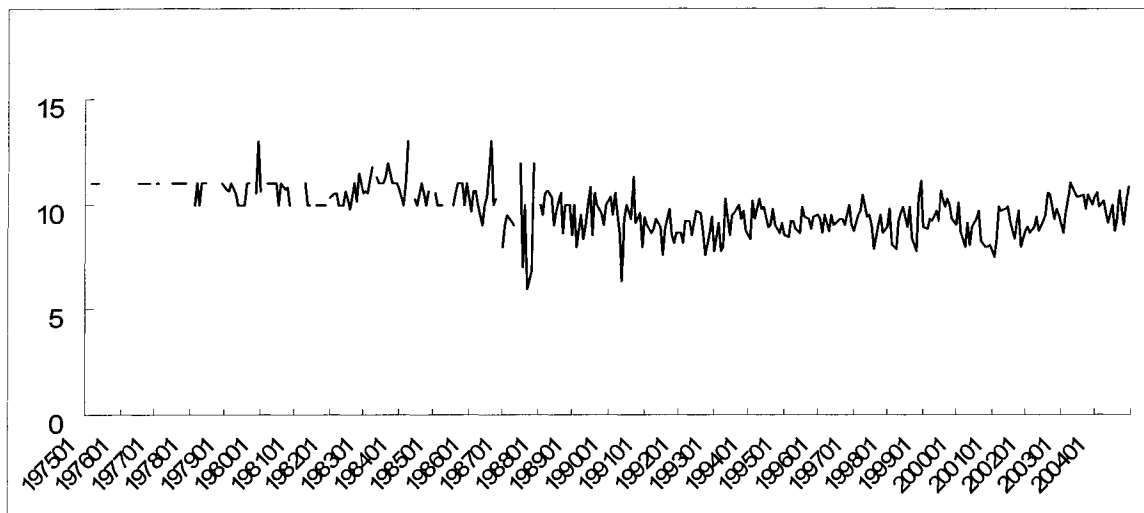
For example, in May, 2002, China had 14 events expressing hostility and benevolence to Taiwan with the hostility points respectively 7, 9, 9, 9, 8, 10, 9, 7, 10, 8, 9, 7, 8, and 7. Accordingly, Chinese hostility point of May 2002 toward Taiwan is:

$$(7+9+9+9+8+10+9+7+10+8+9+7+8+7) \div 14 = 8.357$$

However, one of the problems of the dataset is that the information before 1980s is not sufficient and there were several months without any events within. I coded them as missing data and they should not influence the result of the statistical testing since there are not many. To present the variation of the hostility projection, I define the dependent variable THCD1 as an ordered variable. Taiwanese hostility toward China was represented by the level from 1 to 17. However, the thresholds in between every level are not clear at all and the differences are arbitrarily defined by my research design. Therefore, this variable fits the requirements of an ordered variable. To run the regression test, I made an adaptation to transfer the scale of hostility from 6.75/11.25 to

1/18. The highest monthly hostility level recorded in the dataset was 11.1 and the lowest was the 7.39. Therefore, I created a new ordered scale from 6.75 to 11.25 and the interval is 0.25. If I just followed the 1 to 17 hostility scale like the dataset has, the dependent variable would have truncated nature (no examples below 7.39 and above 11.1). I recoded the monthly hostility level in the dataset into this 18 levels scale. Thus, the variable of Taiwanese hostility toward China and Chinese hostility toward Taiwan become 1 to 18 scale ordered variable.

Figure 3-1: THCD1 Changes 1975~2004



The Figure 3-1 and 3-2 showed the monthly variation of THCD1 and CHTD1. (Original numbers) First, it is obvious that the hostility fluctuation was much more severe before 1989. THCD1 was high before 1989 with three peaks—1979 when Taiwan protested to US' establishment of diplomatic relations with China as well as 1984 and 1986 when Taiwan purchased huge amounts of weaponry from the US. Taiwan's

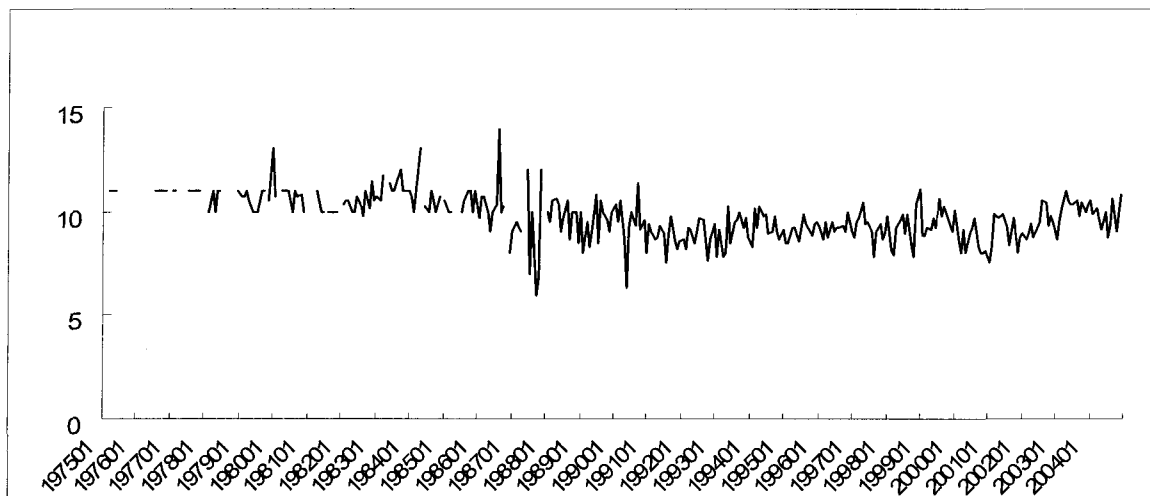
governmental hostility projection toward China went up and down drastically between 1986 and 1989 due to such reasons as the internal initiation of democratization and subsequent instability of the power transition, and internationally, due to the end of Cold War and political changes in China. Taiwan projected several benevolent messages to China in this period such as the intent to open cross-strait relations and commerce and attempts to begin to legally change its often stated political goal to recover mainland by force. Meanwhile, due to its cautious feelings about the communist regime, Taiwan's China policy also vacillated. This hesitation to deepen the cross-strait relations soon became a hostile attitude toward China which peaked in 1989 when the Tiananmen Square incident took place. After 1991 when Jiang Zemin and Lee Tung-hui consolidated their leadership respectively in China and Taiwan, THC became relatively less intense. The monthly average THCD1 was under a hostility level of 10 except during several incidents in 1997, 1999, 2000, 2002 and 2003.¹⁰¹ In contrast, many benevolent events took place in this period of time. In sum, the THCD1 varied over time but not in a drastic fashion and the factors that led to this variation will be discussed and tested in the chapter 4.

¹⁰¹ The details of these incidents (Taiwanese domestic politics) will be clearly discussed in chapter 5.

Similar to Taiwan's examination, CHTD1 also fluctuated between 1975 and 1989.

On the one hand, China adopted a series of diplomatic campaigns to pursue its legitimate international status in this period and inevitably harmed Taiwan's survival. For example, China established formal diplomatic relations with the US, Japan, France and all other major powers in the world as well as joined the United Nations and replaced Taiwan's (Republic of China) seat in the Security Council. These acts projected a high degree of hostility toward Taiwan. On the other hand, China began its peaceful call for Taiwan's reunification with the mainland in 1975 and continued to express its willingness to negotiate with Taiwan.

Figure 3-2: CHTD1 Changes 1975~2004



Starting in 1975, China initiated series of campaigns to project benevolence toward Taiwan. As a result, after 1989, CHTD1 gradually became relatively less intense. There

were several points at which China raised its hostility toward Taiwan but in general, CHTD1 had a pattern of steady fluctuation.

The Table 3-2 shows the information of THCD1 and CHTD1.

Table 3-2 Descriptive Statistics of THCD1 and CHTD1

	THCD1 1975~2004	THCD1 1975~1988	THCD1 1989~2004	CHTD1 1975~2004	CHTD1 1975~1988	CHTD1 1989~2004
Mean	12.59	15.46	10.65	12.09	14.07	11.18
Mode	18	18	11	18	18	10
Median	13	16	11	12	18	11
Max	18	18	18	18	18	18
Min	1	1	1	1	1	2
SD	3.98	3.34	3.13	4.53	5.86	3.42

Note: The D1 was coded by monthly base. N of TTCD2 is 360. N of CTTD2 is 360.

I compared the information contained in first dependent variable and the original statistics of the dataset and found that they are compatible. About the first observation, the general average of hostility in both THCD1 and CHTD1 are not far away from the middle point, in this case, 9.5. The averages here obviously dragged up by the number of events coded as 18 before 1989. Even so, the cross-strait hostility projection actually existed but in a relatively low level. Second, this set of dependent variables also revealed that both THC and CHT varied over time. The Figure 1, 2 and the standard deviation values support this observation. Third, with slight differences, the scale of THCD1 and CHTD1 are the same. Taiwan and China projected almost the same degree of hostility to each other. This finding corresponds to the third observation—“China and Taiwan treated each other almost in the same degree of benevolence/hostility.” Fourth, it is

obvious that the cross-strait hostility projection was more severe before 1989 than after. There was almost a five-point gap both in THCD1 and CHTD1. It is the same with the fourth observation of the original dataset— “In general, the hostility projection between Taiwan and China was more severe before 1989 than after.” Fifth, the scale of variation was different in THCD1 and CHTD1. The different value of standard deviation for each helped illustrate this point. However, the finding here did not correspond to the original dataset which showed that THC fluctuates more than CHT. Since they are not that different, it did not create problems for the empirical test.

In general, the descriptive statistic of the first dependent variable showed that this recoding is compatible with the original dataset. In the next chapter, I will take the variable of THCD1 as the dependent variable and test a series of models to find out the cause and source of Taiwan’s hostility toward China.

- **THCD2: Ratio of Hostile Events Over Total Events**

I create the second set of dependent variables in order to resolve the problem that the last dependent variable had. In the THCD1, I calculate the monthly average of hostile/cooperative events and by doing this I inevitably omit the importance of the number of events for each period. The months with more hostile events and less

cooperative events are more conflicting than others and this concept can also represent the variation of hostility projection. Thus I create the second dependent variable to include this concept. However, there will be two major problems if I only calculate how many events took place in each month. First, in some periods of time, there were just more opportunities for events to take place. For example, China held “Three National Conferences” in every April. On these important political occasions, most of the important political figures in China would say something about the Taiwan problem. With cross-strait relations so intense, even though Chinese hostility toward Taiwan was not increasing, but events in April (mostly negative talks about Taiwan) would misleadingly and dramatically increase the hostility level. Therefore, if I only calculate the number of events, the hostility level in many months will be exaggerated.

Second, as I mentioned already, the collection of events for the dataset has an inconsistency problem. The frequency of cross-strait interaction before 1989 was lower than after and the information about the interaction was scarcer before than after. Therefore, only counting the number of events would exaggerate the level of hostility after 1989.

Accordingly, I generate the second dependent variable by counting both the hostile and cooperative events. Based on my original coding of events, anything beyond a hostility

of 9 was coded as a hostile event and anything below 9 was a cooperative event. For example, there was one hostile event and two cooperative events in June 1976 and there were 25 hostile events and 6 cooperative events in January 2004. The Hostility level of the former month is:

$$\text{Hostile events} / \text{hostile} + \text{cooperative events} = 1 / 3 = 0.333.$$

The Hostility level of the latter month is: $25 / 31 = 0.806$. By doing this, I can select out the influence of two different and inconsistent data sources before and after 1989 and I can also reduce the exaggeration of a single month with too many hostile events. And, the months with more hostile events could be calculated and would not be omitted. Next, the Figure 3-3 and 3-4 show the overall trend of THCD2 and CHTD2. The Table 3-2 shows the basic statistics of these variables.

Figure 3-3: THCD2 Changes 1975~2004

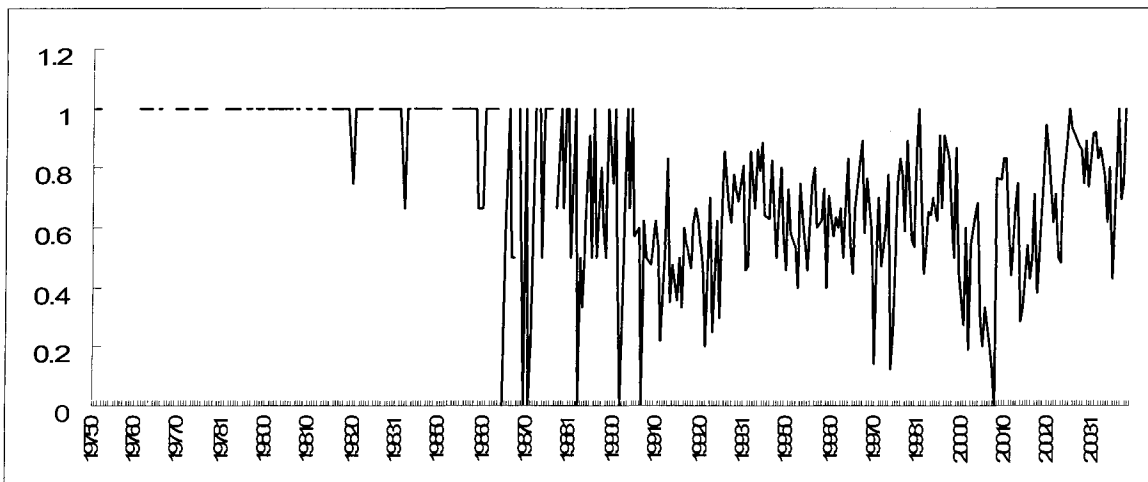


Figure 3-4: CHTD2 Changes 1975~2004

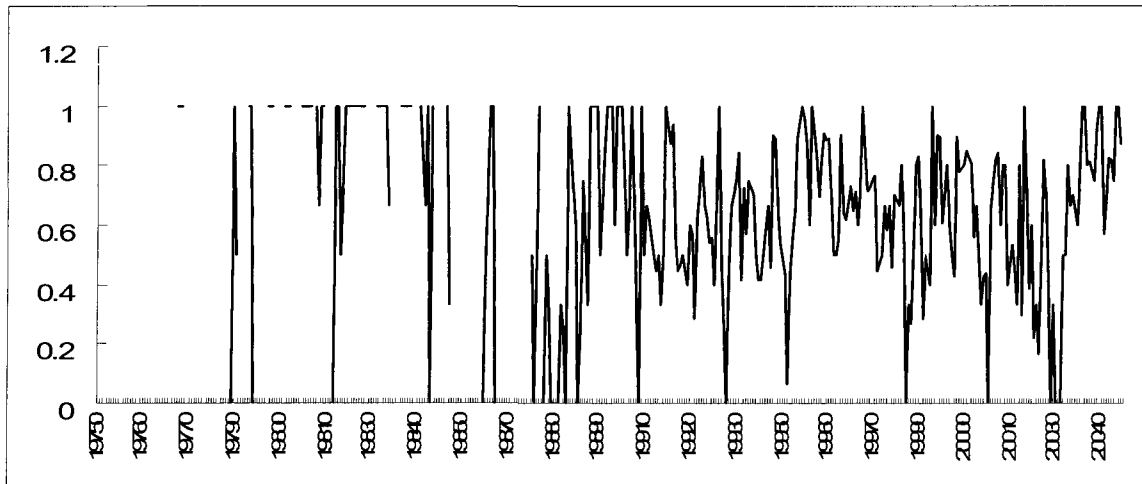


Table 3-3 Descriptive Statistics of THCD2 and CHTD2

	THCD2 1975~2004	THCD2 1975~1988	THCD2 1989~2004	CHTD2 1975~2004	CHTD2 1975~1988	CHTD2 1989~2004
Mean	0.75	0.94	0.62	0.68	0.77	0.64
Mode	1	1	0.5	1	1	1
Median	0.79	1	0.63	0.71	1	0.67
Max	1	1	1	1	1	1
Min	0	0	0	0	0	0
SD	0.26	0.19	0.22	0.3	0.37	0.25

Note: The D2 was coded by monthly base. N of THCD2 is 360. N of CHTD2 is 360.

The nature of this coding is from 0 to 1, 0 as the most cooperative and 1 as the most hostile month. This coding system will omit the months without any event and code them as missing data. It is acceptable because I will use three sets of dependent variables and the influence of those months will be included in the first or the third dependent variable.

According to the two figures and the table above, we can compare the findings with the observations from the original dataset. First, both the averages of THCD2 and CHTD2 are higher than the middle value, 0.5. Also the median and mode presented a

picture of cross-strait relations as prone to hostility but not very intense. This finding corresponds to the original dataset. Second, based on the figure 3 and 4, the THCD2 and CHTD2 showed that cross-strait hostility projection varies over time. This finding is compatible with the second observation. Third, the stats above show that Taiwan and China have projected a similar scale of hostility/benevolence to each other. Especially the data after 1989 was even more similar. Fourth, it is very obvious that the hostility level before 1989 was much more severe for both in THCD2 and CHTD2. This finding showed that the way I recoded the second dependent variable was correct. Although there were fewer hostility/benevolence events before 1989, the statistics here still correspond to the original dataset. Fifth, the standard deviations of THCD2 and CHTD2 showed that the scale of variation for them was different. This finding also suggests that China's hostility projection toward Taiwan fluctuated more than those of Taiwan's although with a slight difference. This finding corresponds to the original dataset.

Overall, the recoding of the original data to the second dependent variable had reflected the fundamental concept of the event dataset. I will use THCD2 and CHTD2 to run the empirical tests in the next chapter and compare to the finding of THCD1 and THCD1. Again, the reason I adopted three different sets of dependent variables is that

none of the dependent variable is perfect for empirical test. Thus I have to create more dependent variables to cross examine the validity and accuracy of the tests.

THCD3: Count of Highest Frequency Hostile Events

To further strengthen the empirical testing and further reflect the concept of the event dataset, I created the third dependent variable. In the first and second set of dependent variables, the influence of frequency of hostile events was reduced. Thus, I emphasize this frequency in the third set of dependent variable. This set of variables is the count variable. I selected the hostile event with the highest frequency (Hostility 10 and 11 in every month from 1975 to 2004) to form this variable. This set of variables will directly reflect the concept of “more events, more serious” but inevitably has several problems. Let’s look at the five observations of the original dataset and compare their results.

First, since the third dependent variable is a count variable, it is hard to tell if the hostility level is high or low. The count variable has no value added to its number and it’s not appropriate to set a number to define the standard hostility. If we take a look at the Figure 3-5 and 3-6, we find out that in many months, hostile events took place way more than the average number. However, it is hard to set a standard to tell the hostility

Figure 3-5 THCD3 Changes 1975~2004

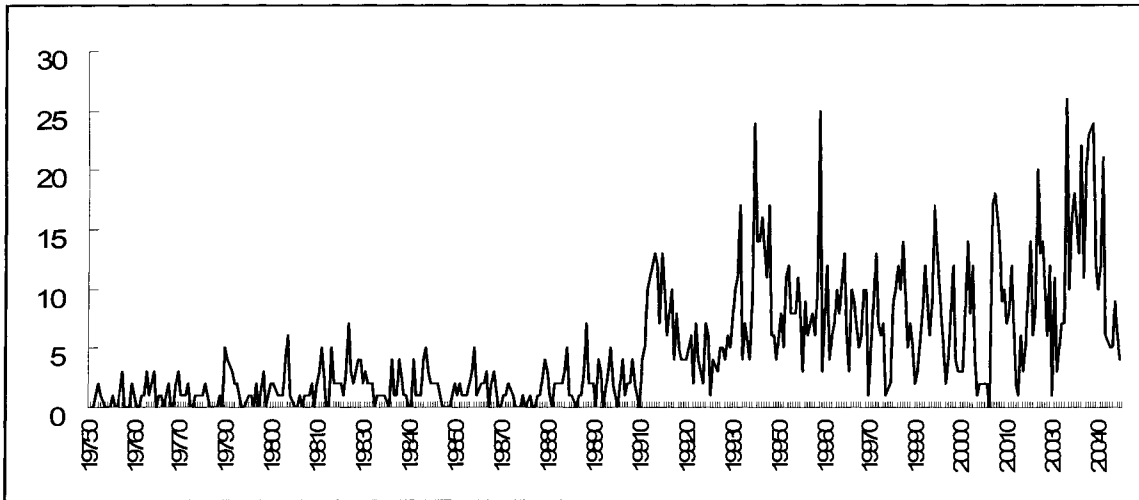


Figure 3-6 CHTD2 Changes 1975~2004

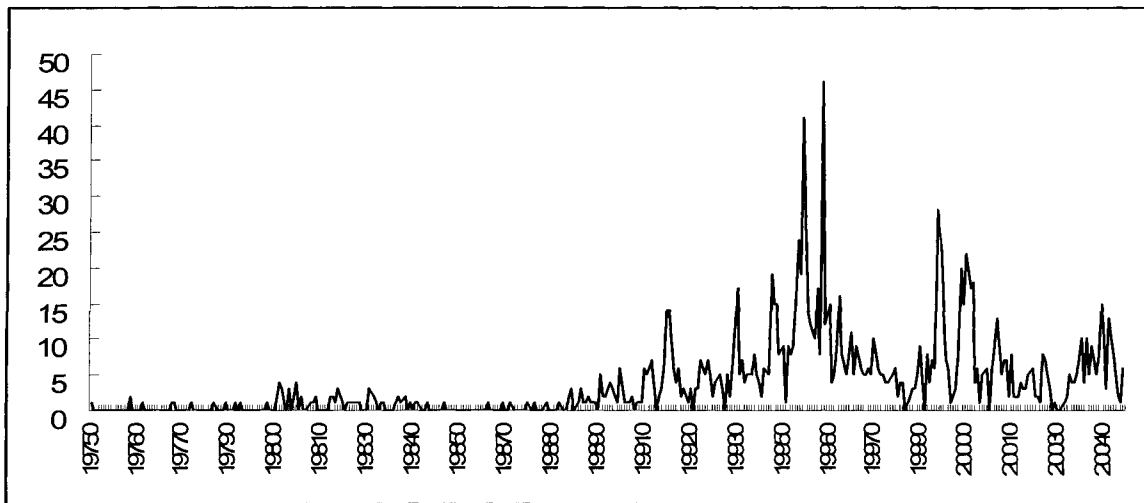


Table 3-4 Descriptive Statistics of THCD3 and CHTD3

	THCD3 1975~2004	THCD3 1975~1988	THCD3 1989~2004	CHTD3 1975~2004	CHTD3 1975~1988	CHTD3 1989~2004
Mean	4.46	1.46	7.65	3.69	0.46	6.51
Mode	1	1	4	0	0	5
Median	3	1	6	1	0	5
Max	26	7	26	46	4	46
Min	0	0	0	0	0	0
SD	5.13	1.45	5.44	5.65	0.83	6.51

Note: The D3 was coded by monthly base. N of THCD2 is 360. N of CHTD2 is 360.

difference between 4 events and 40 events. In this observation, data from the third dependent variable can not clearly explain the nature of cross-strait hostility. Second, the

data above had proved that both THC and CHT varied over time. This observation has been verified by all three sets of dependent variables. Third, the mean, median and mode showed that the general trend of THC and CHT were very similar. This finding corresponds to the original dataset. Fourth, as we can easily find out in the Figure 3-5 and 3-6, the amount of data before 1989 was much lesser than after both in TGCD3 and CHTD3. If we only look at the total amount of hostile events and compare the data before and after 1989, we would simply conclude that the hostility level was much higher after 1989. And, this is hardly the truth since the events before 1989 were more than 90 percent hostile and there were more cooperative events after 1989. At best, we can assume that the collection of events after 1989 was a mix but not pure hostility. In sum, when adopting the third dependent variable, one should separately use the data before and after 1989 to achieve consistency of results. This inconsistency problem will limit the validity of the empirical tests in the next chapter and I will further discuss this point again later. Fifth, according to the standard variation above, the scale of variation of THCD3 and CHTD3 are very similar. CHTD3 is a little bit higher than THCD3 and this finding correspond to the original dataset.

In sum, the three sets of dependent variables are generally compatible and consistent with the original dataset. The recoding did not drastically or significantly change the concept of the original dataset. However, concerning the third dependent variable, some changes need to be made when using it in empirical tests. This will be discussed in the next chapter.

The Economic and Political Sources of Hostility and Benevolence:

Taiwanese and Chinese Relations, 1975 to 2004

Chapter 4: Empirical Testing

The key research question of this dissertation rests on how one state forms or shapes its hostility toward another state. Hostility is not something impossible to measure, or totally ambiguous, instead hostility is a clear concept that could lead governments to create policy, to adopt policy and implement policy. With the same logic, I also study how one state forms or shapes its benevolence toward the other state. This benevolence can be measured, analyzed and understood. I use only one case, Taiwan, to analyze state's hostility and benevolence toward another because of the goals of accuracy, parsimony and usefulness. My research on Taiwan's case could definitely apply to many other intriguing cases in the world politics and this research is definitely not only a foreign policy story of Taiwan. For this reason, I will spend relatively more time on the discussion of my approach to understanding the formation and variation of Taiwanese hostility toward China. I hope that readers will feel secure not only in my rigorous scrutiny of cross-strait puzzles, but also my attempts to make every single step of this research clear and scientific.

My major research question is: What are the sources of Taiwanese hostility toward China? In the Chapter 2, I generate eight hypotheses for this research question. Each of them belonged to a different theoretical approach. Each hypothesis will be tested with valid independent and dependent variables. I will clearly state the research design, measurement of variables, findings and discussion/implications. Here, I start my empirical testing of these hypotheses.

Realist Structural Power Model

First, the realist model tested the international structural influences on Taiwanese foreign policy making. I test the correlation between Taiwanese hostility toward China and Chinese hostility toward Taiwan in order to test if China-Taiwan relations are an action-reaction situation. Logically speaking, we surely know that there must be interactive spiral effect between two hostile states but the aim of this testing is to find out to what extent this spiral effect determines long-term Taiwanese hostility toward China. If there is no significant correlation between these two variables, then the cause of Taiwanese hostility toward China must come from somewhere else and I will have to continue to probe. If there were a significant correlation between these two variables, I must include this effect statistically in the rest of tests in order to find the best model

explaining Taiwanese hostility toward China. This action-reaction effect is the foremost possible source of Taiwanese hostility toward China. Therefore, the correlation between THC and CHT must be tested before any other hypotheses.

Second, realism predicts that the military economic capability is the best indicator of one state's foreign policy making. I will test the correlation between Taiwanese military/economic might and its hostility projection toward China. Under the same theoretical framework, I tested the correlation between the US support to Taiwan and Taiwanese hostility projection toward China. Realists assume that power calculations are the main source of hostility among states and protecting state sovereignty is the prime goal of states. Therefore, the more power whether economic or political one state has, whether from internal or external sources, the more hostility she could project to others. I only use US' support to Taiwan as the key factor influencing Taiwan's foreign policy making because of the special circumstances in East Asia where the American still dominate the political economic balance. Only the American's diplomatic support, military aid or verbal promise could represent Taiwan's might to project hostility toward China. I will test these variables under three categories—China factor, Taiwanese economic military capability, and the US factor.

- **China Factor:**

1. Research Design

Hypothesis 1: China's threat to Taiwanese sovereignty is the source of Taiwanese hostility toward China. If China's hostility toward Taiwan increased, Taiwanese hostility toward China would increase.

This hypothesis can be present by this equation:

$$THC_t = \alpha + \beta_1 CHT_t + \beta_2 CHT_{t-1} + \beta_4 THC_{t-1}$$

THC_t is Taiwanese hostility toward China. CHT_t is Chinese hostility toward Taiwan, CHT_{t-1} is Chinese hostility toward Taiwan in the last time periods, and THC_{t-1} is Taiwanese hostility toward China in the last time period. This model is testing if Chinese hostility is the source of Taiwanese hostility toward China. The last variable THC_{t-1} is the control variable in this time series equation. I add Chinese hostility toward Taiwan in the last time periods because logically, not only would Taiwan react to Chinese action in this time period but also the last time period. It takes time for Taiwan to react to Chinese actions. Sometimes Taiwan would react immediately, and sometimes Taiwan would wait a while to react. Therefore, I included Chinese hostility toward Taiwan in this period and in the last period to represent the overall effect of Chinese hostility and also as the control

variable. My hypothesis about the causal direction here is that when Chinese hostility in this period increased, Taiwanese hostility toward China would increase.

2. Measurement of Variables

I use my own Cross Strait Event Dataset to define the dependent and three independent variables. There are three sets of them—average hostility level as D1, ratio of hostile events as D2 and count of the highest frequency hostile event as D3. The information about these three sets of variable has been discussed in the last chapter. For all of them, I adopt a monthly base in order to generate more observation numbers and the time selection is from Jan. 1978 to Dec. 2004 in order to avoid too many missing data problem in the earlier years (1975~1977). Due to the nature of three sets of variables, I adopt ordered probit to run the D1, regression to run the D2, and poisson to run the D3.

3. Findings

Under the influence of the control variables, Chinese hostility toward Taiwan in this time period did correlate to Taiwan's hostility toward China. According to the Table 4-1, the tests of all three sets of variables suggested a positive and significant correlation between CHT_t and THC_t . In other words, if Chinese hostility toward Taiwan increased, Taiwanese hostility toward China would increase.

Table 4-1: Findings of China Factor Model

Dependent Variable	THCD1	THCD2	THCD3
--------------------	-------	-------	-------

CHTD1	0.068*** (0.18)	---	---
CHTD2	---	0.15*** (0.56)	---
CHTD3	---	---	0.03*** (0.003)
Constant	-0.49 (0.38)	0.33*** (0.05)	1.02*** (0.04)
Number of Obs	236	232	311
Log-likelihood	-571.92		-923.05
Adj R-squared		0.19	

***p<.01

4. Discussion and Implications

This first attempt to find the source of Taiwanese hostility toward China achieved significance. However, theoretically, this positive and significant correlation between THC and CHT still faced several problems. First, this model defined cross-strait relations as an action reaction process, and then is it possible to find out which side was the initiator of the hostility interchange? Or is it just like the chicken and the egg problem? Since I want to find the source of Taiwanese hostility toward China, a tautological answer is not acceptable. Although empirical testing verified the correlation between THC and CHT, I still can not conclude that Chinese hostility is the sole source of Taiwanese hostility. At best, CHT somewhat helped to boost THC in many occasions and helped to explain it only partially.

Second, practically speaking, defining cross-strait hostility as an action-reaction interchange does not help us to understand and further resolve this hostility. Assigning fault to their opponents, China and Taiwan have done this consistently in the last five

decades. They always blamed the other side as being stubborn, aggressive, and offensive. They arbitrarily interpreted opponents' talks, acts, and policies and utilized them to fulfill their own interests. Although we have to admit that there must be some action reaction effect in cross-strait relations, we should be more rigorous in order to find out the real systemic causes of hostility/benevolence between China and Taiwan.

In sum, the implication from this test is that the action-reaction effect did exist, and Chinese and Taiwanese hostility did create a spiral situation. It is true that Chinese hostility created a Taiwanese reaction but it doesn't mean that Chinese hostility was the sole source of Taiwanese hostility.

- **Taiwanese Economic Military Capability**

- 1. Research Design**

Following the realist assumptions of state behavior, I assume that factors related to power (internal building up or external allying with powerful states) could explain the Taiwanese China policy making. The internal balancing refers to Taiwan's economic and military capability and external alliances refer to Taiwanese attempts to attract United States' support. The more powerful Taiwan became the more hostility it would

project toward China. I begin the test by looking at Taiwan's internal build up. This idea can be presented by the hypothesis:

***Hypothesis 2:** Taiwanese military and economic capability explained its hostility projection toward China. When Taiwanese capability increased, Taiwan's hostility toward China would increase.*

The test of this hypothesis can be presented by the equation:

$$THC_t = \alpha + \beta_1 CHT_t + \beta_2 THC_{t-1} + \beta_3 EM_t$$

Because of the significant finding of the China factor model, I set CHT_t as the control variable in the rest of the tests. And, again, as a time series model, I set THC_{t-1} as the control variable. The key independent variable is EM_t , or Taiwan's economic military capability. Again, realists predict, increasing capability would empower states to act more aggressively. Therefore, when the Taiwanese EM_t value increased, Taiwanese hostility toward China should increase.

2. Measurement of Variables

The variable of EM_t will consist of four key measurements. They are Taiwanese CINC (Composite Index of National Capability), Taiwanese military spending, Taiwanese/ Chinese CINC balance, and Taiwanese/Chinese military spending balance. The first two variables, TCINC and TMS represented the concept of Taiwanese absolute

overall national might and its ability to build up to deter or resist a Chinese threat. TCINC is a combination index of all key aspects of national capability and TMS is specifically referring to the direct military capability of Taiwan. As the hypothesis predicted, when the value of TCINC or TMS increased, THC would increase. The last two variables, CINCB and MSB represented the concept of relative strength. Taiwan considers the balance between itself and its enemy, China, and then acts based on rationality. CINCB is actually the result of Taiwanese Chinese CINC subtracted by CINC and MSB is the result of Chinese military spending subtracted by Taiwanese military spending. As the hypothesis predicted, when CINCB or MSB increased, THC would increase.

All four of these variables are measured annually. There is no monthly national capability or military spending data available. Some changes need to be done when using these annual variables. First, the three sets of dependent variables, D1, D2, and D3 need to be recoded as an annual measure. The number of observations would be narrowed down to less than 30. This would inevitably decrease the validity of the tests. Second, due to the way I measured the dependent variable (count of highest frequency hostile events), these four variables will not be tested with D3. As I discussed in the last chapter, the data available for the Cross Strait Hostility Event Dataset was much less before 1989,

and thus the measurements generated by the dataset can not be tested across the whole time period. If I tested the data after or before 1989 only, the number of observations would be less than 15 and this is not acceptable statistically.

For the dependent variable, the statistical methods will be the same—ordered probit to run the D1 and regression to run the D2.

3. Finding

Table 4-2: Findings of Economic Military Model

Dependent Variable	THCD1	THCD2
TCINC	-353.83* (189.19)	-48.44** (21.05)
Constant	-1.10* (2.81)	0.84** (0.32)
Number of Obs	27	27
Log-likelihood	-49.08	---
Adj R-squared	---	0.59
TMS	-1.99** (0.01)	-2.36*** (7.62)
Constant	-0.06** (1.93)	0.66*** (0.19)
Number of Obs	27	27
Log-likelihood	-45.58	---
Adj R-squared	---	0.65
CINCB	-83.47** (33.97)	-9.62*** (3.15)
Constant	-5.17** (3.76)	1.25*** (0.38)
Number of Obs	27	27
Log-likelihood	-45.74	---
Adj R-squared	---	0.64
MSB	-0.36 (0.66)	-0.13 (0.09)
Constant	3.29 (1.37)	0.32* (0.17)
Number of Obs	27	27
Log-likelihood	-48.71	---

Adj R-squared	---	0.54
---------------	-----	------

*p<0.1, **p<0.05, ***p<.01

The findings here suggest a complicated message. According to the results of the tests, TMS and CINCB show a more significant correlation than TCINC and MSB. Second, TCINC shows a relatively lower significant correlation and MSB shows no correlation with the dependent variables. Third, all of the correlations were negative between the independent and dependent variables. If Taiwanese military spending or the Taiwanese/Chinese CINC balance increased, THC did increase. Overall, there is no straight and clear correlation between Taiwanese economic military capability and its hostility projection toward China.

4. Discussion and Implications

I conclude that there is no significant correlation between Taiwanese economic military capability and its hostility projection because the results have no consistency. The results of the tests above are very ironic because there is no systemic reason for them. If realist prediction were right, all of these variables should show significant correlations. If Taiwanese foreign policy making is only concerned with its own capability, the variable of TCINC and TMS should both show significant correlation. If Taiwan was concerned with the relative power comparison with China, both CINCB and

MSB should show significant correlation. Therefore, I can not single out one or two significant findings to conclude that there is a correlation.

This insignificant result could be explained by several arguments. First, statistically speaking, the number of observations (the N of all these tests is less than 30) is not sufficient. With this number of observations, the result must show a high value to verify the correlation. Second, the reason for this insignificant result might come from the fact that the dual competition between Taiwan and China is just too impossible. Taiwan has never seriously calculated its economic or military capability into its foreign policy to decide its China policy. This neglect might come from the fact that, as I argued, the disparity between Taiwan and China is too large. Taiwan had no way to seriously match China militarily or economically without external support. According to the COW dataset that I adopted in these tests, CINCB has never been more than 0.1 from 1975 to 2004. In other words, Chinese overall national capability has always been at least ten times bigger than Taiwan. In sum, my explanation here is that Taiwan's own capability did not determine its hostility projection toward China because Taiwan could not initiate violent or non-violent attack against China without external help. And, this "external help" refers to the United States which will be discussed in the next section.

Third, let's go back to discuss the basic meaning of "national capability." There were many problems of using military spending to represent a state's military capability. First, Taiwan's military spending did not singularly represent Taiwanese hostility toward China. As a matter of fact, a very high percentage of Taiwanese military spending had spent on large amount of veterans and also Taiwan's secret diplomatic activities. The special bureaucratic setting made Taiwan's military spending huge and it has nothing to do with the intention to project hostility to China. Second, Taiwan began democratizing during the late 1980s. There were so many other causes of the changing national military budget such as the rising opposition party and the new bargaining game between the administration and newly empowered congress. Therefore, the overall military spending of Taiwan was a very tricky indicator. In my opinion, a better indicator of Taiwanese military capability would come from Taiwanese military spending on defending and securing the Taiwan Strait since that would become the battlefield if China invaded. To defend the Taiwan Strait, Taiwan's naval and air capability would be the major force and taking these specific indicators should be better than the overall military spending to represent this variable. However, the information of states' detailed military spending was not easy and most of the time impossible to get.

Fourth, we should go back to thinking about the basic problem of realist theories that guided us to believe that a state's capability is the main indicator of its foreign policy. This explanation faced several problems. First, realism has been criticized for its problem of means and ends. Taiwan and China both use "power" to pursue "power," then, where is the end of this power game? There is no cause of the power game and there is no consequence of it either. Thus, by using this theory, researchers cannot actually find the solution to Taiwan and China's lasting mutual hostility. Second, realists argue that balance of power is the solution to conflicts. If a balance had been reached, no party in the game would dare to initiate war unless a fundamental power change took place. However, balance of power cannot ease the hostility. To the contrary, balance of power encouraged the mutual hostility and arms race. Although hostility between states does not necessarily lead to war, it will do no one's good for realists pushing really hard to make it happen. Third, the choices between balancing and bandwagoning always troubled realists. Would states become more aggressive when they were capable of doing so? Or would they be just satisfied with their ample capability then become pacific? What is the final destiny of states' struggle of power, basic survival or world dominance? In Taiwan's case, would Taiwan raise her hostility toward China because she had gained more power by herself or through her allies? Or would Taiwan reduce her hostility

because she already felt safe and secured? I argue that only when Taiwan and China's capabilities were close could they play the balance of power game. Thanks to the US' ambiguous strategy toward cross-strait rivalry, Taiwan was able to continue her hostility instead of bandwagoning with the regional super power, China. In sum, the comparison of Taiwanese economic/military capability and its hostility toward China made us wonder, for what reason a small state like Taiwan whose capability had no way threaten China dare to challenge China? And, the facts told us that Taiwan did not even try to build up or extract economic resources to fuel its hostility projecting toward China. Then, what did Taiwan count on if she once ran into China's revenge? Our first and most likely answer to this question is, the United States.

- **The US Factor**

- 1. Research Design**

Next variable, US_t , is the United States' support to Taiwan in the last time period. If Taiwan gained support from the most powerful state in the world, its hostility toward China might increase. The hypothesis from the chapter 3 is:

Hypothesis 3: *The systems-level forces influence Taiwan's capacity to increase or decrease its hostility toward China. When the International support (the United States) to Taiwan increased, Taiwan's hostility toward China would increase.*

The test of this variable can be shown by the equation below.

$$THC_t = \alpha + \beta_1 CHT_t + \beta_2 THC_{t-1} + \beta_3 US_t$$

Again, with the same logic, the CHT_t and THC_{t-1} are the control variables. The causal direction here is that when the US support to Taiwan increased, THC would increase.

2. Measurement of Variables

I define the independent variable—the US support to Taiwan, as event count variable (how many events in certain period of time showing US' support to Taiwan) for several reasons. First, the quantity of US arm sales to Taiwan could not fully capture the concept of this variable because many of the arm sales were logistic equipments that could not significantly make Taiwan feel safer and increase its hostility toward China. It is true that some of the weaponry sold to Taiwan had given confidence to Taiwan's government but those were very few and only happened once in many years. Second, the frequency of the US and Taiwan political interactions were not as high as China and Taiwan. Thus, establishing an event dataset to represent this variable is not an appropriate idea. If I want to get enough samples, I need to deem this variable as a count

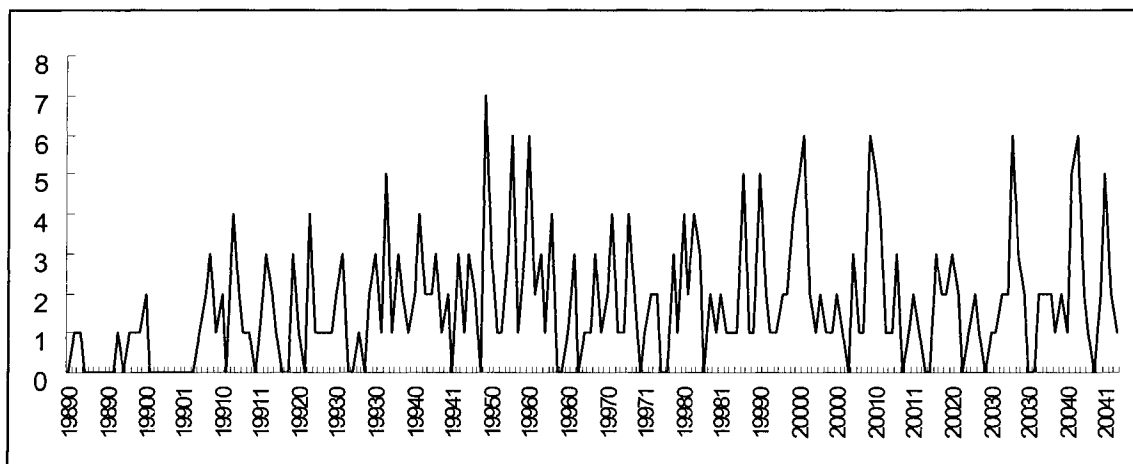
variable to represent the US support to Taiwan. Because the recognizable support from the US to Taiwan was minimal, sometimes it only happened once in a couple months, a count variable could appropriately represent the concept. Here, I set the unit of time as monthly base for this variable and I only select the time period from 1989 to 2004 for the reason that there were too many months without any events happening before 1989. The selection of events was based on if the US' acts, policies or talks would give Taiwan confidence to act aggressively toward China. These events must be related to the cross-strait issues since other kinds of US support could not empower Taiwan to act aggressively toward China. I omitted the negative responses from the US to Taiwan because statistically one direction test was enough to find out the correlation. Although realists recognized that the power game had taken place in the Taiwan—US—China triangular relations and the conventional wisdom predicted that the US determined the power struggle between China and Taiwan, I did not include the positive responses from the US to China in this count variable because by doing this, I would need to include the China effect in this variable and it was not appropriate. It is not appropriate because it would not reflect the concept of this variable—US support to Taiwan would empower Taiwan. Besides, the China-US relation is a totally different issue. We might suspect that a worsening relation between Beijing and Washington could benefit Taipei.

However, this suspicion was simply wrong because the Taiwan problem, although very important, is not the only issue in the China-US relationship. In this test, I tried not to over-stretch the simple hypothesis—the US empowered Taiwan to act hostile toward China.

In sum, I did not make this variable as complicated as my independent variable because first, the events in the US—Taiwan relation were not enough and second, it is not necessary since count variable could already do a good job representing the concept.

Figure 4-1 shows the trend of the US support to Taiwan from 1989 to 2004.

Figure 4-1: US Support to Taiwan 1989~2004 (Count Variable)



Source: Cross-Strait Hostility Event Dataset

The three sets of dependent variables will all be tested because the time selection, 1989 to 2004 is appropriate for all of them. The statistical methods will be the same—ordered probit to run the D1, regression to run the D2, and the poisson to run the D3.

3. Finding

Table 4-3: Findings of US Factor Model

Dependent Variable	THCD1	THCD2	THCD3
US	-0.03 (0.05)	0.01 (0.01)	0.09*** (0.02)
Constant	-0.89 (0.46)	0.36 (0.06)	1.37*** (0.06)
Number of Obs	192	192	192
Log-likelihood	-464.47	---	-600.97
Adj R-squared	---	0.09	---

*p<0.1, **p<0.05, ***p<.01

Overall, the result of this test showed that there was no significant correlation between US support of Taiwan and Taiwanese hostility toward China. Out of three sets of dependent variables, only D3 shows a significant correlation with both D1 and D2 showing a very low likelihood of correlation. A possible explanation for the significant result of the D3 test might come from the fact that when cross-strait hostile dialogue took place (which was the focus of the D3 variable), the US was also more likely to say one word or two. The concentration of Taipei-Beijing-Washington DC multilateral dialogues might create this significant correlation. However, overall the tests did not show a general significant correlation between US support and THC.

This result might surprise lots of scholars who believe that the US has been Taiwan's last resort politically and economically. I continue to try other ways to test this correlation. Although as I discussed, the US' arm sales to Taiwan cannot fully represent US support to Taiwan, it is worthwhile to test the possible correlation. I selected all of the US-Taiwan arms sales from 1991 to 2004 and investigated these events to see if they

had made Taiwan more hostile toward China. I also tested this hypothesis with three sets of dependent variables. The events and the hostility levels afterwards were listed in the Table 4-4 and 4-5.

Table 4-4 provides the hostility change before and after the events. The “Arms Sale” category refers to the specific events in which the US sold weaponry to Taiwan. If the arms sale took place, Taiwanese hostility toward China would increase. THC(-3) refers to the average hostility level from Taiwan toward China in the last three months. THC(+3) refers to the same indicator in the next three months. The “THC Growth” that generated simply from THC(+3) subtracted THC(-3) represented the hostility change before and after the occurrence of the arm sale event. If the THC Growth were higher than 1, the THC Trend would increase. If the THC Growth were lower than 1, the THC Trend would decrease.

Table 4-4: US Arm Sale to Taiwan 1991~2004

Event Date	US Arm Sale to Taiwan
199108	AH-1 Cobra Attack Helicopter
199207	Knox FFG
199209	F-16 Fighting Falcon, (France Mirage 2000)
199308	E-2D Hawkeye
199309	Harpoon ASM
199310	Knox FFG
199311	Torpedo
199404	Knox FFG
199412	AH-1 Cobra Attack Helicopter
199502	Minesweeper, E-2D Hawkeye
199503	T-38 Avionics System
199506	Parts of F-16 Fighting Falcon
199605	TMD, (France: La Fayette FFG)
199608	Stinger SAM
199612	Avenger SAM

199701	Patriot SAM
199703	Harpoon ASM
199707	AH-1W Supercobra Attack Helicopter
199808	CH-47 Transport Helicopter
199901	TMD
199904	Dock Landing Ship
199907	Equipments for Air Force
199912	AIM-120 Advanced Medium-Range AAM
200003	Hawk SAM
200004	Kidd-class Destroyer
200007	Strategic System
200009	Unknown weapons
200012	Kidd-class Destroyer and Tow ATGM
200104	Diesel Submarine
200210	Tow ATGM
200211	Kidd-class Destroyer
200307	AIM-120 Advanced Medium-Range AAM
200404	Long Range Radar

Source: Central News Agency, 2005. Cross Strait Hostility Event Dataset.

Table 4-5: THC Trend Based on US Arm Sale Events

Event Date	THCD1 -3	THCD1 +3	THCD1 Trend	THCD2 -3	THCD2 +3	THCD2 Trend	THCD3 -3	THCD4 +3	THCD3 Trend
199108	8.6	8.83	Increase	0.46	0.55	Increase	32	26	Decrease
199207	8.92	8.62	Decrease	0.54	0.43	Decrease	15	13	Decrease
199209	9.45	8.55	Decrease	0.64	0.46	Decrease	15	15	Decrease
199308	9.42	9.65	Increase	0.71	0.74	Increase	15	38	Increase
199309	9.45	9.22	Decrease	0.69	0.65	Decrease	15	32	Increase
199310	9.67	8.91	Decrease	0.71	0.58	Decrease	21	28	Increase
199311	9.61	9.06	Decrease	0.73	0.59	Decrease	26	15	Decrease
199404	9.24	9.51	Increase	0.66	0.77	Increase	20	44	Increase
199412	9.14	8.73	Decrease	0.66	0.59	Decrease	29	24	Decrease
199502	8.77	9.09	Increase	0.62	0.62	Decrease	18	31	Increase
199503	8.69	8.87	Increase	0.61	0.51	Decrease	17	28	Increase
199506	9.09	9.51	Increase	0.62	0.62	Decrease	31	22	Decrease
199605	8.96	9.17	Increase	0.58	0.60	Increase	38	17	Decrease
199608	9.26	9.44	Increase	0.64	0.67	Increase	22	31	Increase
199612	9.43	9.29	Decrease	0.67	0.64	Decrease	31	22	Decrease
199701	9.33	9.86	Increase	0.62	0.79	Increase	27	24	Decrease
199703	9.07	9.79	Increase	0.55	0.75	Increase	19	21	Increase
199707	9.79	8.77	Decrease	0.75	0.45	Decrease	21	19	Decrease
199808	9.48	8.86	Decrease	0.73	0.65	Decrease	32	17	Decrease
199901	9.76	9.09	Decrease	0.79	0.61	Decrease	14	29	Increase
199904	8.99	9.87	Increase	0.54	0.74	Increase	23	32	Increase
199907	9.38	10.01	Increase	0.66	0.80	Increase	24	24	Decrease
199912	9.85	8.89	Decrease	0.80	0.53	Decrease	15	19	Increase
200003	9.22	8.71	Decrease	0.60	0.44	Decrease	20	20	Decrease
200004	8.89	8.76	Decrease	0.53	0.46	Decrease	19	25	Increase
200007	8.71	8.65	Decrease	0.44	0.39	Decrease	20	17	Decrease
200009	9.29	8.03	Decrease	0.62	0.24	Decrease	34	5	Decrease
200012	8.1	8.57	Increase	0.27	0.29	Increase	7	19	Increase
200104	8.57	9.66	Increase	0.29	0.76	Increase	19	33	Increase

200210	10.15	9.3	Decrease	0.85	0.57	Decrease	47	24	Decrease
200211	10.1	9.25	Decrease	0.81	0.57	Decrease	33	15	Decrease
200307	10.64	10.22	Decrease	0.95	0.83	Decrease	43	53	Increase
200404	10.2	9.29	Decrease	0.87	0.62	Decrease	59	39	Decrease
Ratio	42.4%			33.3%			45.4%		

Note: The “Ratio” refers to the percentage of matches between the supposedly increasing THC and the actual trends.

The result of the arms sale test showed that in Taiwan’s case, there was no significant correlation between getting the weaponry and increasing its hostility toward its enemy. In three sets of dependent variables, the accuracy rates of the hypothesis are only 42.4%, 33.3%, and 45.4%. These numbers suggest that there is no correlation even for the opposite causal direction. If we look closer to each item of the arm sale, we find out that even when Taiwan gained the very crucial weaponry to defend the Taiwan Strait (F-16 Fighting Falcon, Mirage 2000 (from France), Knox FFG, TMD system, and Kidd-class destroyers) its hostility level toward China did not increase.

4. Discussion and Implications

The finding suggested that although external factors seem crucial, they do not directly determine Taiwan’s China policy. This finding might come from several reasons. First, structural realists always had a hard time defining the scale of the “system”—which units should be included in the research. In the world politics, structural realism tells us to look at the systemic forces but how far or broad should we cast our net? And, how do we define the world system now? It is a crucial question

because I need to know whom to be included in my research. Is it a multilateral, bilateral or unilateral system? For example, in the Cold War Era, the US and the USSR represented the bipolar structure of the world politics. The rest of the powerful countries such as China, Japan, German, France and Britain constituted the second tier of states. It is not too difficult to calculate how China and Taiwan would act under this two level system. But when the USSR collapsed, the nature of the system blurred. In the military aspect, no one can challenge the dominance of the US, so the world now could be considered a unipolar system. However, it is not true that no state in the world could deter the US, so it may be more like a multipolar system. It is crucial to clearly define the system because if not, we would have a hard time deciding the range of analysis. Should I also consider Japan, India, Russia, European Union, Korea, ASEAN and other states and organizations when I study the relation between China and Taiwan? Accordingly, it is a problem that my research only covered the influence of the United States on cross-strait relations. The insignificant correlation generated by my empirical tests may come from this failure.

Second, people or scholars tend to believe that in the cross-strait relationship, the US would be the final arbiter. Both Taipei and Beijing seek Washington's support and with paramount military and economic power, the US should and could be the most important

factor in my equation. This conventional wisdom has one big problem—just because the US is capable of being the key player does not mean that the US wants to be or has been before. There were many examples in the cross strait relations that contradict this conventional wisdom. In the first period of cross-strait separation, the procedures of Taiwan raising hostility toward China seem like what structural realist predicted: the US sent the message of support, and then Taiwan projected its hostility toward China. But if we look closely, most of time, Chiang Kai-shek began military campaign against China, then the US stepped in and hold Chiang back and promised him with more aid.¹⁰² Taiwan is the one initiated and constrained the hostility. In the second period of cross-strait separation, when the United States ended official relations with Taiwan with other important countries following, Taiwan did not show weakness to China. Moreover, Taiwan rejected all of China's political proposals and closed its door. Again, international politics did put pressure on Taiwan but she did not act based on it. In the third period, it seems like Taiwan always acted alone to carry out its own China policy. When the United States repeatedly made it very clear that she would never support Taiwan *de jure* independence, Taiwan still eagerly adopted all kinds of bold acts and talks pursuing Taiwan independence. Taiwan's seemingly irrational decision to disobey

¹⁰² Taylor, Jay. The Generalissimo's son: Chiang Ching-kuo and the Revolutions in China and Taiwan Cambridge: Harvard University Press, 2000, p. 374.

the US and challenge China contradicted structural realists' predictions. Furthermore, the empirical testing above also shows us that Taiwan did not act based on external forces. Therefore, the true source of THC must come from somewhere else.

In sum, according to the empirical study, I had found out that Taiwan's economic and military capability and the external support to Taiwan does not determine Taiwan's hostility toward China. Realist models that focus on power related variables failed to verify the validity of their explanations in this case. The reasons for failure are first; realist theories could probably explain and predict the war and peace, but not hostility. However, I would argue that surely hostility would lead to war and realists should pay more attention to the subject of hostility formation not only in cross-strait case but also in other conflicted areas.

Second, simply put, realist predictions were not correct because Taiwan did not act rationally. Under realist theoretically assumptions, Taiwan could increase its hostility toward China when she gained more capability and should decrease its hostility toward China when she did not gain extra supports. The finding of my tests shows that Taiwan's China policy did not follow this logic. Facing international threats, Taiwan did not fully and wisely calculate her capability. However, is it really useful and correct to define the

“rationality” by realist terms? Maybe Taiwan was very rational in her own sense. For example, let alone all the information about China’s giant economy and military might, Taiwan just thought China is a paper tiger. Just like the President of Taiwan Lee Tung-hui once joked: “a barking dog won’t bite.”¹⁰³ Then, it is quite rational for Taiwan to irritate her hostile neighbor since nothing bad would really happen. For another example, despite all of American’s announcements of supporting a peaceful resolution in the Taiwan Strait, sometimes disagreeing with Taiwan when they try to change the status quo, Taiwan ultimately “knew” that Americans would certainly send troops over if war broke out. Then, it may be rational for Taiwan to act however she wanted regardless of whether or not she had gained more capability.

My point here is that maybe it’s time to give up the fixed definition of rationality when dealing with international relations. We should break down unnecessary assumptions, theoretical frameworks, and scholarly beliefs and actually collect information, analyze data and resolve the puzzle.

Liberalism Institutional Commerce Model

¹⁰³ “President Lee’s Election Campaign in Tainan,” Taipei Central News Agency 12 Feb. 1996

The liberal perspective in the subject of cross-strait rivalry focuses on two major factors—the different institutional settings in Taiwan and China and the commercial links between the two governments; the former factor explains their rivalry and the latter could be the factor to ease the rivalry. First, the regime type model would predict that the differences between Chinese authoritarianism and Taiwanese democracy are the primary source of Taiwanese hostility toward China. This model also includes the concept of institutional disparity as a source of hostility. Second, the liberal commerce model predicts that economic interdependence will promote peace and decrease hostility. I will test these hypotheses next.

- **Regime Type Difference as the Sources of THC**

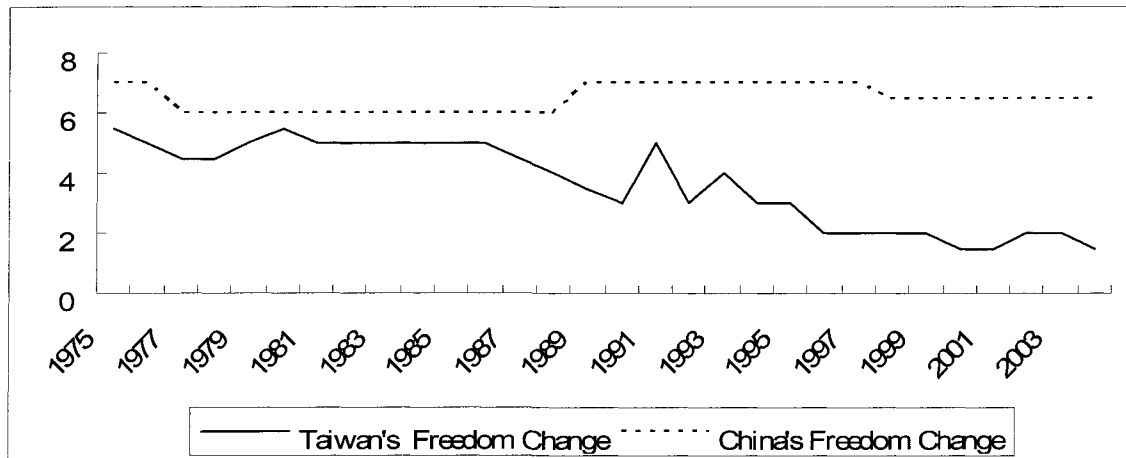
- 1. Research Design**

Hypothesis 4: When the regime type difference between Taiwan and China became more pronounced, Taiwanese hostility toward China would increase.

First, the Figure 4-2 shows the general trend of regime type change from 1975 to 2004. The data is based on the freedom house organization that is the most authentic source of defining global regime type. I combine the indicators of political rights and civil liberty to generate the average number representing their level of political freedom.

The figure clearly shows that Taiwan was gradually democratizing while China constantly kept its authoritarian regime type in this period.

Figure 4-2: Freedom Changes in China and Taiwan 1975~2004



Source: Freedom House Country Ratings 2005, <http://www.freedomhouse.org/>

Although with only 30 samples (since regime type was only coded based on annual measurements), I run the regression test to detect any possible correlations. The hypothesis is presented by the equation below.

$$THC_t = \alpha + \beta_1 CHT_t + \beta_2 THC_{t-1} + \beta_3 FC_t - FT_t$$

$FC_t - FT_t$ is the difference between China's freedom status and that of Taiwan's. The causal direction is that if $FC_t - FT_t$ increased, THC_t would increase.

2. Measurement of Variables

The measurement of democracy rests on the international organization Freedom House's evaluation. This scale of freedom was deemed by political scientists as the most authentic indicators of freedom level in the field of democracy study. The freedom level

is coded on a scale from the most democratic (1) to the least democratic (7). The variables of Taiwanese hostility toward China (D1 and D2) were converted to an annual measure. In this regime type difference model, I only test the D1, D2 and drop D3 because D3 has the inconsistency problem if the time component is stretched from 1975 to 2004. I adopt ordered probit for the D1 test and regression for the D2 test.

3. Finding

Table 4-6: Findings of Regime Type Differences Model

Dependent Variable	THCD1	THCD2
Regime Type Difference	-0.28 (0.19)	-0.05** (0.02)
Constant	1.81 (1.62)	0.54** (0.20)
Number of Obs	29	29
Log-likelihood	-53.59	---
Adj R-squared	---	0.55

*p<0.1, **p<0.05, ***p<.01

The result of the test did not verify liberal predictions about regime type difference as the source of THC. First, the THCD1 does not have any significance and the THCD2 only has minor significant correlation. The result is not strong enough. Second, the causal direction of both D1 and D2 are negative. In other words, the result suggests that when the regime type difference grew, THC would decrease. Therefore, even if we assume that a possible correlation existed between regime type difference and THC, the causal direction is against liberal predictions. Overall, the institutional difference

between Taiwan and China does not constitute a factor causing Taiwanese hostility toward China.

4. Discussion and Implication

I tried to look at these numbers in a very general way, and think about if in the long run, Taiwan's democracy did cause the increasing hostility across Taiwan Strait or, maybe this difference increased China's hostility toward Taiwan. However, it is obvious that none of the correlations could be found even in a general sense. Observers always emphasize that Taiwan's democratization brought inevitable conflict with China but they intentionally omit the fact that before democratization, Taiwan still did not get along with China. Thus the rise and fall of cross-strait hostility is determined by other causes. Based on my dataset and the tests, Taiwanese democracy or Chinese authoritarianism did not create the hostility or benevolence across the Taiwan Strait. Scholars who insist that democratization is the source of cross-strait increasing rivalry produce no evidence supporting their arguments.¹⁰⁴

So, we think again about the regime type as the source of cross-strait hostility projection. Does it make sense at all? Is it true that Taiwan and China are so different? If we look closer, the political situations in China and Taiwan are not as different as

¹⁰⁴ Please see the literature review in chapter 2.

expected and this difference should not be the source of Taiwanese hostility toward China. Taiwan, although defined as free, does not have a mature democracy. At best, Taiwan is a democracy in transition and more likely to be politically instable. The characteristic of transitional democracy is reflected in Taiwan's inefficient partisan politics, elections rife with bribery and corruption, a media controlled by political parties and business conglomerates, as well as other laughable scenes in the Legislative Yuan, Taiwan's congress. Although living in a democratic country which was deemed by international society to be a miracle—a peaceful breakdown, transition and consolidation of political power aimed at creating democracy, Taiwanese people hardly appreciated the new society they had after democratization. Many polls in Taiwan showed that Taiwanese people, ironically enough, missed the years under the KMT authoritarian regime mainly because of the prosperous economy and efficient government.¹⁰⁵ For the businessmen who were sick and tired of Taiwan's inefficient and corrupted government immediately after democratization, they moved to China to start their new careers during the late 1980s and 1990s. It makes people wonder why a notorious communist regime could attract so many Taiwanese people who “live happily” in the free world ultimately costing Taiwan more than five percent of her total population. The reality in China is

¹⁰⁵ Wu, Dayung. Current Taiwan Observation Taipei: Elite Press, 2003, p. 132.

that people do have some degree of freedom, and by the 1990's, political freedom in China had improved considerably. The township level elections had started, the public media had more freedom on conducting reports and the types of publications they produced and the government released a number of their political criminals. Although the international society never regarded China as a country with freedom, I don't see that this issue became a problem for most of foreigners who traveled or stayed in China. Based on all these discussions, I doubt that there were huge differences of freedom and liberty in China and Taiwan during this time. Since a fundamental difference did not actually exist, how could the regime type difference create or facilitate cross-strait hostility projection?

Put aside the debates about how important democracy is and does China or Taiwan have a real authoritarian or democratic government, we need to ask one more important question—do the different regime types create Taiwanese hostility toward China. Lots of scholars (Robinson and Moon 1999, C. C. Hsu 2000, Y. S. Wu 1998) argue that after 1990, Taiwan's democratization was the key source of cross-strait rivalry because first, all kinds of voices, including those who were hostile toward China, could be heard and could influence governmental policy in a more democratic Taiwan. Democracy provided a platform for anti-China sentiment to be revealed. Second, a more democratic Taiwan

could no longer accept the idea of reuniting with an authoritarian mother country, China.

Third, Taiwan in the process of democratization could not build a national consensus on a future direction—whether reunification or independence—and this ongoing debate made cross-strait relations stagnate.

However, there are several problems with this argument. First, democratic systems allow all kinds of voices to be heard, but for what reason was the voice of the anti-China lobby louder than the others? Democracy is one kind of political institution that provides an opportunity for socio-political forces to compete, but the institution per se does not create the socio-political force. Arguing that democracy created Taiwanese hostility toward China would face this simple logical problem. At best, we can agree that without democratization, the socio-political force of the anti-China lobby could not have risen. Second, arguing that a more democratic Taiwan could no longer reunite with China would face lots of factual problems. Officially, Taiwan started its democratization in 1987 when President Chiang Ching-kuo terminated the Martial Law and allowed the opposition party to be established. Since 1987, democratization had run smoothly with no violent coups, no other serious violence and no radical comeback of authoritarian political forces or ideas. In other words, based on democracy as the source of cross-strait hostility argument, Taiwan should gradually move away from the idea of unification with

China. However, the facts are that after 1987, cross-strait relations have gradually improved and reached a peak in 1993 with the First Wang-Kuo Talks, which were the highest level of political negotiations since 1949. This good atmosphere soon declined after Taiwan's president Lee visited the United States in 1995. Cross-strait relations resumed in 1998 when the Second Wang Kuo Talks took place in Shanghai and then declined again when President Lee announced the State to State Remark. Next, the cross-strait relations also fluctuated in the four years of Taiwan President Chen's first term from 2000 to 2004. In general, Taiwan's hostility toward China had not declined all the way after 1987 and this fact apparently contradicts the argument that democracy is the source of hostility.

Third, democratic government might not be as efficient as a power-centralized government, but it would be incorrect to argue that democratic countries are all indecisive in foreign policy making. Different political factions, parties or politicians naturally have different agendas and diverse points of view and democracy although not the only format, provides relatively better circumstances for them to compete and to synergize to generate national policies. The process of competition and synergy might be time-consuming but could indirectly ease the domestic political pressure and to include more participation from citizens. The efficiency of policy-making depends on the subject matter and all

kinds of circumstantial conditions. The Taiwanese China policy-making in the 1990s was inefficient and ambiguous not because of democratization, but the easily altered domestic and international environment. Again, democracy provided the platform for policies to be developed but did not inevitably lead to anti-China policies. Therefore, democracy in Taiwan was never the source of Taiwan's hostility toward China.

In the next two tests, I take Taiwanese investment in China and cross-strait trade in general to present the level of cross-strait economic exchange; it is the liberal commercial perspective on cross-strait relations. It is true that the volume of cross-strait economic exchange was huge in the 1990s, but it is not true to argue that there was no fluctuation in this period. Since I am studying the correlation between economic links and hostility, it is important for me to scrutinize all the possible influences of economic factors on Taiwanese hostility toward China. Therefore, I would carefully analyze the changes of cross-strait trade and investment in the next section. And, due to the different nature and different impact to THC of these two variables, I will discuss and test them respectively.

- **Taiwanese Investment in China as the Resolution to THC**

1. Research Design

Hypothesis 5: When economic relations (Taiwanese investment in China) between Taiwan and China were further strengthened, it created mutual interdependence and understanding, and finally a decrease Taiwanese hostility toward China.

I use TIC to represent the cross-strait commerce because it directly reflects liberal theoretical predictions of cross-strait relations. I did not use Chinese investment in Taiwan because there was close to none since Taiwan strictly forbidden any kind of mainland capital flow to Taiwan.

As part of its macroeconomic adjustments, Taiwan's overseas investment has increased rapidly since the late 1980s. With the lifting of the ban on visits to the mainland on November 1987, the Taiwanese investment in the mainland has increased significantly.¹⁰⁶ Because of the limited time period of information, I need to follow a two-steps test. First, I take a look of the descriptive statistics of annual TIC and THC from 1989 to 2004. Second, I select the period from 1999 to 2004 to run the monthly TIC and THC.

Figure 4-3 4-4 and 4-5 show the comparison of TIC and THC (D1, D2, D3)

Figure 4-3 Comparison of TIC and THCD1

¹⁰⁶ "Outward Investment Dataset," Investment Commission, Ministry of Economic Affairs, Executive Yuan, Taiwan. <http://www.moeaic.gov.tw/>

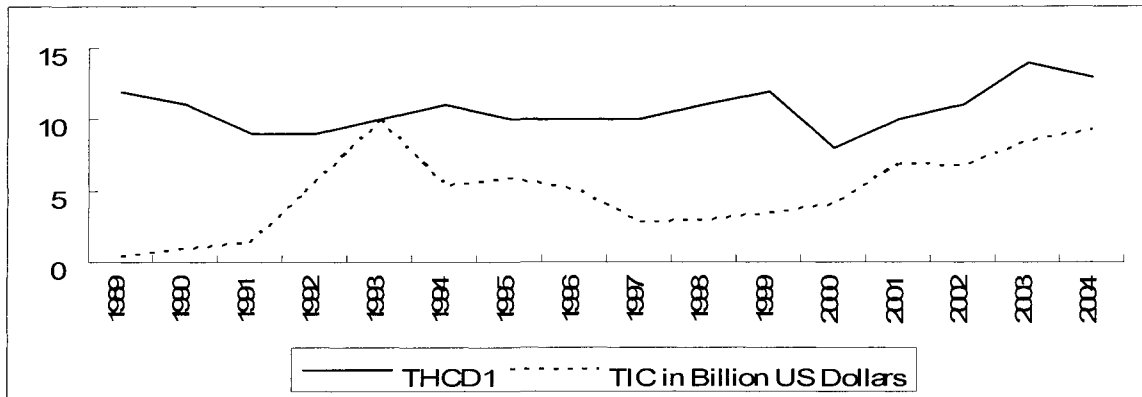


Figure 4-4 Comparison of TIC and THCD2

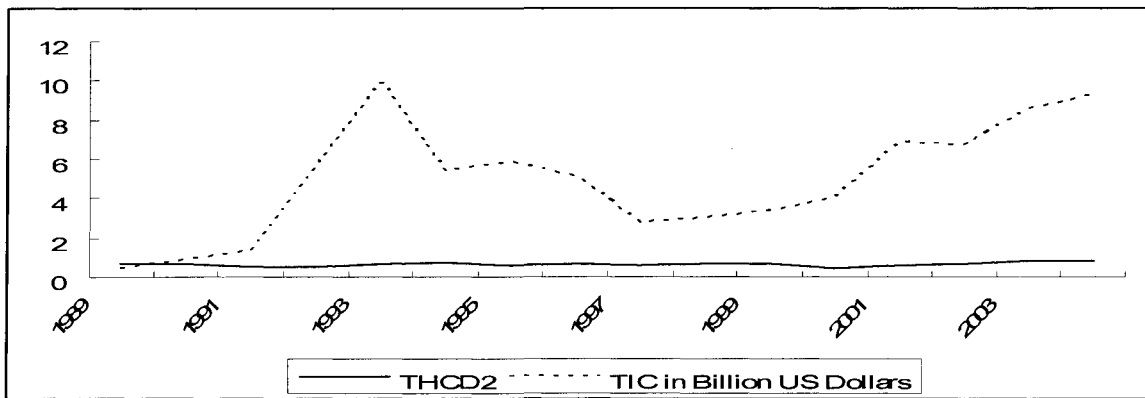
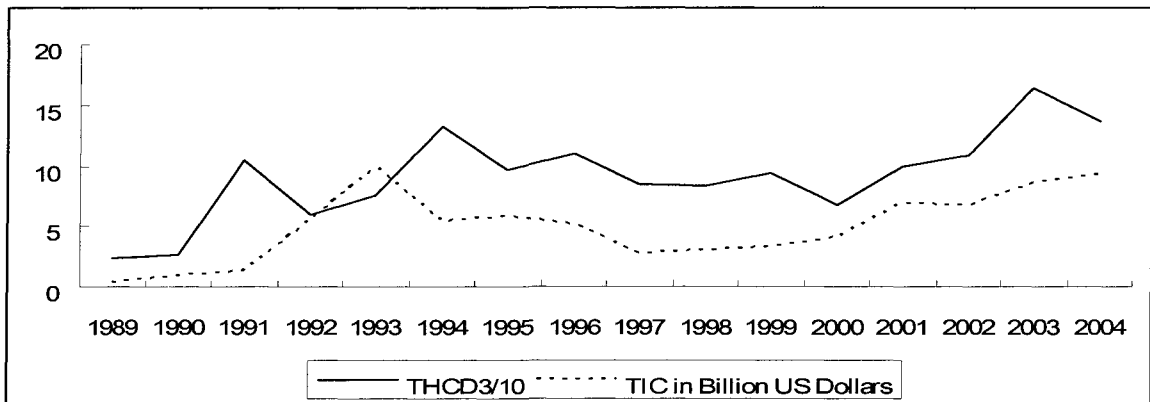


Figure 4-5 Comparison of TIC and THCD3



Source: Cross-Strait Hostility Event Dataset, Outward Investment Dataset, Ministry of Economic Affairs Investment Commission, Executive Yuan, Taiwan. <http://www.moeaic.gov.tw/>

According to the figures above, TIC began to increase after the opening of indirect cross-strait commerce and peaked when the First Wang Kuo Talks took place in 1994 as

they created a harmonious political atmosphere. The TIC went down in the late 1990s and again increased after 2000 probably due to the moving out of Taiwanese high tech conglomerates and the fact that the new DPP administration was incapable of stopping it.¹⁰⁷ On the other hand, THC did not follow the same path of ups and downs except after the year of 2000 when THC and TIC seemed to increase at the same time. The figures can hardly generate any meaningful implications because first, all of the lines did not show a general trend and second, the simultaneous increase in TIC and THC suggests a rather complicated message. As liberals argue, an increasing investment should create interdependence and indirectly decrease Taiwan's hostility toward China. However, figures suggest a reversed causal direction—increasing TIC creates increasing THC. In other words, the more investment Taiwan puts into China, the more hostility Taiwan's government projects toward China.

To further test this correlation, I use the more detailed information of TIC from 1999 to 2004 to run the regression test. The correlation between cross-trait investment and hostility can be represented by the equation:

$$THC_t = \alpha + \beta_1 CHT_t + \beta_2 THC_{t-1} + \beta_3 INV_{t-1}$$

¹⁰⁷ "New Investment Wave in 1998" Taipei China Times 9 Jan, 1998

THC_t is the dependent variable. CHT_t (Chinese hostility toward Taiwan) and THC_{t-1} (Taiwanese hostility toward Taiwan in the last time period) are the control variables. INV_{t-1} is the contracted amount of Taiwanese investment in China in the last time period. According to liberal theories, the amount of Taiwanese investment in China represents the concept of interdependence and probably mutual understanding almost by itself. Taiwanese and Chinese businesses have become bound together and this commercial connection should ultimately make political relations between them better. Because of the highly restricted capital market, most of the Taiwanese investments were direct investments of a long-term nature. Unlike the financial investment, FDI can appropriately represent liberals' hypothesis. I adopt INV_{t-1} as the dependent variable to appropriately capture the effect of TIC to THC.

The data 1999~2004 was monthly based and there were 72 samples in this test. The liberal prediction in this model is that if INV_{t-1} increased, in other words, if the commercial ties between China and Taiwan were strengthened, Taiwanese hostility toward China would decrease.

2. Measurement of Variables

I adopt a time-lagged TIC in order to avoid the statistical problem. The current TIC would take time to influence THC in the next time period and simultaneously adopting

current and lagged TIC would create a collinear problem. It is reasonable to expect that THC in this time period would be influenced by TIC in the last time period and would follow the predicted causal direction—if TIC increase, THC would decrease. I test three sets of dependent variables, D1, D2, and D3 respectively with the time-lagged TIC. The time period is from January 1999 to December 2004.

3. Finding

Table 4-7: Findings of TIC Model

Dependent Variable	THCD1	THCD2	THCD3
TIC (Time Lagged)	1.46** (7.13)	2.01* (1.34)	6.59*** (2.13)
Constant	0.45** (0.67)	0.23*** (0.08)	1.63*** (0.10)
Number of Obs	71	71	71
Log-likelihood	-158.86	---	-257.56
Adj R-squared	---	0.30	---

*p<0.1, **p<0.05, ***p<0.01

The finding shows that there is significant correlation between TIC and THC. In three sets of dependent variables, the significant levels are not all high, but relevant enough to suggest a positive correlation between TIC and THC. However, this slight significant correlation does not verify liberal predictions because the coefficient values of D1, D2, and D3 all suggest that this correlation is a positive one. In other words, if TIC increased, THC would increase. This is the opposite result as liberal suggested. The TIC did not bring harmony, understanding or interdependence. Instead, TIC made THC increase.

4. Discussion and Implications

It is important to remember that this slight but significant correlation comes from the selected years, 1999 to 2004. Combined with the descriptive statistics above, it is not appropriate to conclude that there is a definitive and positive correlation between TIC and THC at this moment. I will further discuss this correlation. First, Taiwan never really formally allowed free flow of investment across the Taiwan Strait. There was a huge amount of black market investment that could not be captured by the current available dataset.¹⁰⁸ Second, in 1993, 1997, 1998, 2002, 2003, the Taiwanese government had encouraged investors to report their illegal investments in China.¹⁰⁹ During these years, the revealed amount of cross-strait investment was even larger than the official record in that year. This problem might create inconsistency for my test.

Third, most of TIC is direct investment with a long-term nature. This feature might harm the connection between investment, interdependence, and Taiwan's China policy-making apparatus. Many Taiwanese investors moved to China to start long term projects and they just didn't want to come back to Taiwan, they didn't expect that cross-strait relations would become peaceful, and they didn't make an effort to change Taiwanese

¹⁰⁸ "Annual Report of Cross-Strait Investment." Investment Commission, Ministry of Economic Affairs, Executive Yuan, Taiwan. <http://www.moeaic.gov.tw/>

¹⁰⁹ Ibid.

governmental policies toward China. Their indifference to Taiwanese politics was revealed when pro China politicians called for support in 2000 and 2004. Many of the Taiwanese people in China echoed the idea of pro-China politicians but just didn't want to change their schedules and buy a ticket flying back to Taiwan to vote.¹¹⁰ The nature of these investments was more like permanent loss of industries. Therefore, the cross-strait connection consisting of both interdependence and increased understanding had not been established by the tremendous amount of Taiwanese investment in China. Lastly, there were hundreds of thousands of Taiwanese people who worked in China and came back to Taiwan to visit their family once every several months. Since many of their activities were still illegal under Taiwan's law, their attitude and influence to Taiwanese China policy-making were not detected by standard measures of investment and needed to be studied in the future.

Overall, based on the current data and method, the test of TIC influence on THC is not complete. It is still too early to approve or disapprove liberal perspective in this subject. Next, I test the correlation between THC and cross strait trade. The data of cross strait trade is better than the TIC and should provide more accurate finding.

¹¹⁰ "Special Report: Survey on Taiwanese Businessmen in Mainland" Taipei China Times 25 Feb. 2004

- **Cross Strait Trade as the Resolution to THC**

1. Research Design

Hypothesis 6: When economic relations (cross-strait trade) between Taiwan and China were further strengthened, it created mutual interdependence and understanding, and finally decreased Taiwanese hostility toward China.

Cross-strait trade between China and Taiwan had taken an unprecedented turn for the better since 1987, when Taiwan officially allowed 27 times more imports for agricultural and industrial raw materials from the mainland and lifted the ban on visits to the Mainland for the Taiwanese citizens.¹¹¹ Since 1987, the two-way trade has expanded steadily and quickly in response to a timely policy adjustment by each side. The trade surplus to Taiwan also increased and played an important role in Taiwan's economic growth in this decade. In general, the economic interdependence had been established in the 1990s between China and Taiwan.

Here is the equation representing the liberal prediction on the possible correlation between THC and CST.

$$THC_t = \alpha + \beta_1 CHT_t + \beta_2 THC_{t-1} + \beta_3 TRA_t$$

¹¹¹ "Cross Strait Economic Relations" Mainland Affairs Council, Executive Yuan, Taiwan, 1995.

THC_t is the dependent variable. CHT_t (China's hostility toward Taiwan) and THC_{t-1} (Taiwan's hostility toward Taiwan in the last time period) are the control variables. TRA_t is the amount of cross Strait trade. As liberal prediction suggested, an increasing trade between China and Taiwan should help to promote peace and reduce hostility. Since the data of CST is more complete, I will run two tests. First, I run the annual based data from 1978 to 2004 and second the monthly based data from January, 1989 to December, 2004.

2. Measurement of Variables

In my definition, the amount of cross-strait trade includes both exports and imports because they both could lead to greater interdependence between Taiwan and China. People might think that only a trade surplus for Taiwan would make them hesitate to increase their level of hostility toward China. However, Taiwan would also hesitate to increase hostility if they had to purchase a lot from China. It's the same logic for considering exports and imports. In addition, the nature of cross-strait trade is not necessarily ordinary. A high percentage of this trade comes from the inter-corporation flow of semi-finished products and raw materials. Cross-strait trade could grow in a fast pace not only because China provides cheaper and better goods for Taiwan's market but also Taiwanese corporations in China imported semi-finished products from Taiwan.

Although the nature of the CST is not state to state, Taiwan should be cautious about the trade between branches of Taiwanese corporations. This special feature of cross-strait trade further explained that there were no differences between exports and imports.

I adopt current CST instead of time-lagged CST because the nature of trade is not the same as investment. There is no time-lagged influence of trade. Trade does not have the long-term nature. Trade in the current period would take effect to foreign policy-making in the same period of time. In the first test (annual data based), I drop the D3 for the reason of inconsistency. I test all three of them with the monthly based data. I adopt oprobit for D1, regression for D2 and poisson for D3.

3. Finding

Table 4-8: Findings of CST Model

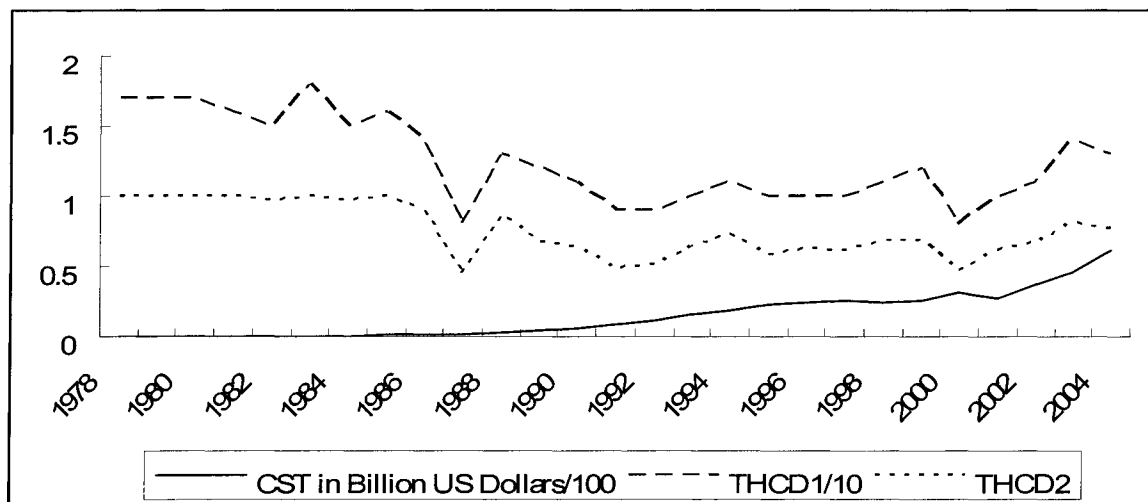
Dependent Variable	THCD1	THCD2	THCD3
CST (Annual)	-7.02 (0.00)	-1.17 (2.05)	---
Constant	2.8 (1.26)	0.29* (0.16)	---
Number of Obs	27	26	---
Log-likelihood	-520.22	---	---
Adj R-squared	---	0.38	---
CST (Monthly)	1.56*** (5.51)	2.94*** (1.11)	1.29*** (2.04)
Constant	-5.02*** (0.48)	0.31*** (0.06)	1.25*** (0.07)
Number of Obs	191	191	191
Log-likelihood	-456.27	---	-605.42
Adj R-squared	---	0.12	---

*p<0.1, **p<0.05, ***p<.01

The results are very interesting. First, the annual data did not show any significance. From 1978 to 2004, there was no significant correlation between CST and THC. Second, the monthly data shows overwhelming significant correlation between CST and THC. All three dependent variables simultaneously have a positive correlation with cross-strait trade. The second part of the findings strongly suggests that liberal predictions concerning cross-strait commerce are incorrect. If cross-strait trade increased, Taiwanese hostility toward China decreased. CST facilitates Taiwanese hostility toward China.

The first part needs more attention. I provide a figure below that analyzes the general trend through the entire period.

Figure 4-6 Comparison of CST, THCD1 and THCD2



Source: Cross-Strait Hostility Event Dataset, Cross-Strait Export/Import Dataset, Directorate General of Customs, Ministry of Finance, Executive Yuan, Taiwan.

According to the figure above, we find out that first, THCD1 and THCD2 are almost identical and second, CST did not share the same pattern of increase and decrease with

the THC. CST steadily increased from 1978 to 1989, enlarged rapidly again in the 90s, and once again in the beginning of the new century. On the other hand, THC shows a pronounced fluctuation through the entire period. We might argue that when cross-strait trade expanded after 1989, general Taiwanese hostility toward China was not as high as before. However, this inference is hardly true if we look closer to the year of 1988, 1993, 1996 and 2001 when CST increased while THC dropped a great deal. One thing we are sure about is that this annual based data did not provide us with a detailed trend of both CST and THC. Therefore, the validity of the test result from this data is not as good as that of the monthly based data.

In sum, because of the strong significance generated by the monthly-based data, I would conclude that a negative correlation between CST and THC exists.

4. Discussion and Implications

Taiwanese economic dependence on trade with China caused Taiwanese government to raise its hostility against China. The concept of relative gains supported by realists predicts this result. As a matter of fact, the result of the trade model supports several realist propositions—states always suspect their neighbors' intention and economic dependence only creates more suspicions. In sum, this finding further supports

the last test on Taiwanese investment in China. Cross-strait commerce did not help to decrease Taiwanese hostility toward China and ironically became the cause of Taiwanese hostility toward China. The result of tests did not support political liberal's predictions, either.

So far, it seems political realist theories have trumped liberalism on predicting cross-strait relations. First, realists correctly predicted that Chinese hostility had been one of the sources of Taiwanese hostility toward China. Second, the realist argument of relative gains successfully captured Taiwanese China policy making—the more economic dependence on China increased, the more hostility it projected toward China. In the next section, I will go beyond realism and liberalism to test the validity of domestic politics explanation to THC.

Domestic Politics Model

In this model, I will follow two steps to test the validity of the domestic politics explanation in relation to the formation of Taiwanese hostility toward China. First, to find out what factors fueled the political competition, I need to establish the correlation between redistribution of industrial resources and the formation of political coalitions. Second, I test the correlation between power changes of anti/pro China political

coalitions and Taiwanese hostility toward China. The overall logic here is that the opening of cross-strait commerce created a redistribution of resources. This redistribution fueled the political competition between the anti- and pro- China coalitions, and this in turn determined whether or not Taiwan's hostility toward China increased or decreased.

- **Economy Restructure as the Source of Political Reformation**

- 1. Research Design and Measurement of Variables**

Hypothesis 7: Economic type determines political preferences. When a county in Taiwan had a higher percentage of population in the agriculture and manufacturer sectors, this county would be more likely to support the anti- China coalition politicians in national elections. And when a county in Taiwan had higher percentage of population in commerce sectors, this county would be more likely to support pro- China coalition politicians in national elections.

This hypothesis can be presented by the equation:

$$V_t = \alpha + \beta_1 V_{t-1} + \beta_2 AM_{t-1}(C_{t-1})$$

In this model, I discuss the research design and measurement of variables at the same time. First, the Economy Restructure Model is going to test the correlations

between political preferences and economic types. I want to find out if, after the opening of cross-strait economic links, did the emerging new economic types in different regions of Taiwan lead to different political support for either the anti- China or pro- China coalitions? In this model, the dependent variable is V , the percentage of anti- China electoral supports (votes) in twenty-three counties and cities in Taiwan. As I mentioned in the chapter 2, sometimes it is tricky to define who the anti- China coalition members were. Thus, I adopted a very basic definition: The candidates who ran for the national office and clearly claimed his/her dislike and resistance to China were qualified to be anti- China political coalition members. I selected three presidential elections to run the test because first, there were only three open and direct presidential elections after democratization in Taiwan. All of them are crucial for me to study Taiwanese domestic politics. Second, presidential election is the national one, and the debate of China policy was always the most important subject. These three events would help us to understand the formation of China policy in Taiwan. In these three elections, only DPP candidates and Lee Tung-hui were qualified as anti- China coalition members. I adopted only DPP candidates to represent the anti- China coalition to represent the dependent variable and dropped Lee Tung-hui because before Lee resigned from KMT's Chairman in 2000, he had been attracted to both anti- and pro- China constituents. Lee was definitely an anti-

China coalition member but not all of his constituents were. In this test, it is more accurate to just focus on DPP candidates and their constituents. Lee's inconsistent political stance largely determined Taiwan's China policy making and this point would be further analyzed in the next step test.

Next, the independent variable *AM* represented the percentage of people who work in agricultural and manufacturer sectors in different counties and cities. These people, as I argued previously, suffered from the opening of cross-strait commerce, and thus were more likely to support the anti- China coalition. The other independent variable, *C* represented the percentage of people who work in the service sectors in the different counties and cities. They were the people who benefited, or suffered much less, from the restructuring of the Taiwanese economy after the opening of cross-strait commerce. I collected the data of these two variables from the Taiwanese national census of 1995 and 2000.¹¹² The typology of these three sectors (manufacturer, agriculture and service) was based on the factors of production—labor/land/capital respectively. I adopted the real number of people in these three sectors instead of total economic production or average income for two reasons. First, the dependent variable was based on the votes and real number of people could closely connect to the concept. Second, in the Taiwan national

¹¹² "Industry, Commerce and Service Census." National Statistics, Taiwan.
<http://www.dgbas.gov.tw/mp.asp?mp=4>

census, the total economic production was generated and recorded by the counties or cities where the corporations paid their taxes. Many corporations in Taiwan preferred to register in the capital city instead of the local one since there were no local tax added and it's convenient for business. Using total economic production that overemphasized the share of Taipei city would bias the result that I intended to test—the regional differences.

Next, I provide the descriptive information about the economic concentration and political preferences in 23 counties and cities of Taiwan.

Table 4-9: Regional Economic Type Difference and Voting Support in Taiwan

Region	Industry Agriculture 1995 (%)	Service 1995 (%)	AC Support 2000 (%)	Industry Agriculture 2000 (%)	Service 2000 (%)	AC Support 2004 (%)
Keelung	27.78	69.44	30.84	16.34	71.02	40.56
Taipei	37.43	59.57	36.73	50.5	43.56	46.94
Taipei C	19.08	75.32	37.64	20.52	70.81	43.47
Taoyuan	47.6	50	31.72	67.44	26.65	44.68
Hsinchu	58.06	40.65	24.75	82.92	13.77	35.94
Hsinchu C	39.58	57.64	33.79	63.94	31.95	44.88
Miaoli	55.29	43.27	26.81	82.31	14.19	39.25
Taichung C	26.65	68.56	38.86	61.79	32.41	47.34
Taichung	47.05	51.29	36.51	78.61	17.74	51.79
Changhua	57.43	40.96	40.05	85.19	12.01	52.26
Yunlin	59.18	40.14	46.99	85.1	12.34	60.32
Nantou	47.5	52	34.49	82.79	13.82	48.75
Chiayi C	32.22	66.67	47.01	37.18	48.8	56.06
Chiayi	62.44	37.09	49.49	87.99	9.88	62.79
Tainan C	40.51	56.2	46.06	44.36	46.37	57.77
Tainan	54.67	44.16	53.78	82.53	14.12	64.79
Kaohsiung C	31.49	64.89	45.79	35.41	53.55	55.65
Kaohsiung	47.69	51.21	47.14	73.32	21.99	58.4

Pintung	47.77	51.63	46.28	79.02	16.23	58.11
Yilan	40.12	56.89	47.03	74.45	20.72	57.71
Hualien	39.52	57.26	21.42	67.73	24.67	29.8
Taitung	37.5	60	23.2	76.22	19.7	34.48
Penghu	26.09	73.91	36.79	55.26	37.64	49.47

Source: Industry, Commerce and Service Census, National Statistics, Republic of China, <http://www.dgbas.gov.tw/mp.asp?mp=4>

In sum, first, I tested the correlation between the dependent variable, V_{2004} , presidential election in 2004 and the independent variables, AM_{2000} and C_{2000} , percentage of people in different sectors in 2000 respectively. I created a time lag in order to let the redistribution took effect. I also add the V_{2000} (Presidential election in 2000) to be the control variable. Second, I tested the correlation between the dependent variable, V_{2000} in 2000 and the independent variables, AM_{1995} and C_{1995} in 1995 respectively. I add the V_{1996} (Presidential election in 1996) to be the control variable.

Both the dependent and independent variables are ratio measurements. Therefore, I simply adopted an *ordinary least square* approach to run the tests.

2. Findings

Table 4-10: Findings of Economic Redistribution Model

Dependent Variable	Voting Support to Anti China in 2004	Voting Support to Anti China in 2000
A/M Concentration 2000	6.49*** (1.66)	29.53*** (6.82)
Constant	6.41*** (1.86)	-3.05 (6.82)
Number of Obs	23	23
Adj R-squared	0.97	0.83
C Concentration 1995	-7.51***	-31.99***

Constant	(1.92) 12.86***	(7.37) 27.00***
Number of Obs	(1.64) 23	(4.29) 23
Adj R-squared	0.97	0.84

*p<0.1, **p<0.05, ***p<.01

These four tests both have very strong significance. The P values of these independent variables (IA_{2000} , C_{2000} , IA_{1995} , C_{1995}) are all less than 0.01 and very close to zero. All the adjusted r-squared values are very close to 1 that is appropriate in regression model. The causal directions were exactly like what I predicted. The results of these tests suggest that the connection between the restructuring of Taiwan's economy and political coalition formation existed. If the percentage of agricultural/manufacturer sector's people were higher, the support to anti- China politicians would be higher. If the percentage of service sector's people were higher, the support to anti- China politicians would be lower. And next, I am going to argue that the political competition between the anti- China and pro- China coalitions determined Taiwan's hostility toward China.

3. Discussion and Implications

Observers and scholars of Taiwanese politics have tried to explain the voting tendencies of DPP and KMT by several approaches including geographical, ideological, ethnical or economic ones.¹¹³ After the 2004 elections, some observers even used

¹¹³ "Report of election behavior in Taiwan I, II, and III" Taipei China Times 14, 15, 16, Sep. 2003

American political jargon to categorize red and blue states in Taiwan. However, out of several explanations, only my economic restructuring approach that is fueled by the opening of cross-strait commerce, could appropriately explain the correlation between economic type and political preference amongst Taiwan's counties and cities.

First, observers argue that geographical difference divided Taiwan politically—north voted for KMT and south voted for DPP.¹¹⁴ If we look at Table 4-9 and we can find out that in the three presidential elections, support for DPP candidates in the southern part of Taiwan was overwhelmingly higher than in the north. However, this “finding” does not fully explain the voting behavior in Taiwan. It is a fact without solid and consistent theory to explain it. Why does southern Taiwan show higher support for the anti- China party? There must be some other way to explain this and we have to further study the affects of geographical differences.

Some observers combine the ideological and ethnic approaches to argue that Taiwanese people who have Taiwanese consciousness voted for anti China coalition, mainlander who insisted the China legacy voted for pro China coalition, aboriginal Taiwanese and Hakka who do not like the dominate Taiwanese people tended vote for

¹¹⁴ “North South Difference in Taiwan” Taipei China Times 12 Mar. 2000

anything against Taiwanese people.¹¹⁵ This explanation seems logical but cannot stand scrutiny. This explanation is just not true since ethnically, Taiwanese people are more than 75 percent of the total population, and if this argument were correct, no any pro China candidates would win any national or local elections. It is difficult and tricky to define the ethnic groups in Taiwan since they are all Chinese and the typology came from very vague and illogical criteria. And it is even harder to define who has Taiwanese consciousness and who does not. At least this ethnicity argument should not take place in a carefully conducted social science research.

Third, some observers tend to portray anti- China supporters as uneducated, low income, blue collar, and elderly while the pro- China supporters are educated, professional, white collar, and urbanized.¹¹⁶ This explanation shares both of the problems of the last two arguments. Empirically, it is just not true and logically, this answer does not explain why the uneducated, low income, blue collar, and elderly would be more likely to vote for the anti- China candidates.

To the contrary, my economic restructuring explanation closely connects the influence of the opening of cross-strait commerce, the reshuffling of regional economic structure, and the formation of voting tendencies. The strong significance of the

¹¹⁵ "Ethnic Problems in Taiwan." Taipei China Times 28 Oct. 1997

¹¹⁶ Ibid.

empirical tests have supported my hypothesis while also showing weakness in some other explanations. Next, I continue to test the correlation between the political preferences and Taiwanese hostility toward China.

- **Political Competition as the Source of Taiwan's Hostility toward China**

1. Research Design and Measurement of Variables

Hypothesis 8: Domestic political competition determined Taiwanese hostility toward China. When the anti China coalition took a lead in the political competitions, Taiwanese hostility toward China would increase.

In this model, I am going to test my most central hypothesis in this dissertation that Taiwanese domestic political competition determined its' hostility projection toward China. The causal direction of this hypothesis is that if the anti- China (AC) political coalition gained more support than the pro- China (PC) coalition, Taiwan's hostility toward China would increase. The way I intend to test this hypothesis is through a combination of historical method and large number data analysis.

In the first step, I list the most important political competitions in the period from 1991 to 2004. I selected this time period because only after 1991 did the absolute control of the KMT in Taiwan begin to be loosened by democratization. Without the decline of

KMT's power, there would not be any meaningful political competition that then could be used to analyze Taiwan's China policy. Second, only after Taiwan's democratization did the information concerning political competition became clear, reliable and testable. The fundamental criteria of my selection of events is that the nature of the event must be qualified as competition—there must be different actors involved and competing against each other, these actors must be recognizable, and there must be a clear result of the competition. (I.e. the winner and loser must be recognizable.) In my list, I only selected events with an obvious level of competition, clear participants from both AC and PC coalitions, and a recognizable result. More importantly, I only selected the events with a national political impact. China policy is always the most important issue for Taiwanese government, and only the results of national political competitions were considered qualified to influence or determine it. AC and PC politicians might aggressively compete with each other at the local level, but it is almost impossible for the result to influence national politics.

In the second step, after defining which coalition is the winner of each competition, I compare these results with the Cross Strait Hostility Event Data. I then find the average hostility level of three months before the event (THC-3) and compare it with the averaged hostility level three months after the event (THC+3). I choose three months comparison

because it takes certain amount of time for the result of political competition to take effect to foreign policy making. Significant political competitions such as national election, judicial dispute, exposure of political scandal, reform proposal, or nomination of key post do not come very often. Politicians need time to compete, regroup, reformulate and compete again. I review all the political incidents in Taiwan from 1991 to 2004. I check the frequency of them and I analyze several key events. I decide that three months period is an appropriate time for results of competitions to take effect. I want to know if the result of political competition has determined Taiwan governmental hostility projection toward China. My prediction is that if anti- China coalition took a lead in the competition, THC (+3) would be higher than THC (-3). In other words, THC trend would increase. I want to test if the result of political competition correlated to Taiwanese hostility toward China.

Sometimes the win or loss of one political competition is hard to call since except election, no politician would honestly admit his/her loss, failure or retreat. However, it is relatively easy for us to call since we can investigate the long term change after the specific event. I will give a brief reasoning when I list all the selected events in the next chapter that exclusively discussing the domestic politics explanation.

In the third step, I take Chinese hostility toward Taiwan as the control variable. I also generate the average Chinese hostility level of three months before and after the significant political competition events in Taiwan from 1991 to 2004. Logically speaking, it is possible that China could predict the result of Taiwanese domestic political competition and adjust their hostility projection before or after the events. I then compare the changes of hostility projection on each side of the Taiwan Strait to verify the influence of political competitions on THC. After these three steps, I will run a regression test to find out the correlation between political competition and THC.

Table 4-11: THC Trend Based on AC/PC Political Competition

Event Date	Event	AC Power	THCD1 Trend	THCD2 Trend	THCD3 Trend
19910223	Guidelines for National Unification	Decrease	Decrease	Increase	Increase
19911207	National Election	Decrease	Decrease	Decrease	Decrease
19920320	Voting in National Assembly	Increase	Increase	Increase	Decrease
19920713	Political Scandal	Decrease	Decrease	Decrease	Decrease
19920801	One China Principle	Decrease	Decrease	Decrease	Decrease
19921219	National Election	Decrease	Decrease	Increase	Decrease
19930202	Resignation of the Premier	Increase	Increase	Increase	Increase
19930306	Initiation of Diplomatic Campaign	Increase	Increase	Increase	Increase
19930822	Voting Inside the KMT	Increase	Increase	Increase	Increase
19931204	National Election	Decrease	Decrease	Decrease	Decrease
19940429	Voting in National Assembly	Increase	Increase	Increase	Increase
19941203	Capital Mayor Election	Decrease	Decrease	Decrease	Decrease
19951115	Formation of Presidential Candidate	Decrease	Decrease	Increase	Increase
19951202	National Election	Decrease	Decrease	Increase	Increase
19960201	Voting in Legislative Yuan	Decrease	Decrease	Decrease	Increase
19960320	Presidential Election	Increase	Decrease	Decrease	Decrease
19961231	Abolishment of Taiwan Province	Decrease	Decrease	Decrease	Decrease
19970518	Resignation of the Premier	Decrease	Decrease	Decrease	Decrease
19970825	Voting Inside the KMT	Decrease	Decrease	Decrease	Decrease
19971129	National Election	Decrease	Decrease	Increase	Decrease
19980822	Voting inside the KMT	Decrease	Decrease	Decrease	Decrease
19981205	National Election	Increase	Increase	Decrease	Increase
19990315	Formation of Presidential Candidate	Decrease	Decrease	Decrease	Increase
19990709	State to State Remark	Increase	Increase	Increase	Increase
19991209	Political Scandal	Increase	Decrease	Decrease	Increase
20000320	Presidential Election	Increase	Decrease	Decrease	Increase

20000914	Open of Cross Strait Transportation	Decrease	Decrease	Decrease	Decrease
20001003	Resignation of the Premier	Decrease	Decrease	Decrease	Decrease
20010317	World Taiwanese Congress	Increase	Increase	Increase	Increase
20010824	National Eco Dev Conference	Decrease	Decrease	Decrease	Decrease
20011201	National Election	Decrease	Decrease	Decrease	Decrease
20020113	World Taiwanese Congress	Increase	Increase	Increase	Increase
20020803	One Side One Country Remark	Increase	Increase	Increase	Decrease
20021121	Political Rally against Government	Decrease	Decrease	Decrease	Decrease
20021207	National Election	Decrease	Decrease	Decrease	Decrease
20030418	Formation of Presidential Candidate	Decrease	Increase	Increase	Increase
20031127	Pass of Referendum Act	Increase	Increase	Increase	Increase
20031205	Local Election	Decrease	Increase	Increase	Increase
20040320	Presidential Election	Increase	Decrease	Decrease	Decrease
Percentage of Match			84.6%	71.7%	71.7%

Source: Cross Strait Hostility Event Dataset

Table 4-11 shows the change in Taiwanese hostility before and after the events. The “AC Power” refers to the anti- China coalition’s political power after the occurrence of the event. I code this part and provide all the necessary explanations and justifications in the next chapter. As I clearly discussed above, if the AC coalition lost the competition, its power would “decrease”, and if AC coalition won, its power would “increase”. THC (-3) refers to the average hostility level from Taiwan toward China in the last three months. THC (+3) refers to the same indicator in the next three months. “THC Growth” is generated simply from THC (+3) minus THC (-3) and represents the net hostility change during the occurrence of the event. If the THC Growth was higher than 0, the THC Trend would increase. If the THC Growth was lower than 0, the THC Trend would decrease. Table 4-11 provides the hostility trends of THCD1, THCD2, and THCD3. I want to show a clear picture of the significant impacts of political competition to THC. 84.6% of THCD1, 71.7% of THCD2 and 71.7% of THCD3 reflected the impacts of

political competitions. In general, more than 70% of the selected political competitions show a strong tendency to support my prediction—when anti- China coalition took a lead in political competitions, Taiwan’s hostility toward China increased.

Next, I include CHT to test the correlation to achieve better accuracy. CHT (+3) and CHT (-3) refers to Chinese hostility toward Taiwan in the same time period. I selected three months to test the change of hostility because it is reasonable to take three months for the effect to take place. I provide all of the specific information in the appendix B. I transfer this data (THC Trend and CHT Trend) into dummy variables. The test can be represented by the equation below:

$$THC\ Trend = \alpha + \beta_1 ACPower + \beta_2 CHT\ Trend$$

The causal direction is that if ACPower increased, THC Trend would increase. CHT Trend is the controlled variable. I use the logit to run the test since all variables are dichotomous nature.

2. Findings

Table 4-12: Findings of Domestic Politics Model

Dependent Variable	THCD1	THCD2	THCD3
AC Coalition Power	3.13*** (0.96)	1.63** (0.74)	1.59** (0.80)
Constant	-2.94*** (0.93)	-0.83* (0.51)	-1.65*** (0.62)
Number of Obs	39	39	39
Log-likelihood	-14.81	-24.01	-20.12

*p<0.1, **p<0.05, ***p<.01

These three tests show a strong correlation between political competition and Taiwanese hostility toward China. The causal direction corresponds to my prediction. When the anti-Chinese political coalition won in the competition, Taiwanese hostility toward China would be more likely to increase. This result had verified the validity of my domestic political model. I will further discuss this finding in the next chapter.

Summary of the Empirical Tests

Table 4-13 clearly and completely presents the findings of the empirical tests in this chapter. Here are the brief summary and implications of them.

Some of the realist predictions on cross-strait relations are correct. First, Chinese attitude did influence Taiwanese reaction. As a unitary actor, Taiwan did act based on the external threat. Although it is not the only reason for Taiwanese hostility projection, CHT did spark or initiate THC one way or another. Second, Taiwan did feel threatened by the increasing economic dependence on China and this fact corresponded to realist relative gain theory. The tests showed that as Taiwanese investment in China increased or the trade amount grew, THC would increase. Accordingly, although the power concern was not proven to be a crucial factor in this case (Taiwanese military/economic capability, US support and arm sales did not significantly correlate to THC), we have to admit that under the intense military rivalry, cross-strait relations still qualified as being a

typical case from the realist perspective. The power game among Beijing, Taipei and Washington here might connect to a much more complicated web rather than the simple calculation of power index, military spending or arm deals.

Second, liberal explanations in cross-strait relations were not accurate. First, Taiwan's new democracy and China's stubborn authoritarianism did not significantly correlate to THC. All the empirical data failed to support liberal institutional predictions. I am not sure about the future as lots of observers believe that a democratic China would be attractive to Taiwan politically. But I am sure that in the past, regime type was hardly the main concern of Taiwanese government in its projection of hostility toward China. At best, it is a good excuse for Taiwanese politicians to justify their manipulation of Chinese policy. Second, I am not sure about the future of the deepening economic links and whether they might ultimately force Taiwan's government to retreat or surrender to Chinese economic might. But I am sure that in the passing decades, the ever increasing trade and investment across the Taiwan Strait did not ease THC at all. To the contrary, they exacerbated the situation.

Third, it seems the domestic politics explanation somewhat captured the reality of Taiwanese policy-making concerning China and its hostility projection. The opening of cross-strait commerce created a rapid and fundamental redistribution of wealth. This

redistribution fueled the fierce political competition between anti- and pro- China political coalitions. As a result, as the anti- China coalition's power increased, THC also increased. In general, the domestic politics explanation was more complete and reasonable than others. I will further discuss this explanation in the next chapter.

Table 4-13 Summaries of Empirical Tests

Theoretical Approach	Independent Variable	Dependent Variable	Sig.	Causal Direction	Period, Number of Obs
Realism	China's Hostility toward Taiwan (Ordered)	THCD1 (Ordered)	***	Positive	1979~2004 312
		THCD2 (Ratio)	***	Positive	
		THCD3 (Count)	***	Positive	
	Taiwanese CINC (Index Number)	D1	*	Negative	1975~2002 28
		D2	**	Negative	
	Taiwanese Military Spending (Number)	D1	**	Negative	1975~2002 28
		D2	***	Negative	
CINC Balance Taiwan/China (Ratio)	D1	**	Negative	1975~2002 28	
	D2	***	Negative		
Military Spending Balance Taiwan/China (Ration)	D1	no	---	1975~2002 28	
	D2	no	---		
US Support to Taiwan (Count)	D1	no	---	1989~2004 192	
	D2	no	---		
	D3	***	Positive		
US Arm Sale to Taiwan (Event)	D1	no	---	Selected Events 33	
	D2	no	---		
	D3	no	---		
Liberalism	Regime Type Differences (Ordered)	D1	no	---	1975~2004 30
		D2	**	Negative	
	Taiwanese Investment in China (Number)	D1	**	Positive	1999~2004 72
		D2	*	Positive	
D3		***	Positive		
Cross Strait Trade (Number)	D1	no	---	1978~2004 27	
	D2	no	---		
Cross Strait Trade (Number)	D1	***	Positive	1989~2004 192	
	D2	***	Positive		
	D3	***	Positive		
Domestic Politics	Concentration on A/M 2000 (Ratio)	AC 2004 (Ratio)	***	Positive	23
	Concentration on C 2000 (Ratio)	AC 2004 (Ratio)	***	Negative	23
	Concentration on A/M 1995 (Ratio)	AC 2000 (Ratio)	***	Positive	23
	Concentration on C 1995 (Ratio)	AC 2000 (Ratio)	***	Negative	23
	Political Competition/AC Win (Event)	D1	***	Positive	Selected Events 39
D2		**	Positive		
D3		**	Positive		

The Economic and Political Sources of Hostility and Benevolence:

Taiwanese and Chinese Relations, 1975 to 2004

Chapter 5: Taiwanese Domestic Politics and the Cross-Strait Hostility

In the chapter 4, the results of the empirical tests supported my major hypothesis that Taiwanese domestic political competition determined its hostility toward China. In this chapter, I will adopt a qualitative approach in order to further elaborate on this explanation of cross-Strait conflict. First, I will go back to the history to discuss the formation, the competition and the consequences of the anti- and pro- China political coalitions. Second, I focus on the period after the opening of cross-Strait commerce in 1989. I discuss the economic transformation in Taiwan and I adopt the Samuelson-Stolper Theorem to analyze Taiwan's redistribution of wealth and restructuring of industries. I will provide sufficient evidence to show that the agricultural and manufacturing sectors suffered from this drastic liberalization of the economy while the commerce sector became more prosperous. Third, I connect this economic factor to the political competition and explain how this connection determined Taiwanese hostility projection toward China. I discuss the party allegiance of different business sectors and fully explain Taiwanese partisan competitions. Fourth, I list all the significant political

competitions from 1989 to 2004 to illustrate the chain reaction of economic transformation—political coalition formation—political competition—governmental hostility projection toward China. These competitions are the selected events adopted in my empirical testing in the last chapter. I discuss them one by one and it will be a good synergy of qualitative and quantitative methods to fully explain the political and economic sources of Taiwanese hostility toward China.

Political Competitions from 1949 to 2004

Because of historical reasons that have been discussed in this dissertation, China policy-making had always been the most vital part of Taiwanese government.¹¹⁷ Before democratization, the power for making China policy was concentrated in the ruling party, KMT's Mainland Work Council was the body commanding state administration and intelligence, military, and police units. The Mainland Work Council was directly led by Chiang Ching-Kuo for more than thirty years both when he was the President, and when his own father was the President.¹¹⁸ After democratization, China policy-making was officially controlled by Mainland Affairs Council under the Executive Yuan. Although

¹¹⁷ To sum up, the "historical reasons" refer to the establishment of Taiwan sovereignty was based on Chinese civil war and also the Cold War. Dealing with China in a peaceful way or in a hostile way with US backing had always be the most important task for leaders in the island. Taiwan needs a China policy that could ease Beijing's rush to reunification whether through violent means or not, ease increasing domestic voice to redeem its nation state status, and probably, protect its own sovereignty as long as possible.

¹¹⁸ "The History of China policy making," Taipei Central News Agency 12 Jun. 1991

under a different administrative body, this organization had long been technically commanded by the president. Since its foundation in 1991, all the Chairmen of MAC were assigned directly and very loyal to the President.¹¹⁹ In other words, every politician or administrator in Taiwan must have his/her political stance on the government's China policy. Under Taiwan's special political circumstances, the China issue was much more important than any other. Taiwanese politicians have to implicitly or explicitly claim their own China policy preferences. Therefore, I assume that in Taiwan, in a very general way, there were two kinds of attitudes toward China. Simply put, one attitude is for against China and the other attitude is for reconciliation/reunification with China. I did not reject the idea that there should be lots of variations in between these two extremes. For example, as media always did, KMT is moderate pro- China, Democratic Progress Party is moderate anti- China, People First Party led by James Soong and the New party were both radical pro- China, and the Taiwan Solidarity Union led by former president Lee Tung-hui is radical anti- China.¹²⁰

I point out the vague division of China policy political division in order to explain the formation of political coalitions. As a matter of fact, the composition of anti-China

¹¹⁹“The Loyalty of Taiwan MAC Chairmen,” Xinhuanet 17 May. 2004, <http://news.xinhuanet.com/taiwan/>

¹²⁰ Lee, Ying-ming. The Division of Political Constituency Determine the Election in the End of the Year Taiwan: National Policy Foundation, July 5, 2001. <http://www.npf.org.tw/PUBLICATION/IA/090/IA-C-090-095.htm>

and pro-China political coalitions did not always follow the same pattern. For example, the China policy orientation among parties quickly and chaotically blurred every time an election came.¹²¹ It is very important to point out those politicians joined anti- or pro-China groups simply because they needed to clarify their stance on the issue and were fighting for their survival in the political arena. For my research, I will provide sufficient evidence to verify each politician's political stance on the China policy. Table 5-1 provides basic information of political competitions between the anti- and pro- China coalitions in three periods of Taiwan Strait separation.

Table 5-1 China Policy Competitions in Three Periods

	Anti China	Pro China	General Results
First Period 1949-1978	Chiang Kai-shek: Claiming to militarily recover Mainland China where once was his territory.	Several KMT Generals, Lee Tsong-jen, Sun Li-jen. They suggested negotiate with the CCP.	CKS controlled military force and every other sectors of the country. CKS won all.
Second Period 1979-1986	Several CKS loyalists, Ku Cheng-kang, Yang Chuan-kang: suggesting follow CKS direction to counterbalance CCK.	Chiang Ching-kuo: realizing that keeping stable relation with China was better than confrontation.	CCK shifted the focus from political to economic. In his last years, he re-establish the cross Strait connection.
Third Period 1987-2004	DPP, Lee Tung-hui (after 1994): creating anti China/KMT/mainlander sentiment to attract votes.	KMT (except Lee), PFP, NP: allying with business interests to promote pro China policies.	Lee and DPP had always controlled China policy agenda but frequently faced challenges from pro China coalition.

● **First Period**

The cross-Strait relationship in the first period of Taiwan-China separation, from 1949 when the Chinese Nationalists fled to Taiwan to 1978 when the United States ended

¹²¹ "2004 Taiwan Politics Retrospect," Taipei China Times 25 Dec. 2004

diplomatic relation with Taiwan, were mainly intense and hostile. Here are example events to show the hostility projection.

In 1949, Taiwanese and Chinese troops, Chinese National Army versus People Liberation Army, fought in Gunningtou Area of Quemoy, Hainan Island, Choushan Island and Wanshan Island. In 1950, Taiwan bombed the Chinese big cities of Shanghai and Nanjing in February and bombed Fuzhou in May. Taiwan invaded China's coastal areas on September 1952 and July 1953. Taiwan and China also fought to seize the coastal islands on September 1953, May 1954, January 1955, and January 1958. The Quemoy and Matsu Crisis happened on August 1958.¹²² Both the Chinese and Taiwanese governments called their opponents bandits, criminals and traitors.¹²³ They both set up institutions and laws to mobilize the liberation/recovery campaigns. In sum, the relation between them in this period was very high degree of hostility.

This high level of intensive hostility in the first period can also be explained by a domestic politics perspective. Simply put, the paramount leader of the Chinese nationalists, Chiang Kai-shek, controlled every aspect of Taiwan in this period. The ruling class, namely the mainlanders who came to Taiwan together with the KMT

¹²² Wong, Hsiway. Cross Strait Relationship in Retrospect Taipei: China Times Press, 1999, p.223.

¹²³ One solid example, Mao told Nixon that Chiang Kai-shek called him "bandit." Nixon asked Mao how you call Chiang. Then Mao replied: "I call him bandit, too." See "How to understand Historical Figure—Chiang Kai-shek," Taipei China Times 31 Oct. 1994. About other cross-strait negative talks, see Hsiway Wong, Cross Strait Relationship in Retrospect Taipei: China Times Press, 1999, p.142~211.

regime, controlled the government, political parties, and state owned enterprises. For example, in 1963, all the police chiefs in twenty-four counties and cities were mainlanders and there were only five indigenous Taiwanese local sheriffs in 120 police units.¹²⁴ In this period, Chiang Kai-shek's own resentment to the Chinese Communist Party and willingness to recover the mainland where he was once the ruler, ensured that Taiwanese hostility toward China was extraordinary high. The anti-China group (AC) was composed of a Chiang Kai-shek led military-KMT coalition and the pro-China group (PC) was composed mainly of a few KMT politicians that suggested using peaceful means to negotiate with the Chinese Communist Party.¹²⁵ Historical evidence shows that the pro- China coalition suggested many times to Chiang Kai-shek a more peaceful way to deal with the cross-Strait rivalry and they did campaign for the idea.¹²⁶ The result of competition between these two groups was obvious—Chiang took all. Chiang's desire to violently recover Mainland China became the one and only governmental policy in the first period. This domination of Taiwan's policy making apparatus made sure that Taiwanese hostility toward China continued to be very high between 1949 and 1978.

¹²⁴ Hung-mao, Tien. "Uncertain Future: Politics in Taiwan," in Robert B Oxnam and Richard C. Bush eds., China Briefing: 1980, Boulder: Westview Press, 1981, p.69.

¹²⁵ Fro example, General Lee Tsung-jen supported the idea of negotiating with the CCP. He was expelled by Chiang and fled to the United States. See Tong, Te-kong, Memoir of Lee Tsong jen Taipei: Shiao Yuan Press, p.325.

¹²⁶ Taylor, Jay. The Generalissimo's son: Chiang Ching Kuo and the revolution in China and Taiwan Taipei: Chins Times Press, 2000, p.165.

The international influence, namely the level of the United States support to Chiang, was also crucial in determining Taiwanese hostility toward China. However, I argue that external factors could not trump domestic ones because the evidence shows that of many points 1950, 1954, 1968 and etc, Chiang did not follow Washington's will to reduce the tension in the Taiwanese Strait.¹²⁷ Therefore, the story of THC is that Taiwan really wanted to project hostility and the US in general supported this idea but had to sometimes drag Taiwan back in order to avoid unnecessary confrontation. It would be incomplete if scholars do not consider Taiwanese domestic politics as one of the source of THC in the first period.

- **Second Period**

In the beginning of the second period, when the United States terminated diplomatic relations with Taiwan in 1978, Taiwan adopted the "Three No Policy" to deal with China (no contact, no compromise and no negotiation).¹²⁸ Facing severe international pressure, Taiwan's new leader, Chiang Chin-kuo decided to resist China by closing its doors. Domestically, Taiwan's government continued to claim to want to recover the Mainland but did not seriously prepare for military action. On the other hand, since taking back the

¹²⁷ Tucker, Nancy Berkopt. "John Forster Dulles and the Taiwan Roots of the Two Chinese Policy," in Immerman, Dulles H. eds., John Foster Dulles and the Diplomacy of the Cold War, Princeton: Princeton University Press, 1990, p.241.

¹²⁸ "The Government Repeated the Three No Policy," Taipei China Times 1 Feb. 1991

mainland was more like a fantasy, Chiang Chin-kuo decided to seriously pay attention to long-term infrastructure and investment in Taiwan. With generous support from the US and following the Japanese economic development model, the Taiwanese economy had gradually begun to improve. For this reason, although also received lots of critiques of being a dictator and brutal on cracking down the opposition, in the economic realm, Chiang Chin-kuo had always being praised as the founder of Taiwanese prosperity in the end of the century and in the political realm, was deemed as a realistic and practical person.¹²⁹ After democratization in 1995, the opposition party that was supposed to oppose the Chiang family dynasty, the Democratic Progressive Party, announced a poll showing that the most liked politician in Taiwan is Chiang Chin-kuo. And this number one rank is cross ethnic groups, political parties, ages and education level.¹³⁰ Because of Chiang Chin-kuo's practical attitude toward Taiwan's development, the cross-strait relations in the second period were relatively less hostile.

The hostility level in this period is not as high as that of the first period but one can hardly say that cross-strait relations were getting better because the military preparation

¹²⁹ About the various discussions of Chiang Chin-kuo, see Goodman, David S.G. China in the Nineties: Crisis Management of Beyond Oxford University Press, 1992. Steven, Gibert P. and William, Carpenter M. American and the Island China: A Documentary History 1982. Hsiung, James C. "Diplomacy against Adversity: Foreign Relations under Chiang Ching-kuo." *Asian Affairs*, June 22, 2000. Tiff, Susan. "Island of quiet anxiety; after two major scandals, Chiang tries to restore confidence." *Time Magazine*, 16 Sep. 1985

¹³⁰"Chiang Chin-Kuo, the Most Favorite Politician," Taipei United News Data 6 Jun. 1995

persisted. It was more like Taiwan retreated from the actual military confrontation because of the international circumstances did not support such action from Taiwan.¹³¹ Also, this retreat from high hostility came from domestic politics. Chiang Kai-shek's son Chiang Ching-kuo gradually took over the power from his father and established a different China policy in the last part of the first period. In the second period, mainstream KMT politicians were still the main members of the AC group but Chiang Ching-kuo himself began to ally with a liberal faction inside KMT and thus ease the cross-Strait tension.¹³² His China policy was not as aggressive as his father's because facing lots of competitors in his way to be the absolute leader; he had to adopt a distinguished way to build his own legacy. He had to make a difference in China policy agenda to establish his authority and fully seize the controlling power in government where lots of his father's loyal followers were.

Also, Chiang Ching-kuo was seriously concerned about the rising power of indigenous Taiwanese independence movements. He thought that reestablishing the connection between Taiwan and China was crucial to resist the possible revolt from the majority of Taiwanese people, to guarantee the survival of KMT regime in Taiwan, to

¹³¹ Cheng, Tun-jen, Chi Huang, and Samuel S. G. Wu, eds. Inherited Rivalry: Conflict Across the Taiwan Strait Boulder: Lynne Rienner, 1992, p.69.

¹³² Tayler, Jay. The Generalissimo's son: Chiang Ching Kuo and the revolution in China and Taiwan Taipei: Chins Times Press, 2000, ch.15-17.

prevent the US or the UN occupation of Taiwan, and to assure the future unification of one China. The political competition between Chiang Ching-kuo led intelligence-technocrats group and the conservative KMT members determined the hostility level in the second period.¹³³ The external events in this period did influence Taiwan's China policy but not in a constant and systematic way. For example, the US began to establish formal relations with Beijing during the 1970s, and most of important states began to officially recognize Beijing at the same time. This frustrating situation did not force Chiang Ching-kuo's decision to ease or enhance the cross-Strait hostility. He started secret talks with Beijing long before all these events and he eagerly continued Taiwan's own nuclear force project through 1970s and 1980s.¹³⁴ The crucial factor influencing Taiwanese hostility toward China in the second period was Chiang Ching-kuo's power struggle with other KMT senior competitors. The evidence shows that Chiang Ching-kuo, in last years of his life, began the democratization movement and helped open cross-strait visits and commerce. He made these decisions not because of the Chinese threat or because of US pressure, but because he wanted to consolidate the political coalition he established to deter two potential opposition coalitions in Taiwan. One was the KMT

¹³³ About the political competition between Chiang Chin-Kuo and his competitors, see Hung-mao, Tien. "Uncertain Future: Politics in Taiwan," in Robert B Oxnam and Richard C. Bush eds., *China Briefing: 1980* Boulder: Westview Press, 1981, p.69-122.

¹³⁴ Clough, Ralph. "Chinag Ching-Kuo's Policies toward China and the Outside World," in Sow-Theng Leong eds., *Chinag Ching-Kuo's Leadership in the Development of the Republic of China on Taiwan* American University Press, 1993, p.139.

conservatives who intended to start the anti- communist military campaign again after his death. The other one is the Taiwanese independence movement abroad that called for the total departure of Taiwan's sovereignty from China. Most of people omitted the fact that when Chiang Ching-kuo adopted all these "good" policies, he also expelled the most notorious spy leader, declined his sons' and his own brother's political ambitions, and disapproved his own step mother who flew back to Taiwan a year before his death. Chiang Chin-kuo launched series of reforms including a more open China policy in order to consolidate his own political coalition, to deter potential upheaval, and to continue his personal selected successor's power.¹³⁵ Therefore, it was simply a domestic politics game and the decreasing Taiwanese hostility toward China in the last years of the second period was the byproduct of it.

● **Third Period**

I will spend more time in the third period since the empirical testing in the last chapter emphasized this time period. And also, the information in this period, compared to the first and second period, is more complete and cohesive. The relations between Taiwan and China in the third period can give us a clear picture of the cause and formation of hostility.

¹³⁵ Tayler, Jay. The Generalissimo's son: Chiang Ching Kuo and the revolution in China and Taiwan Taipei: Chins Times Press, 2000, ch.16.

1. General Trend of the Third Period

The Third period began in 1987 when Taiwan opened indirect transportation to China.¹³⁶ Because of democratization movement in Taiwan, the end of the Cold War, China's gradual opening to the world, and cross-Strait contacts, this period contained the most complicated political-economic phenomena and Taiwanese hostility toward China fluctuated dramatically. In the beginning, Taiwan decreased its hostility by opening indirect transportation in 1987, indirect economic links in 1989, amending laws to legalize the PRC's status in 1990, and establishing institutions to deal with cross-strait affairs in 1991. This benevolent atmosphere peaked in 1993 when Taiwan's Koo Chen-Fu, the President of Strait Exchange Foundation, and China's Wang Dauhan, the Chair of Association for Relations across the Taiwan Strait met in Singapore.¹³⁷ This event was historically significant because it was the first open talks between important Chinese and Taiwanese political figures since 1949. At the same time from 1989 to 2003, the growth rate of cross-strait commerce achieved double digit every year.¹³⁸ However, the good atmosphere did not last. Cross-Strait relations were soon worsened an accident in China

¹³⁶ It was "indirect" because all the cross-strait transportation must went through Hong Kong as the third party port. This policy was designed by Taiwan in order to reject the image that Taiwan had already accepted the Beijing CCP regime.

¹³⁷ "Koo Wang Talk in Singapore," Taipei Central News Agency 20 Apr. 1993

¹³⁸ "Current Cross Strait Business," Taipei China Times 2 Jan. 1994

which caused 24 Taiwanese tourists' deaths in 1994,¹³⁹ Taiwanese President Lee's visit to the United States in 1995,¹⁴⁰ and Chinese military exercises in Taiwan Strait in 1996 and 1997.¹⁴¹

Although the second Koo Wang Talks that took place in 1998 somewhat enhanced cross-strait relations, President Lee's State to State Remarks which implied Taiwan's sovereign status as an independent one seriously offended Beijing's feelings and until now, the year of 2005, China still refused to launch any kind of negotiations if Taiwan would not recognize the One China Principle defined by Beijing.¹⁴² Because of these factors in cross-strait relations, the third period presented a much level of hostility projection.

2. Composition of the Coalitions

In this section, I discuss the members of anti- and pro- China political coalitions. I will introduce each of them and analyze the relationship among them.

Democratic Progressive Party (DPP)

My major argument about the DPP is first that the DPP is the major force of the anti- China coalition. DPP is the most obvious and sustainable party with anti-China

¹³⁹ "Chiang Dao Lake Accident," Taipei Central News Agency 25 Mar. 1994

¹⁴⁰ Ibid.

¹⁴¹ Whiting, Allen S. "China's Use of Force, 1950-96, and Taiwan," International Security 26.2 (2001): 124-131.

¹⁴² "President Lee's State to State Remark," Taipei Central News Agency 9 Jul. 1999

stance. Second, DPP chose to adopt an anti- China stance not because of the ideological reasons but for the sake of a party development strategy.

Taiwan stepped into the transition level of democratization in the late eighties.¹⁴³ There was no longer the absolute leader with paramount power and thus the debates over the China policy grew more and more intensive. The most powerful and strongest voice to ask for change came from the first opposition party, Democratic Progressive Party (DPP). The DPP gradually became a political force that controlled around thirty-percent of votes in local or national level elections in the early nineties.¹⁴⁴ Opposing everything KMT believed, DPP's anti- China policy stance is clear and straightforward. Based on the assumption that Taiwan will and shall become independent, DPP claimed that 1) Taiwan's sovereignty was to be separated from the PRC's. 2) Taiwan should establish itself as a new nation, initiate a new constitution, and return to the international arena under its own name. 3) Taiwan should redefine its territory and establish diplomatic relations with the PRC according to international law. 4) Based on the principle of popular sovereignty, a plebiscite should be held to decide whether Taiwan should pursue independence and initiate a new constitution.¹⁴⁵ These points are the so-called "Taiwan

¹⁴³ About Taiwan democratization, see Yin Hai-Kuang Foundation Eds. Democracy, Transition? Taiwan Taipei: Laureate Press, 1998. Chang, King-yuh. Eds. Democratization in Republic of China—Transition, Institution, and Impact Taipei: Institute of International Relations, Cheng Chi University Press, 1992.

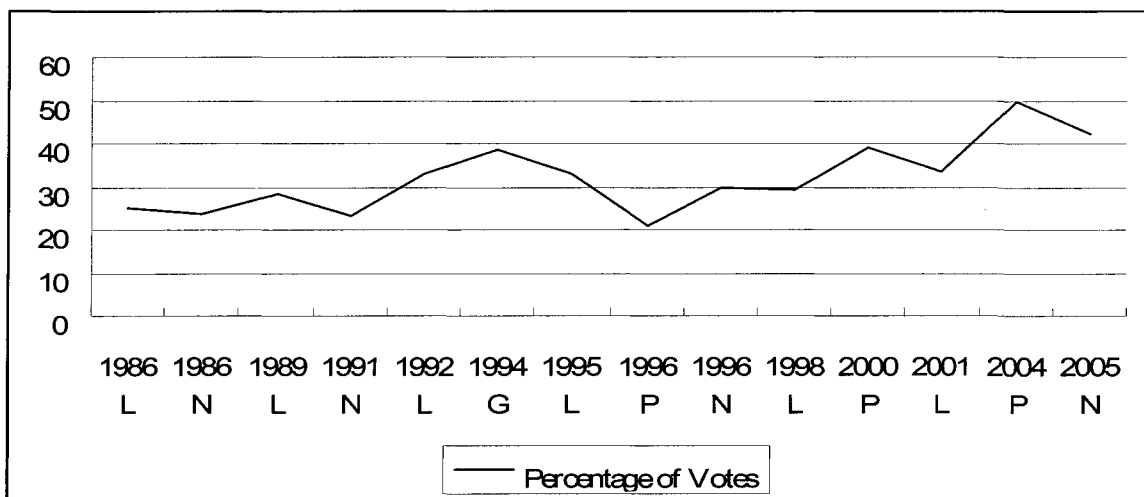
¹⁴⁴ "Election Dataset" Democratic Progressive Party <http://www.dpp.org.tw/>

¹⁴⁵ "DPP White Paper—China Policy" Democratic Progress Party 1992, P.31 <http://www.dpp.org.tw/>

independence party constitution” that had been set up in 1991 and had always been the source of Beijing’s resentment toward the DPP and the Chen Shui-bian administration.¹⁴⁶

The development of the DPP had never been easy. Its constituency support was always around 20 to 30 percent and only when in the year 2000 when the KMT split, did a DPP candidate win the Presidential election by slight marginal percentage.¹⁴⁷ Figure 5-1 shows the DPP’s voting support record since its start.

Figure 5-1 Voting Support for DPP



Source: Election Dataset, <http://www.dpp.org.tw/>

Note: L stands for Legislative Yuan election. N = National Assembly election, G = Taiwan Governor election, P = Presidential election.

Despite the fact that the KMT used various ways to take the advantage in the elections (such as using its illegal party assets, bribery for votes, interpretation of election

¹⁴⁶ “Taiwan Independence Principle in DPP Party Constitution,” Taipei *United News Data* 13 Oct. 1991.

¹⁴⁷ There were three sets of candidate for the 2000 presidential election. Chen Shui-bian represented DPP and got 39.3% of votes. Lien Chan represented KMT and got 23.1% of votes. James Soong split from KMT and ran independently. He got 36.84% of votes. See Central Election Commission Website Database, www.cec.gov.tw

laws, already strong local political factions, party-state controlled media, and etc), the low speed of DPP's growth came from the fact that the KMT party-state system had created a wealthy society. Being one of the miracles entering the rich countries club after the World War II, majority people in Taiwan although complained about KMT's corruption problem and unjust distribution of government resources, they did not trust that DPP that does not have any experience to run the government, could do a better job than KMT. This distrust can be seen in the poll data. Early in 1992, according to Taiwan Gallop Corporation, there were 58% of Taiwanese people who thought the DPP did not have the capability to run the government. In 1993, from the same poll source, 55% of people did not have confidence in the DPP. In 1995, 60% of people distrusted the DPP.¹⁴⁸ Even after DPP seized the government, the poll in 2001 showed that Taiwanese people still believed that the KMT could do a better job than the DPP in handling economic problems.¹⁴⁹

The information above shows that for the DPP early in the 1990s, to become a political party that can survive longer and control the administration more often, only providing better policy suggestions, criticizing KMT, or being a good opposition party

¹⁴⁸ "Only 13% Have Confidence on DPP," Taipei United News Data 23 Nov. 1992 "Support to Taiwan Independence is Declining," Taipei United News Data 2 Nov. 1993 "DPP is growing but still a long way to go," Taipei United News Data 4 Jan. 1995

¹⁴⁹ "31% Believe that KMT Can Deal with the Economy," Taipei United News Data 11 Nov. 2001

was just not enough. Therefore, the DPP began its ideological campaign against the KMT in order to attract voters in the early nineties.¹⁵⁰ To create a common resentment and dissatisfaction of people against the KMT, the DPP gradually formed its anti-China/CCP/KMT/Mainlander strategy. DPP promoted Taiwanese nationalism to gain majority support in open, direct and general elections.¹⁵¹ Facing the seemingly invincible KMT that controlled everything, the DPP thought that manipulating the ethnic issue was the best, if not the only strategy to win the elections.¹⁵² The DPP believed this strategy would work because indigenous Taiwanese and Hakka people were over 85 percent of the population.¹⁵³ The DPP continuously used the slogan “Taiwanese should vote Taiwanese” to run the campaign which did not really bring victory until they shifted their target from the KMT only to the China/CCP/KMT/Mainlander complex. This 4 in 1 strategy brought the anti- China coalition real triumph.

This shift from hating your own country’s ruling party to hating your neighbor country’s ruling party seems ridiculous but in the China-Taiwan context, it was pretty natural. First, the Taiwanese had bitter experiences with the KMT that kept an

¹⁵⁰ This event in 1993 showed that DPP, after consideration, adopted ethnic issue to campaign its party support. “DPP Needs to Work on Indigenous Taiwanese,” Taipei United News Data 16 Jul. 1993

¹⁵¹ “Taiwanese nationalism” was not usually being adopted. Other terms are equivalent to this concept and had being pervasively adopted such as “Taiwan consciousness,” “Taiwan First,” or “Taiwan Localization.” See Chang, Maukuei. Ethnic Group Relation and National Identity Taipei: Yie-chung Press, 1993.

¹⁵² Wang, Fu-chang. “Ethnic Group Assimilation and Mobilization: An Analysis of Taiwanese Constituency Party Support,” Journal of Ethnology, Taipei: Academia Sinica, Vol. 77, p.1-34.

¹⁵³ Chen, Sisi. “Oh, Mainlander,” Business Weekly, Vol. 842, Taipei, March 2004.

authoritarian regime in Taiwan more than forty years. However, it was not enough for Taiwanese people to entirely reject the party because the KMT also brought economic prosperity and political stability to Taiwan. Second, the indigenous Taiwanese had bitter experiences with mainlander ethnic groups who controlled every aspect of the government under KMT regime. The opportunities for indigenous Taiwanese to participate in politics, to join the public service, to fairly gain the use of public resources were largely suppressed by the ruling mainlander ethnic group.¹⁵⁴ However, it was also not enough for Taiwanese people to reject all the mainlanders since most of the mainlanders are ordinary citizens just like ordinary Taiwanese people. Only a small percentage of the mainlanders can control the government and enjoy unfair advantages. As a matter of fact, the “hatred” between ethnic groups did not really exist.¹⁵⁵

Third, the Taiwanese people do not like the Chinese Communist Party at all because of forty years of brainwashing education and propaganda. However, it would not be enough if the connection between the CCP and KMT had not being established.

¹⁵⁴ Tung, Chien-hung. “Behind the Taiwanese Consciousness: 2004 Presidential Election and the Transformation of Social Economic Structure,” *Taipei Liberty Times*, 16 Apr. 2004.

¹⁵⁵ According to Tung’s “evidence,” mainlanders got all the opportunities to have higher education, to work in public sector, and to get governmental subsidies. They were all true but the other fact is that Taiwanese people controlled most of the private sector, business, industries and agriculture. Mainlanders inevitably needed to join the public sector and the government also inevitably needed to subsidy them. It is true that many Taiwanese people complained about everything favored mainlanders, but this complaint, resentment, hatred (if any) had not created any even small scale violence or social unrest after 1947. The discussion of ethnic subject can be seen in the article—“Melting Pot of Groups: Not Yam, Not Taro.” Taipei: Government Information Office, Republic of China. <http://www.gio.gov.tw/info/taiwan-story/society/down/3-1.htm>

Therefore, “China” became the concept combining all three common enemies of the indigenous Taiwanese people. DPP politicians repeatedly persuaded their voters that the “Chinese” had suppressed them for decades, the “Chinese” got all the good jobs in government, and the “Chinese” now want to steal your jobs and money, invade your country and rule you in an even harsher way.¹⁵⁶ They continued to argue that the KMT came from China, the KMT praised Chinese culture, the KMT supported unification with China,¹⁵⁷ and most of KMT’s elites were mainlander who lived in Taiwan for fifty years and still deemed themselves as “Chinese” instead of “Taiwanese.”¹⁵⁸ The China/CCP/KMT/Mainlander complex represented everything that indigenous Taiwanese “could” hate although this group never existed. In the mid-1990s, this strategy seemed promising.¹⁵⁹ Gradually, the KMT Chairman and the state President Lee Tung-hui

¹⁵⁶ These hostile talks can be seen in many events. Chen Shui-bian promised to constituents that he would never open labor market for “Chinese.” “Chen said Never Import Chinese Labor,” Taipei United News Data 9 Feb. 2004. Lee Tung-hui said that “We should let the residual of external regime (namely, KMT) collapse and die. I worked with external regime for decade and I know them very well. There are still some indigenous Taiwanese people in external regime, but they are trapped. (Now, the division of mainlander and indigenous Taiwanese is clear.)” “We Should Entirely Destroy the External Regime,” Taipei United News Data 14 Mar. 2004. One of DPP’s local branch Secretary once said: “Every time we people saw lots of mainlanders gather around James Soong (a mainlander politician), we simply feel unhappy.” See “Chinese and Taiwanese Consciousness,” Taipei United News Data 1 Feb. 2000.

¹⁵⁷ Defining mainlanders as external people and KMT as the external regime are the main argument from Lee Tung-hui. See Lee, Tung-hui. Democratic Taiwan and Chinese Empire Taipei: Taiwan Advocates Press, 2005. Tsou, Ching-wen. Lee Tung-hui Government Reality Record Taipei: Ink Press, 2001.

¹⁵⁸ The two most popular sayings are: “Go back, China pig,” and “Mainlanders eat Taiwanese rice, drink Taiwanese water, but don’t love Taiwan.” DPP congressman Chu Shing-yu once threw pigs tattooed with China slogan to pro China politician’s office. He also hung the pigs in public to show his resentment to Chinese. See “People are Unhappy about Raising Ethnic Issue,” Taipei United News Data 29 Aug. 1999.

¹⁵⁹ In the mid nineties, the political battles between the KMT reformist and DPP got pretty severe. The municipal election of capital Taiwan determined its result. The mainlander candidate Chao Shao-kang lost this election because of the ethnicity issue. The new mayor, Chen Shui-bian later became the President and won his second term in 2004. Chao Shao-Kang, once very popular national politician, retired from public

shifted to this strategy to stabilize its political power.¹⁶⁰ He utilized governmental power, manipulated Beijing's reactions and allied with the DPP. Step by step Lee became the true leader of the anti- China political coalition and this strategy brought him big victories.¹⁶¹

Targeting the China/CCP/KMT/Mainlander complex was just a strategy and there was no ideological consensus inside the DPP. In the beginning, the DPP was a party composed of anyone who didn't like the KMT and they were originally called a "Party Outsider".¹⁶² Lots of evidence showed that different factions inside the DPP have totally different China policy orientations.¹⁶³ For example, many members of the Formosa faction inside the DPP have a more pro-China stance and they do not support Taiwan independence.¹⁶⁴ One of the key figures of DPP and Formosa faction Hsu Hsin-liang

service. He told interviewer years later that mainlander will not have national chance in Taiwan politics. See "From Political Start to Successful CEO: Chao Shao-kang's Story," *Phonix Weekly*, Vol. 90, 2004.

¹⁶⁰ This shift can be proved by the facts that Lee gradually established close relationship with the DPP politicians such the municipal election in 1994 in the last footnote. Lee had long been criticized by KMT members that he implicitly help DPP Chen Shui-bian to win the election. See United News Data, "Lee Chen Alliance Established," Taipei, 12/28/1994. Lee also revealed this shift in various talks and policies. See Lee Tung-hui, *Taiwanese Perspective* Taipei: YLIB Press, 1999, p.245.

¹⁶¹ The 1996 presidential election is the best example. Lee won the election when facing DPP and independent challengers by extensively manipulating Beijing's aggressive replies to his diplomatic attempts. See Tung, Chen-yuan "Taiwan's Response to Mainland's Military Threat in 1995-6 and 1999-00," *China Affair Quarterly* Vol. 9, July 2002, 71-89.

¹⁶² In the authoritarian period, Taiwan had only one party—KMT and it's against the law to establish political party. Therefore, the opposition politicians called themselves "party outsider." See Hsiao, A-chin. "Identification, Narration and Action: The Historical Constitution of Taiwan Party Outsider Movement in the 70s," *Taiwan Sociology*, Vol. 5, 26 Apr. 2003, 195-250.

¹⁶³ Lin, Yi-chun. "The Study of DPP's Political factional Competition," PhD Dissertation of National Taiwan University, 1997.

¹⁶⁴ Kuo, Julian-Liang. "DPP's Inner Conflict: from New Taiwan Independence Argument to China Policy," published article, Taipei, Institute of National Policy Research, July, 2000.

who had been the Chair of the DPP for eight years eagerly promoted the idea of “Go West” to further cooperate with China. This political act was apparently pro- Chinese. If we carefully analyze Taiwan’s political spectrum of independence and unification, the DPP was actually closer to center moderate because there was always an extreme anti-China party playing an insignificant role in both the elections and the official government.¹⁶⁵ This point further illustrate that the DPP’s China policy is determined by its’ development strategy instead of ideology. Above all, the DPP was the most salient force in the AC coalition. They chose this political stance to counterbalance the party-state system controlled by the KMT. It was a strategic move, not an ideological one.

The development of the anti China coalition will be further elaborated in the section discussing Lee Tung-hui.

KMT Elites Group

The KMT elites represented the majority of the pro- China coalition. There are two major points that need to be discussed here. They are, first, that the member of the pro-China coalition mainly came from the KMT and established their own political parties. As a matter of fact, except for the Lee Tung-hui faction inside KMT, the rest of the KMT members have a pro- China stance. Second, using the same logic as with the DPP’s

¹⁶⁵ From 2001 to current year 2005, the extreme anti China party was Taiwan Solidarity Union. Before 2001, they were Taiwan Independent Party (1996~) and Taiwan Independent Conference (1985~).

choice of being an anti- China party, KMT elites chose to adopt a pro- China stance partly because of their personal connection, background, and ideology with the mainland: But mainly because of the sake of political competition—to gain more power and to defeat their political opponents.

The pro- China coalition was mainly composed of KMT elites who were originally divided into pro- and anti-China groups under the Chiang Ching-kuo administration and after Lee Tung-hui seized the power in the early nineties they gradually consolidated together to counterbalance the DPP and Lee Tung-hui's influence, especially in regards to the China policy. This reconsolidation could be verified by various politicians' political change from a vigorous anti- communist to pro- China stance. They still claimed that anti- communist and pro- China were logically compatible policies. However, before the rise of DPP political power, KMT elites (across ethnic groups) refused to have any kind of contact with China or the communists. And after, they eagerly visited China and all kinds of CCP leaders. This change was obvious.¹⁶⁶

There are some misunderstandings about the reasons for the KMT elites' pro- China stance that I need to clarify. First, not all of the KMT elites were mainlanders. Instead,

¹⁶⁶ Here are some examples: Hao Pei-tsun, Lin Yang-kang, Chen Li-an, Chiu Chuang-huan. They were all high rank politicians under Chiang Chin-kuo period, they all became pro China, visited China, met CCP politicians, and some of them even have economic relation with CCP in recent years. See "Hao, Lin and Chiu Visited Mainland," Taipei United News Data 31 Oct. 2002.

starting in the 1980s, indigenous Taiwanese had become the majority of KMT members, especially staff and key leaders. Early in 1986, 14 out of 31 members were indigenous Taiwanese in the standing committee of KMT's Central Committee. Structurally similar to the Politburo in the Soviet Union, it was the most powerful political unit in Taiwan.¹⁶⁷ Before democratization, it is true that majority of the ruling class were mainlanders, but Taiwanese were also in important posts such as the Chief of the General Staff, President, Vice President, Mayor of Capital, governor of Taiwan province, and various ministers in the cabinet.¹⁶⁸ Other evidence that ethnicity was not the standard of the pro- China group is that when the standing committee of the KMT Central Committee voted to decide successor to the Chairmanship after Chiang Ching-kuo's death, most of the indigenous Taiwanese politicians did not approve President Lee Tung-hui because they were afraid that Lee will threat their political status. That was the time for politics, not ethnic group consolidation.¹⁶⁹ Accordingly, the KMT elites joined or became part of the pro-China coalition not because of their ethnic affinity, but due to their own political power calculations. It was all about the political game, not the ethnic issue.

¹⁶⁷ Tayler, Jay. The Generalissimo's son: Chiang Ching Kuo and the revolution in China and Taiwan Taipei: Chins Times Press, 2000, p.448.

¹⁶⁸ Wang, Tay-sheng. "The Practice of Liberal Democratic Constitution in Taiwan: A Historical Coincidence," Research Journal of Taiwan History 11.1 (2004):167-224.

¹⁶⁹ *Ibid* p.215.

Second, the KMT elites did have sets of ideological principles guiding their political acts and policies. In a fundamental sense, these principles were anticommunist and Chinese traditionalism. The former one came from the KMT's bitter defeat by the CCP and the latter one was established to legitimize its rule in Taiwan.¹⁷⁰ Although important, these ideological principles were never the driving force of Taiwanese politics after Chiang Kai-shek's death. In fact, they were more like the means to smooth the rough authoritarian governance, to attract international support, and to distinguish itself from Beijing's CCP. KMT elites didn't have strong ideology orientation and that's why they could suddenly accept their enemy, the CCP, so soon after the indigenous Taiwanese began to seize the political power in Taiwan. Again, it's all about political game, not ideology.

Lee Tung-hui

The political competition between the DPP and the KMT since the 1980s actually profited Chiang Ching-kuo's successor, President Lee Tung-hui who was a KMT member but isolated as nominal national leader in the late 1980s.¹⁷¹ Lee was personally appointed by Chiang Ching-kuo to be the mayor of the capital, the Governor of Taiwan

¹⁷⁰ About the discussion of KMT's "Dao-Tung"(Principles and Tradition), see "History of Kuomintang," Commission of Kuomintang History, <http://www.kmt.org.tw/>

¹⁷¹ Lee Tung-hui, Taiwanese Perspective Taipei: YLIB Press, 1999, p.67.

province and the Vice President. As an indigenous Taiwanese, Lee had done a good job showing that the KMT regime also tolerated high-ranking leaders with different ethnic backgrounds. However, after he became the President in 1987, right after Chiang Ching-kuo's death, only being the President without real power did not satisfy Lee. In Lee's first term as vice President/President (1987 to 1990), the KMT elites tightly controlled the military-intelligence-police sector, government units, the party system, state-owned enterprises, the education system, media/broadcasting units and all other important parts of the country. One example illustrates Lee's inability to control the government during this period. When Taiwan's Prime Minister Hao Pei-tsun, a mainlander, and a key figure in the KMT elite coalition as the Chief of General Staff for eight years under Chiang's regime, sent delegates to sign Quemoy agreement with Beijing's delegate in 1990, Lee heard this news from a newspaper.¹⁷² Facing the rising pressure from indigenous Taiwanese and Haka people who were eighty-five percent of Taiwan's population, and a potential political enemy, Lee Tung-hui, the KMT elites group decided to reconnect the China-Taiwan relationship and push the unification project. For them, the preferences were clear: abiding to One China Principle could legitimize their governance and dealing with Chinese Communist Party was less dangerous than with the political majority in

¹⁷² Tzou Jing-Wen, Lee Tung Hui's Executive Report Taipei: Ink Press, 2001, p.181.

Taiwan who might actually seize power one day. Even in the worst scenario, the KMT elites would prefer to be the citizen of one China rather than the citizen of the “Republic of Taiwan.”¹⁷³

Lee fully understood his own weaknesses and strengths in the power struggle between the DPP and the KMT elites. He decided to take advantage of both sides by calling himself a true Chinese and supporting the KMT’s political principles. Meanwhile he revealed himself also as an indigenous Taiwanese and complained about mainlanders and the KMT elites to attract the DPP constituency.¹⁷⁴ In the one hand, he patiently repeated that Taiwan will ultimately reunite with China under the KMT’s political doctrines and work together to improve all Chinese people’s welfare.¹⁷⁵ He eagerly promoted the idea of Taiwanese consciousness and occasionally echoed the DPP’s political proposals in the area of China policy.¹⁷⁶ In general, we could say that Lee was with the pro-China coalition from 1987 to 1993 in order to win the 1990 indirect Presidential election and to stabilize his presidency. In this period, Lee’s presidency was empowered and decided by the KMT who fully controlled National Assembly. He

¹⁷³ “Hao Pei-tsun Claimed Anti Taiwan Independence in China,” Taipei United News Data 23 Mar. 1999.

¹⁷⁴ About Lee Tung-hui’s changing political strategies, see Lee, Ao. The Truth about Lee Tung-hui Taipei: Lee Ao Press, 1993.

¹⁷⁵ See New Year Speech gave by Lee Tung-hui from 1989 to 1994 in United News Data.

¹⁷⁶ The most famous and earliest one (1995) is the dialogue between Lee Tung-hui and Japanese historian, Riotaro Shiba. Lee mentioned “the sadness of being a Taiwanese” that implied the suppression of mainlander to Taiwanese. See Riotaro Shiba, A Journey in Taiwan Taipei: Tohan Press, 1995, p.67.

gradually became an anti-China coalition member in 1994 in order to attract the DPP's constituency and to win the 1996 direct Presidential election. Lee's political calculations were clear because his first term was determined by the KMT elites in the National Assembly and his second term was determined by the general population in the main elections.¹⁷⁷

In his second term as President, Lee reduced the anti-China coalition's hostility toward China in the first two years, and then raised it again in 1998 and 1999 in order to support his appointed successor in the 2000 Presidential elections. In the first two years, the low approval rating of both himself and the KMT, as well as the threat from a rising political star, Taiwan governor, James Soong, made Lee realize that without stirring anti-China sentiment, he would not be able to continue his own political influence after he left the Presidential Hall.¹⁷⁸ Lee appointed Lien Chan who represented the KMT, to run for the Presidential Election in 2000. This time, Lee failed. But his long-term ally, the DPP candidate Chen Shui-bian won the election.

¹⁷⁷ Taiwan amended its' constitution to make the Presidential election become a general and direct election in 1994. Before 1994, the National Assembly that was controlled by the KMT elected all the Presidents.

¹⁷⁸ "President Lee's Approval rate is Only 37%," Taipei United News Data 8 Dec. 1997

After 2000, Lee again changed his political stance. He formed a new party, the Taiwan Solidarity Union, to participate in Congressional Elections and played a radical anti- China role in Taiwan's political spectrum.

In sum, these three political forces, the DPP, KMT elites and Lee Tung-hui, represented the competition between anti- and pro- China coalitions. Before 2000, the line between these two coalitions was not as clear. In general, from 1987 to 1994, the DPP was the only anti- China force and from 1995 to 2000, Lee occasionally (during the elections or power struggles with opponents) joined the anti- China coalition. After 2000, the DPP gained power but could not practice its anti- China policy because Chen faced a pro- China majority in the Congress. This situation initiated another round of power struggles to decide China policy. Chen projected lots of benevolence toward China in his first and second year to stabilize his Presidency not only because the DPP did not control the Congress but also because he only got 39.3 percent of the popular votes in 2000.¹⁷⁹ And, after the DPP won the Congressional Election in 2001, Chen raised hostility toward Beijing and began series of anti-China campaigns until his second term.

¹⁷⁹ "Election Result Analysis" Taipei United News Data 6 May. 2000

The political competition between anti-China and pro-China coalitions determined Taiwan's governmental hostility toward China. All these competitions I describe fit the up and down of Taiwanese hostility toward China from 1987 to 2005. Figure 5-2 presents the general trend of anti- and pro- China coalition members.

Figure 5-2 General Trend of Anti and Pro China Coalition

	←Anti China	Pro China→		
1989-1990	DPP	NKA	Lee	Lin/Chiang
Lee sided with KMT majority (CCK's followers) with PC stance. Lin and Chiang challenged Lee's presidency in 1991 with more conservative stance on China policy. NKA was the liberal faction in KMT with moderate PC stance. DPP excluded PC members and set its AC tone but not too radical since law still banned Taiwan independence voice.				
1991-1992	DPP	Lee	NKA	Hao
DPP ran 1991 election campaign with Taiwan independence proposal and moved toward radical AC. Lee shifted his stance from PC to AC in order to attract both sides' supporters. Hao became the Premier and promoted PC idea to counterbalance DPP. NKA excluded AC members and moved toward PC/Hao to counterbalance Lee and DPP.				
1993-1994	DPP	Lee/Lien	Soong	NP
Lee appointed his follower, Lien to replace Hao as the premier and began its diplomatic campaign against China. After the defeat in 1991, DPP adopted a more moderate way. NKA left KMT and formed NP. NP became the major force of PC. Lee's follower, Soong won the Taiwan province governor election. Soong was practical and adopted eccentric stance in China policy.				
1995-1996	Lee DPP	Lien Soong	NP Lin/Hao	
Lee adopted strong AC stance to rouse nationalism in the presidential election. Although DPP followed the same path but Lee attracted most of supports. As Lee's vice president candidate, Lien tried to be moderate in China policy as well as the governor Soong to keep their own political capital. The so-called "non-majority" including NP consolidated under Lin/Hao's leadership and campaign with PC proposals.				
1997-1998	DPP	Lee/Lien Soong	NP	
In his second term, Lee moved back to the eccentric stance and eased the cross Strait confrontation. Lien and Soong continued their moderate stances and were busy on series of domestic problems. DPP and NP for the first time promoted together the idea of "great conciliation". They both moved to the center and focused on fighting KMT.				
1999-2000	Lee	DPP	Lien	Soong NP

To continue its political influence, Lee again shifted back to AC and a very radical one. DPP also moved back to more AC but not too much in order to attract general population and stabilize political situation. Lien adopted moderate stance because of Lee's control of KMT. NP continued its radical PC stance and Soong shifted to PC to counterbalance DPP and Lee.

2001-2004	DPP Lee/TSU	Lien NP Soong
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Lee and his newly established political party, TSU became radical AC and DPP was a bit more moderate because of its role as the ruling party. They worked together to counterbalance the opposition parties (Lien led KMT and Soong led PFP) that were the majority in the congress. Lien was a bit more moderate while NP and PFP adopted radical PC stance.

- AC: Anti China
- CCK: Chinag Ching-kuo
- Chiang: Chiang Wei-kuo
- DPP: Democratic Progressive Party
- Hao: Hao Pei-tsun
- KMT: Kumington
- Lee: Lee Tung-hui
- Lin: Lin Yang-kang
- Lien: Lien Chan
- NKA: New Kumington Alliance
- NP: New Party
- PC: Pro China
- PFP: People First Party
- Soong: James Soong
- TSU: Taiwan Solidarity Union

Economic Determinism

After discussing Taiwanese domestic politics, readers might feel very doubtful about my seemingly simplistic inference—political competition was the source and cause of Taiwanese hostility toward China. I fully understand that what I described and argued above were far from enough for a complete answer. In this section I will first, further elaborate my explanation by discussing the real source of this political competition.

Political competition was the first layer and there are other factors fueling this competition. Finding the primary source could help me to fully answer the research question. Only solving this inner problem can ease Taiwanese hostility toward China and lead to a possible peace in Taiwan Strait. The title of this section is “Economic Determinism” because basically I argue that the source of political competition between the anti- and pro- China coalitions came from the redistribution of wealth and industrial restructuring after the opening of cross-strait commerce in 1989. Unlike all other domestic factors such as ideology, democratization, ethnic conflict, human nature, corruption etc, only my economic explanation provides logical inferences and sufficient evidence.

In their 1941 milestone work, Wolfgang Stolper and Paul Samuelson assessed the influence of trade liberalization on a protected market. Their major hypothesis is that protection would benefit the scarce domestic factors (relative to the world). Trade liberalization harmed these scarce factors and at the same time benefited the abundant factors that were normally suppressed under a protected economy.¹⁸⁰ Ronald Rogowski

¹⁸⁰ See Stolper, Wolfgang and Paul A. Samuelson. “Protection and Real Wages,” Review of Economic Studies Vol. 9 (1941):58-73. Deardorff, Alan and Robert M. Stern, eds., The Stolper-Samuelson Theorem: A Golden Jubilee Ann Arbor: University of Michigan Press, 1994.

applied this important trade theory to the political science in 1989 and studied the connection between economic type and domestic political cleavage.¹⁸¹ I combine these two pieces of research to study Taiwan's case. Based on the Stolper-Samuelson Theorem's prediction, after Taiwan opened indirect economic relations with China in 1989, the scarce factors suffered from this trade liberalization and the abundant factors benefited from this new economic transformation. In Taiwan's case, scarce factors refer to the labor and the land; abundant factors refer to capital (relative to the world).

- **Abundant Factor**

The so-called "Taiwan miracle" in the late 1970s and 1980s simultaneously brought Taiwan wealth and equality of wealth distribution internally. After the Second World War, Taiwan was one among the many developing countries of the period. Fifty years later, its GDP amounted to US\$261 billion, ranking Taiwan as the 20th richest country in the world. Taiwan's wealth topped US\$13000 annually per person in 1997 and about 22nd highest globally. These figures are noteworthy when we consider Taiwan's limited territory (the 132nd in the world), population (the 39th in the world) and natural

¹⁸¹ Rogowski, Ronald. Commerce and Coalition: How Trade Affects Domestic Political Alignments Princeton: Princeton University Press, 1989.

resources.¹⁸² Due to this success, capital is abundant in Taiwan. And because of the limited land and population in Taiwan, land and labor are scarce factors.

Because of political reasons, namely preparation for the possible war with mainland China and for the possibility of a civil riot of indigenous Taiwanese people, Taiwan adopted rather strict regulations of the foreign exchange of currency in order to achieve economic stability with large savings.¹⁸³ Until the late 1980s, both Taiwan's private and public sectors had cumulated tremendous amount of money. The real value of this capital became explosive when the government finally decided to float its currency value in the late eighties. The government made this economic decision because of two major reasons. First, the old friend America forced Taiwan to do it because they had taken advantage of the undervalued Taiwanese New Dollar to export cheaper goods to America's domestic market for more than two decades.¹⁸⁴ Second, the KMT had to release wealth to its citizens in order to stabilize the transition of political power. In 1984, Chiang Ching Kuo's son worked with the intelligence unit, without his father's permission, to assassinate a Taiwanese writer on the US soil.¹⁸⁵ Next, a serious financial

¹⁸² About Taiwan's economic success, see Mcdeath, Gerald A. Wealth and Freedom: Taiwan's New Political Economy Bookfield: Ashgate Publishing Limited, 1998, p.246.

¹⁸³ Wu, Tsong-min. "The Vicious Inflation in Taiwan after the Second World War," in Taiwan Economic Development Edition, Taipei: China Times Press, p.89.

¹⁸⁴ About Taiwan's economic liberalization in the eighties, see Schive, Chi. Taiwan's Economic Role in East Asia Washington D.C.: The Center for Strategic and International Studies, 1995, p.28-45.

¹⁸⁵ Tayler, Jay. The Generalissimo's son: Chiang Ching Kuo and the revolution in China and Taiwan Taipei: Chins Times Press, 2000, p.393.

scandal took place in 1985. Lots of KMT high ranking officials were under investigation and one of Chiang's loyal followers resigned as the Secretary General of the KMT.¹⁸⁶ After 1985, the rumor about Chiang Ching- Kuo's poor health had spread all over Taiwan.¹⁸⁷ In these politically unstable years, the KMT decided to float the currency value and let citizens enjoy the new and strong purchasing power in order to shift their focus from unstable politics and unfriendly international circumstances towards a better economic life.

However, the side effect came first. The overflow of capital "struck" the stability of Taiwan's economy and created a series of financial scandals in the late eighties for a pretty ironic reason—the Taiwanese people were too rich.¹⁸⁸ Figure 5-2 clearly shows the economic situation in the eighties and nineties. In the late eighties, the value of the Taiwanese dollar inflated almost 40%; in other words, Taiwanese people's wealth almost doubled. The consequences were clear. First, the outward FDI increased from almost zero to seven billion dollars in 1989. Second, the double digit interest rate had shrunk by half in the late eighties. The Central Bank's monetary policy during the eighties showed that Taiwanese people's money had no enough places to invest. Finally, because of the

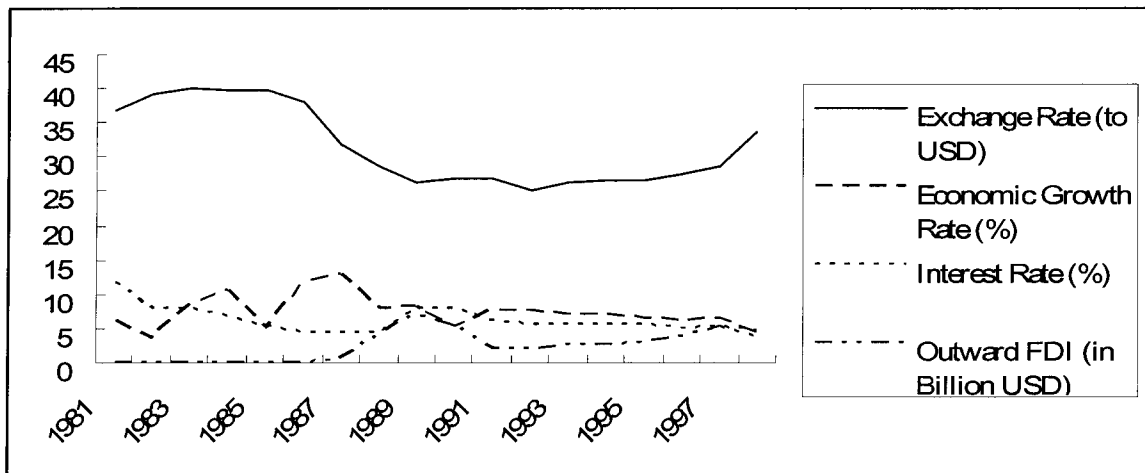
¹⁸⁶ Ibid p.402.

¹⁸⁷ Ibid p.450.

¹⁸⁸ The best book to understand Taiwan's economy in the eighties, see Chu, Shi ying. XO, Benz, and Rolex Taipei: China Times Press, 1992.

ill management of the capital in the eighties, Taiwan's economic growth fluctuated. And after the eighties, the increased cost of production harmed the export industries that were Taiwan's lifeline. Taiwan's economic growth gradually declined. It was a classic example of "hard-landing."

Figure 5-2 Economic Index of Taiwan 1981-1998



Source: Central Bank of China (Taiwan), <http://www.cbc.gov.tw/>

Yes, the good time did not last long and the bad affects soon surfaced. The inflated currency enhanced the labor wage, increased the cost of exports, and created domestic demands for higher prices, quality and most of the time, imported goods. The economic plight in the eighties generated two major trends. The first trend was the outflow of capital due to the inflated currency and limited investment opportunities in Taiwan. The second trend was the urgent need for imports; not only luxury goods but also goods that no Taiwanese factories could afford to produce under the new labor wage standard. All

these trends did not bring Taiwan to further growth. To the contrary, when Taiwan's economic growth began to slow down in the late eighties and nineties, the over-investment created economic bubbles. These bubbles gradually burst in the nineties. Therefore, both capital and jobs had gone and the dependence on China had been created.

In the story of Taiwan's economy in the end of the 20th century, China played the most important role. After the open and reform policy began in the seventies, China had enjoyed double digit economic growth for decade.¹⁸⁹ Taiwan looked for a place for investment and China provided the best choice for it not only because of the linguistic, cultural, and ethnic affinity but also because China herself was a promising land for economic development. As a matter of fact, most of Taiwan's outward investment was concentrated in China. From 1991 to 1998, 40% of Taiwan's approved outward investment (TAOI) went to Mainland China.¹⁹⁰ If we added the 20% of TAOI to tax heaven, more than half of TAOI went to China, not counting the fact that these numbers are just governmentally approved ones and cross-strait commerce still contains lots of black market transactions.¹⁹¹ Accepting the attractiveness of China and Taiwan's abundant capital, there were several other reasons for the dramatic increase in outward

¹⁸⁹ National Bureau of National Statistics, "Statistics Indicator—Annual Economic Growth," 2005, <http://www.stats.gov.cn/>

¹⁹⁰ Ibid

¹⁹¹ Investment Commission, Ministry of Economic Affairs, Taiwan, ROC, January 2000.

investment and cross-Strait trade. First, the rising concern for environmental protection in Taiwan created lots of obstacles for manufacturer sector.¹⁹² Second, from 1982 to 1985, wages in Taiwan had increased 18 percent. From 1986 to 1990, it increased 44.5 percent. The manufacturing sector could not compete with other developing countries and survived by making low tech products under this wage standard.¹⁹³ Third, when low tech products are made by other developing countries, mainly China, the cross-strait trade must increase to deal with Taiwan's domestic demand. In sum, Taiwan's abundant capital benefited from the opening of cross-strait commerce because first, the capital had a promising and reliable target country to be invested in and investors enjoyed a satisfying return. Second, the opening of cross-strait commerce introduced cheaper goods to Taiwan's domestic market and people with capital benefited from it the most. Third, the prosperous cross-strait commerce had created plenty of opportunities for businesses including export/import and service industries. The continuously increasing Taiwanese investment in China and enlarging cross-strait trade supported these three consequences of the opening of cross-strait commerce.¹⁹⁴ Three major commerce associations in Taiwan—the Taiwan Chamber of Commerce, the Chinese National

¹⁹² Deborah C. Chan, "The Environmental Dilemma in Taiwan," Journal of Northeast Asian Studies 12.1 (1993):35~56.

¹⁹³ Ministry of Interior, Republic of China Executive Yuan, 2005, <http://www.moi.gov.tw>

¹⁹⁴ All the statistics of Taiwanese investment in China was in the chapter four.

Federation of Industries and the Chinese National Association of Industry and Commerce, all had clearly and strongly suggested to the government to open direct cross-strait commerce.¹⁹⁵ These voices from the capitalist class also proved that they had benefited from cross-strait commerce and wanted to continue and enlarge this benefit.

Scarce Factor

According to the Stolper-Samuelson Theorem, Taiwan's scarce factors—labor and land, would suffer a great deal after the opening of cross-strait commerce. Economists studied Taiwan's human capital, referring to amply educated, skilled and low-paid labor as the foundation of Taiwan economic miracle.¹⁹⁶ However, when the foundation of economy, labor, began to ask for their share in the 1980s, factories moved out, capital flew out and the government loosened its' control on the outsourcing movements. The opening of cross-strait commerce further exacerbated this situation because of Taiwan's particular economic development model.

Unlike other East Asian countries that followed the Japanese style of economic growth, Taiwan did not have conglomerates leading the economy.¹⁹⁷ Instead, Taiwan

¹⁹⁵ See "We Speak for Taiwan's Economy," Taipei Economics Daily 11 Jun. 1993, "Chair of CNFI: Investment in China or not depends on what kind of industries," Taipei United News Data 29 May. 1997 "Wong Yu-tseng Welcomed the new Premier," Taipei United News Data 8 May. 1997

¹⁹⁶ Mcdeath, Gerald A. Wealth and Freedom: Taiwan's New Political Economy Bookfield: Ashgate Publishing Limited, 1998, p.134.

¹⁹⁷ Thompson, Grahame. Economic Dynamism in the Asia-Pacific New York: Routledge Press, 1998, p.137-159.

had a great amount of small and medium- sized enterprises as the driving force of Taiwan's economic growth.¹⁹⁸ In Taiwan, state-owned enterprises and KMT controlled banking system provided sufficient energy, power, raw materials, loans and technology to assist the private sectors and this synergy had proved efficient and effective in Taiwan's large growth years. But, due to the limited scale of economy, small and medium-sized enterprises did not have enough resources to upgrade their technology level when facing the problems of diminishing surplus and challenges from developing countries. In the late 1980s and 1990s, Taiwan already stepped into democratization period that brought weak authority and inefficient government. Government could no longer adequately be the R&D engine for small and medium enterprises. This new trend directly compelled Taiwan's enterprises either change their focus or move to other countries. Inevitably, people lost their jobs.¹⁹⁹

The manufacturing sector was always the engine for Taiwan's economic growth and also involved most of the labor force in Taiwan. But the opening of cross-strait commerce specifically and severely harmed Taiwan's manufacturing sector. The opening of cross-strait commerce struck the manufacturing sector especially in the

¹⁹⁸ Ibid p.233-238.

¹⁹⁹ About Taiwan's special economic relation between public and private sectors, see Leng, Tse-Kang. The Taiwan-China Connection Boulder: Westview Press, 1996, p.79-105.

counties or cities with more labor intensive industries. Since 1992, more and more labor left the manufacturing sector and joined the service sector.²⁰⁰ More and more people in the poor counties or cities lost their jobs in the 1990s and gradually lead to increasing social problems, especially the crime rate.²⁰¹ More and more reports showed that all these new problems came from the opening of cross-strait commerce—job providers all went to China.²⁰² Since 1993, the manufacturing sector's share of the total GDP has dropped to less than 30%. This drop showed the rapid exodus of Taiwan's factories and also preceded the decline of Taiwan's economy.²⁰³

In 2000, the unemployment rate in Southern Taiwan where the more traditional manufacturing industries were located was 3.4% (compared to 2.7% in Northern Taiwan) and in 2001, 4.8% in the south and 4.5 in the north.²⁰⁴ This fact helps explain why the anti- China coalition always gained more support in southern Taiwan. However, the situation in Northern Taiwan was not perfect. Although the majority of high-technology industries had been established originally in Hsinchu city, and had then spread over much of northern Taiwan, these corporations did not bring too many job opportunities for labor due to the industries demand for high levels of expertise. Besides, high tech industries

²⁰⁰ "Employers in service sector continuously increased," Taipei United News Data 30 Jul. 1992

²⁰¹ "Unemployment Peaks Again," Taipei United News Data 24 Jul. 1996

²⁰² "Unemployment and Crime," Taipei United News Data 21 Oct. 2000

²⁰³ "Depression in Manufacturer Sector, Weakness in Economic Growth" Taipei Economics Daily 27 May. 1993

²⁰⁴ "Different unemployment rate in South and North," Taipei United News Data 25 Feb. 2003

also moved to China in the late 1990s and this further boosted Taiwan's unemployment rate.²⁰⁵

The other scarce factor, land, also suffered from the opening of cross-strait commerce. Land owners and land related industries suffered from declining rents and a depressed real estate market.²⁰⁶ As I mentioned previously, Taiwan's declining economy in the early 1990s was qualified as a real estate bust. Money flowed everywhere and created an inflated growth of GDP. From a macroeconomics perspective, every sector in Taiwan is related to each other. After the moving out of many small and medium enterprises, land prices declined immediately because of the shortage of renters. Businessman whose financial resources depended on property loans soon went bankrupt and it created a large amount of bad loans in the banking system.²⁰⁷ Meanwhile, corruption amongst banks, politicians and businessman appeared to be a growing socio-economic-political problem in Taiwan. Land owners and land related industries faced the most difficult time after the opening of cross-strait commerce.

Narrowing the focus even more, the agricultural sector suffered from the opening of cross-strait commerce in a much worse way than any other. Lots of agricultural products

²⁰⁵ "Unemployment problem deteriorate," Taipei United News Data 10 Sep. 2000

²⁰⁶ "Real Estate Industries Shrank," Taipei Economics Daily 1 Dec. 1995

²⁰⁷ "Percentage of Bad Loans Increased," Taipei Economics Daily 20 May. 1997

flowed into Taiwan at a very cheap price, and Taiwan's government was unable to sufficiently subsidize the farmers or guard the border to prevent a growing black market. In addition, lots of unemployed laborers went back to the country-side and participated in agriculture production. This flow of new comers further exacerbated the problems in agricultural production in Taiwan.

According to government reports, early in 1992 the total consumption of agricultural products including champignon, watermelon seeds, peanuts, garlic tea leaves, vegetable oils, and various kinds of fruits was more than twice the level of domestic production and imports. Officials suggested that this situation came from the fact that the black market activity across Taiwan Strait was pervasive.²⁰⁸ From this report, we realize how bad Taiwan's agriculture suffered as almost half of the markets had been seized by cheaper, illegal products. Chinese agriculture not only dominated Taiwan's domestic market but also most of Taiwan's traditional export markets especially Japan. Since 1990, Taiwanese agricultural exports to Japan declined an average of 10% every year while the Chinese share increased the same amount during that time.²⁰⁹

²⁰⁸ "Taiwan Agriculture Annual Report 1992," Taipei, Council of Agriculture, Executive Yuan, ROC. 1993, p.325.

²⁰⁹ "Our Agricultural market was seized by China," Taipei Economics Daily 4 Oct. 1993

In sum, I use Samuelson-Stolper Theorem to analyze Taiwan's economy in the 1980s and 1990s because this case fit the theoretical framework. Although the theorem was focusing on a closed economy opening its market and that was not the case here, the great amount of investment and trade between Taiwan and China showed that this case was almost the same with the theorem's assumptions. Even better, the theory predicted that the transition from a close to an open economy always took years but in Taiwan's case, the redistribution within the domestic economy took effect in less than a decade. Therefore, Taiwan during the 1980s and 1990s became a perfect case for the Stolper-Samuelson theorem. Before the opening of cross-strait commerce, the abundant factor (capital) suffered in Taiwan's deteriorating investment environment, overpriced land and rents, increasing wages and competition from developing countries. The scarce factor (labor) although not in the best situation, was enjoying almost full employment, a protected labor market and continuously increasing wage. The other scarce factor (land) was definitely in the best situation. Real estate prices went sky high, land owners enjoyed rents and property loans, and most of corporations on the stock market began rent-seeking activities. Before the opening of the cross-strait commerce, the agricultural sector was just getting by and after this everything seemed to get much worse. Finally, Taiwan's government was busy dealing with political instabilities during the

democratization. After the opening of cross-strait commerce, cheaper goods flowed in and capital flowed out. Abundant factors, such as capital, soon benefited from outward investment and opportunities in China. Scarce factors like labor was faced unemployment, land was facing declining prices and disappearing renters, and agriculture was facing tremendous competition from Chinese products. Finally, politicians of the newly established democratic system began to utilize this economic redistribution to establish their own power. This redistribution fueled the political competition between anti-China and pro-China coalitions.

Formation of Coalitions

How did these three major factors influence the political coalitions? How did the anti- China political coalitions utilize and manipulate labor groups, land owners and farmers' dissatisfaction to pursue their political interests? And how did the pro- China political coalition utilize and manipulate capitalists' resources and demands to counterbalance their opponents' assaults? In this section, I will elaborate the connections between these interest groups and political coalitions.

● Anti-China Coalition

1. Labor Factor

Due to the historical connection of the KMT with business owners' interests, the labor class in Taiwan had long adopted an anti- government strategy. And it was true that the KMT worked hard to suppress strong labor groups, any kind of empowered union or union leaders because of its historical hatred of socialist movements.²¹⁰ There were two kinds of labor movements in Taiwan. The first kind is the KMT sponsored one and the most prominent one is the National General Labor Union. As discussed above, Taiwan's economy was primarily composed of several large state-owned enterprises and a large amount of small- and medium- sized private enterprises. Labor in the former sector enjoyed government benefits and all of them belonged to the National General Labor Union. Although claiming to represent nine million workers in Taiwan, the NGLU was very close to the capitalist class and the KMT. For this reason, they were often criticized as being a pawn of the government and the labor class in Taiwan did not actually participate in NGLA held activities.²¹¹ However, the situation changed since the mid-1990s. Both because of the democratization and the outsourcing effects, the NGLA began to have different opinions than government and corporation owners. In 1995, the NGLA for the first time held a street protest against governmental policy in national

²¹⁰ Wang, Jenn-hwan. Capital, Labor and State Machine Taipei: Taiwan Social Research Quarterly Press, 1993, p.201.

²¹¹ "Taiwan Labor movement," Taipei United News Data 11 Jan. 1995

health care.²¹² This change also shows how seriously the labor class suffered in the 1990s because of the opening of cross-strait commerce. The Chairmen of the NGLA had always been assigned, either directly or indirectly, by the KMT Central Committee. Starting in 1998, union members could actually vote for Chairman without KMT's intervention and after that, all the Chairmen elected firmly held anti- KMT political stances.²¹³ In sum, this first kind of labor groups held anti- China stance because of the outsourcing effects but they only passively supported anti- China coalition because they still had lots of loyal KMT members in their organizations. They just could not get along with the DPP. However, overall, the real influence of this kind of labor groups was not as big as the next kind.

The second kind of labor movement was more grass-roots in nature. The members were labor in the private sector and who had not enjoyed the protection of laws, governmental subsidies, or any kind of social security. However, they were also the majority of Taiwan's labor class. According to a report of the Council of Labor Affairs, Executive Yuan, Roc, the number of the second kind of labor were actually approximately eight millions.²¹⁴ From this group's point of view, the NGLA was pretty

²¹² See History and Perspective, 2005, www.n gla.org.tw, "Union, Labor Movement and Politics," Taipei United News Data 11 Oct. 1993

²¹³ "Labor Organizations have Different Political Preferences," Taipei United News Data 29 Feb. 2000

²¹⁴ Council of Labor Affairs, Executive Yuan, ROC, "Statistics of Human Resource in Taiwan Region," Taipei, 2005/6.

much part of the capitalist class. Since the opposition party's establishment, some radical labor groups had begun to side with the DPP against the KMT, groups such as the Taiwan Labor Front which had long been loyal to the DPP.²¹⁵ As a matter of fact, the founders of the DPP and the Taiwan Labor Front were the same group of lawyers, activists and intellectuals.²¹⁶ The labor movement had always been the foundation of the DPP and surely they shared the same political strategy—anti- China sentiment, both for economic and political reasons.

In sum, the labor class did not like KMT and the corporate interests it represented. This resentment became clearer after the opening of cross-strait commerce. After the mid-90s, two major labor movements in Taiwan whether closely siding with the DPP or being against the KMT. For their own economic interests, they both held an anti- China political stance. The labor class gradually believed slogans such as “the Chinese stole our jobs” and ultimately adopted a radical stance against the ruling KMT party.²¹⁷

More evidence has shown that labor groups sided with the DPP because of its anti- China stance. The unemployment rate increased dramatically once Chen Shui-bian became the President in 2000. Figure 5-3 shows the clear decline of labor's job

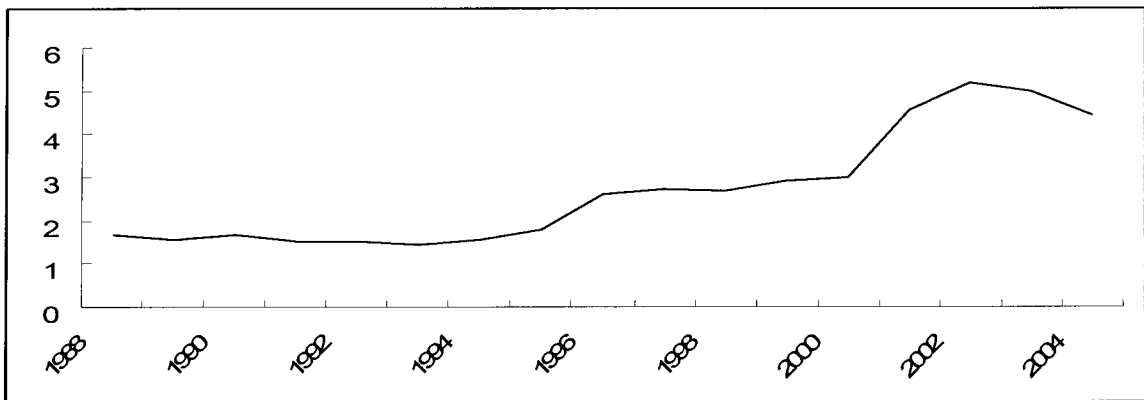
²¹⁵ See “Current Task and Introduction,” 2005, www.labor.ngo.org.tw, “Labor Groups Lock their Political Parties,” Taipei United News Data 16 Nov. 1994

²¹⁶ “Taiwan Labor movement,” Taipei United News Data 11 Jan. 1995

²¹⁷ “2004 Election Special Report: How are you in these three years?” Taipei United News Data 21 Aug. 2003

opportunities. However, according to a United News newspaper poll in 2000, the labor class still supported the DPP and trusted it as the political party that was more likely to take care of the labor class.²¹⁸ Another poll in 2002 prepared under DPP governance, when the unemployment rate peaked at 5% which is the highest in Taiwan's history after 1949, reported that 47% of people still believed that the DPP was the political party most representative of labor/minority groups.²¹⁹

Figure 5-3 Unemployment Rate in Taiwan 1988-2004



Source: Employment and Unemployment Statistics, National Statistics of Republic of China, <http://www.dgbas.gov.tw>

The DPP also eagerly paid more attention to their loyal supporters after becoming the ruling party. They adopted a series of friendly policies to help labor groups including to decrease working hours, to increase minimum wage, financial aid to traditional

²¹⁸ "Labor Most Trusted Party—DPP, PFP, KMT, then NP," Taipei United News Data 27 Nov. 2000

²¹⁹ "Changing Attitude toward DPP," Taipei United News Data 29 Jul. 2002

manufacturing industries, and a ban on the import of Chinese labor.²²⁰ All the information shows that the connection between the labor class and the DPP is very solid.

2. Land Factor

Land owners and real estate industries joined the anti-China coalition and sided with selected DPP politicians, as well as with President Lee Tung-hui. Taiwan's distribution of land ownership had a complicated history. In 1949, the KMT party-state seized almost 20 percent of the land of Taiwan from the Japanese colonial government and began land reform to change Taiwan's historical land ownership patterns. The land reform was deemed as very successful and became the crucial foundation of Taiwan's economic success in later years.²²¹ Unlike its failed practices in Mainland China, the KMT government successfully empowered small farm owners and transformed Taiwan's agricultural economy into an international trade-oriented economy. With all the glorious stories about Taiwan's growth with equality, after thirty years the distribution of land gradually became unjust and in the real estate industries, local governments, and in banks, corruption became pervasive.²²² Although authoritarian, in Chiang Ching-kuo's era the Taiwan government kept its reputation as efficient and clean. The story changed

²²⁰ See "New Government Adopted New Policies," Taipei United News Data 13 Sep. 2000, "Government Will Concern Labor Rights First," Taipei United News Data 14 Oct. 2000

²²¹ Hsu, Chin-chun, Taiwan Land Reform Taipei: Taiwan Bank Press, 1983, p.323.

²²² Yang, Du, Land, Conglomerates and Local Politics Taipei: China Times Press, 1992, p.34-78.

after democratization. To gain direct support from local politicians who could provide solid votes for him to counterbalance the KMT elites' threat, Lee Tung-hui allied with them whose politics/business web was all into the real estate industries that could generate fast cash over night and produced many tycoons in the 80s and early 90s. Real estate industries in Taiwan had long utilized the grey area to run their business. The stories of corruption amongst politicians, banks, government officials, and representatives were all over Taiwan in that period.²²³

However, the opening of cross-strait commerce gradually take out the money, corporate renters, and private savings of those who were the financial sources of the real estate industries. The opening of cross-strait commerce also decreased the land and housing prices, as well as sales.²²⁴ The consequences were fast and brutal. Real estate corporations went out of business, investors could not honor the debts, banks had high rates of defaults and finally this struck the local politicians' political influence.

Land owners and real estate industries do not like China because of the "hollowing-out" effects of domestic investment and business and their economic interests are closely connected to anti-China coalition members. There were several famous examples such as the Hong-Kuo conglomerates, the Liang-Bang conglomerate and the Chan-Yi

²²³ Ibid. p.134-200.

²²⁴ "Special Report: Real Estate Industries after Outsourcing," Taipei Economics Daily 20 Dec. 1995

conglomerate. Their owners all shared close personal relations with Lee Tung-hui.²²⁵ Some of them used their influence to lobby governmental policies, some of them voluntarily helped Lee, Lee's followers and the DPP members organize and fund elections, and most of them financially supported the AC coalition.²²⁶ In sum, land owners and land-related industries in Taiwan supported the anti- China political stance and thus allied with the anti- China coalition. They did this because of their own parochial economic interests. Without them, the anti- China coalition would not have had the financial resources to continue the series of political competitions. Put another way, the labor class is the anti- China coalition's voter and the land class is its financial source.

3. Agriculture Sector

There was another land related group that joined the AC coalition and it was very crucial. Taiwan's agricultural sector suffered after the opening of cross-strait commerce because of the importing of cheaper products. Due to the fact that Taiwan and China were so close in food consumption patterns and geographically convenient for trade, China's agricultural products did not have any difficulties flowing into Taiwan's market. The informal trade from China to Taiwan had already begun in the 1980s and was the

²²⁵ "Lee Faction and Money," Taipei Economics Daily 21 Apr. 1996

²²⁶ "Special Report: Lee and Chen's Campaign Financial Story," Taipei Financial Information June 2001.

majority of cross-Strait business during that time. This trend further defined Taiwan's already declining agriculture sector. Before the rise of cross-strait commerce and the DPP, people in the agriculture sector were loyal to the KMT regime because of the governmental subsidies and financial supports. After the democratization, when Lee Tung-hui led the anti-China coalition, it gradually separated its China policy from the traditional KMT elites. The agriculture sector departed from the KMT's central ideology and sided with local politicians who had resources and shared the same anti-China sentiment.

The connection between the agriculture sector and the anti- China coalition could be proved by examining the evidence. First, in 1995 there was serious debate about the Farmer Social Security Act in the Legislative Yuan. Claiming to represent the poor farmers in the rural counties, the DPP proposed a bill requesting that the central government begin to pay senior farmers social security money every month. Although facing the KMT's probable rejection due to scarce financial sources, the DPP launched a series of protests in the congress and in the streets.²²⁷ This incident also showed that the Lee Tung-hui faction inside the KMT cooperated with the DPP because they shared the same constituency—labor and farmers who suffered from the opening of cross-strait

²²⁷ "Legislative Yuan Evaluates the Farmer Social Security Act," Taipei United News Data 24 Feb. 1995

commerce. The so-called “old farmer faction” of congressmen who identified themselves with Lee’s “Taiwan KMT” instead of the “China/Taipei KMT” eagerly worked together with the opposition party to pass the farmers’ acts.²²⁸ They allied because the connection between anti- Chinese sentiment and agricultural interests were very close.

Second, various farmers’ grass roots organizations had endorsed the DPP ever since its beginning. Including the largest Taiwan Farmers Association, Farmers Rights Organization, Fishers Rights Organization and all other minority groups adopted anti China political stance and were the long-term supporter of the DPP.²²⁹ Third, according to the voting records of the Presidential elections in 2000 and 2004, DPP candidates received gained more votes in seven out of the largest ten agricultural counties in Taiwan.²³⁰

In sum, the agricultural sector in Taiwan supported the anti- China coalition and had always played the key voters in series of elections.

- **Pro-China Coalition**

²²⁸ “Old Farmer Faction Work with DPP,” Taipei United News Data 4 May. 1995

²²⁹ “DPP Mobilizes Farmers organizations,” Taipei United News Data 12 Feb. 2000

²³⁰ I did not include 1996 presidential election because there were two sets of candidates with anti China political stance. The data came from Industry, Commerce and Service Census, National Statistics, Republic of China, <http://www.dgbas.gov.tw/mp.asp?mp=4>

Next, how did the third factor (capital) ally with the pro-China coalition and how did this coalition compete with the anti-China coalition? And, why did the once invincible political group, the KMT elites, lose the support of majority population in Taiwan?

The answers all rest on the opening of cross-strait commerce. Capital benefited a great deal from the opening of cross-strait commerce and because of it they supported the Taiwanese government further improving its' relationship with Beijing. A survey of 2390 Taiwanese CEOs in 1992 showed that 78% of them supported opening direct transportation with China and 55% of them did not agree with the restricted China policy.²³¹ This poll proved that even early in the 1992, the capital sector had already adopted a pro-China stance and for their own economic interests, they eagerly pushed the government to further liberalize cross-strait commerce. However, the way they supported the pro-China political coalition was not as fervent as that of the anti-China coalition because of the nature of Taiwan's economy. Next, I will discuss the political preferences of three major industrial sectors in Taiwan—manufacturing industries owners: traditional, basic and high technology.

To explain capital owners' political preferences, I divide Taiwan's manufacturing industries into three sectors—traditional, basic and high technology industries. Table 5-2

²³¹ "Almost eighty percent of enterprises do not agree with current China policy," Taipei United News Data 13 Sep. 1992

shows the differences among them and the structural changes from 1982 to 2003. The information here will help to explain each sector's political preferences.

Table 5-3 Division of Manufacturer Industries

	Traditional	Basic	High Technology
Concentration	Labor Intensive	Capital/Skill Intensive	Capital/Skill Intensive
Size	Small and Medium	Large	Large
Products	Textile, Toy, Shoes, Hat, Umbrella, Hardware,	Electricity, Steel, PVC, Gasoline,	PC, Monitor, LCD, Notebook, Scanner, Motherboard, Router,
% to the Total Industrial Production in 1982	43.5	36	19.6
% to the Total Industrial Production in 1993	32.3	36	31.7
% to the Total Industrial Production in 2003	19.2	38	42.8

Source: "Industrial Structure Report 2004," Department of Statistics Ministry of Economic Affairs, Executive Yuan, Republic of China. <http://2k3dmz2.moea.gov.tw/>

1. Traditional Industries

The traditional industries largely moved to China and Taiwan's trade with China after 1989 benefited from it. Table 5-2 shows that the percentage of traditional industries compared to the total manufacturing production was decreasing from 43.5% (1982), and 32.3% (1993), to 19.2% (2003) and the reason for this declining was the opening of cross-strait commerce. This group did have some bitter experiences with the KMT government since they were always the group which did not enjoy governmental aid, subsidy and support. The KMT's primary purpose for building Taiwan's economy were to prepare the country militarily in order to recover mainland China and to maintain its one party, minority-rule authoritarian regime. To achieve these goals, controlling

indigenous Taiwanese industries through political-economic influence was crucial. Therefore, the KMT government/party system controlled the supply of raw materials, energy, water, land, financial resources and taxation, and export and sale quotas to indirectly control traditional industries which are always owned by indigenous Taiwanese. Although Taiwan's small- and medium- sized/traditional industries had great success in international markets, and created huge amounts of foreign exchange and trade surplus, they did not thank or adore the KMT regime and they did not feel grateful for KMT governance. After 1989, as KMT political power eroded, owners of traditional industries began to adopt means to influence unfavorable policies such as strict government regulations on cross-strait commerce. The traditional industries were supposed to adopt a pro- China stance, however controversy arose. This capitalist group did not like the anti- China policy direction, but they emotionally felt closer with the anti- China coalition. As I argued, they seldom got help or assistance from the KMT regime. Therefore, they were hesitant to really cooperate with the pro- China coalition, whose main members were KMT elites, to promote cross-strait commerce. This is why the pro- China campaign supported by traditional industries was not as effective and fervent as that of anti- China faction.

2. Basic Industries

In this category, the large percentages of corporations are state-owned enterprises and the rest of them were heavily sponsored by the government through the banking system, favorable policies or direct monitoring. Their scales are large, their operations were capital intensive and their functions provided basic supply for other sectors. After the opening of cross-strait commerce and the loss of manufacturing factories, the basic industries also suffered from the loss of customers. Because of the decline of domestic demands, lots' of SOEs began to face a crisis of huge deficits and needed to be downsized. Private basic industries also wanted to move to mainland China where most of their old customers had moved to.²³² However, because all of them heavily depended on governmental assistance, they did not have a choice but follow governmental China policy. Some of the owners of basic industries became advocates of cross-strait commerce and clearly adopted a pro- China stance but they only complained and whined without actually joining or helping the pro- China coalition.²³³ For example, Y. C. Wang, the President of Taiwan's biggest private corporation, Formosa Plastic Group, continuously criticized Lee Tung hui's anti- China stance on cross-strait commerce. His investment projects in China had always been declined by Ministry of Economic Affairs

²³² "Basic Industries at Stake," Taipei Economics Daily 1 Oct. 1996

²³³ "Corporations and Three Direct Links," Taipei Economics Daily 31 Aug. 1998

of Taiwan and it drove him gathered and expressed opposition opinions to both LeeTung-hui and Chen Shui-bian who destroyed his business opportunities in mainland.²³⁴

By the end of the 1990s, the power of the KMT system had been eroded by both the KMT elites headed by James Soong and the DPP. Thus the owners of big corporations were more likely to express their own pro- China opinions. The participation of these conglomerates in a pro-China political coalition made the political competition between anti- and pro- China forces even more severe. With the support of big business interests, the pro-China coalition that was defeated in 1996 presidential election, returned to the political battlefield to fight Lee's group and the DPP.

In general, the owners of basic industries tended to have a more pro- China political stance because of their economic interests. However, because of their close ties with the government that was controlled by anti- China leaders since 1989, they adopted an neutral and moderate stance in the competition between anti- and pro- China coalitions.

3. High Technology Industries

Started in the Hsinchu Science Park in 1980, Taiwan's high tech industries, mainly referring to the information field (IT), had grown into an essential part of Taiwan's overall economy and also played an important role in global market. Table 5-2 shows

²³⁴ "Wang Spoke out Against Presidents," Taipei Economics Daily 15 Feb. 2001

that the percentage of high tech industries to the total manufacturing production was increasing from 19.6% (1982), to 31.7% (1993), and 42.8% (2003). The achievements are magnificent. First, the output of related IT industries contributed more than one third of Taiwan's total exports. Second, from 1995 to 2000, Taiwan was the third largest exporter of PC related hardware products in the world. Third, Taiwan has been the number one manufacturer globally of monitors, scanners, laptop computers, CD's, motherboards, power sources, keyboards, mice, cases, vision cards, sound cards, and CD players. Taiwan is also the second largest manufacturer globally of modems, internet cards, graphic cards, and the fourth largest producer of semi-conductor products. Fourth, although China surpassed Taiwan and became the third largest exporter of PC related hardware products in 2000, Taiwanese corporations acquired more than 70 percent of China's output in this category. In other words, Taiwan's IT industries had become an international economic force both in Taiwan and China.²³⁵

The opening of cross-strait commerce in 1989 did not significantly influence the IT industries. The reasons are, first, Taiwan's IT industries were still in the primitive stage in the late 80s. The scale of the economy was relatively smaller and the production factors, namely land, labor and capital were sufficient for them if only producing for

²³⁵ Hsinchu Science Park Bureau, "Current Development of Taiwan IT Industry," 2005, www.sipa.gov.tw

domestic consumption. What they needed most in this primitive stage were ample capital and sufficient technological support. Second, the IT industries followed a different path from traditional small and medium sized enterprises. Due to their technology intensive nature, most of Taiwan's IT industries cooperated with governmental units—research institutions, universities and several ministries. In other words, for technologies sake, these corporations in many ways were monitored and controlled by the government. They did not really have the freedom to move to China or any where else. Third, due to the capital intensive nature, IT industries in Taiwan were financially dependent on the government. They enjoyed tremendous benefits from the government's favorable policies. All of them enjoyed twenty years of sales tax reductions, many of them had low interest rate loans from governmental banks, and most importantly, the government carefully monitored their business transactions since high technology was considered related to the national security. For these reasons, IT industries stayed in Taiwan and became the main force to constitute Taiwan's economic growth in the 1990s.

However, the situation had changed since the late 1990s. First, for years, China's investment environment had been approved by international corporations, especially China's highly educated, but relatively cheaper labor that had proved to be one of the best

sources of investor's in the world.²³⁶ All those progresses in China began to attract Taiwan's IT industries that were troubled by Taiwan's continuously rising wages and global competitions. Second, Taiwan's IT industries had grown considerably and had started to feel the need for more land and labor. China became the first choice. Third, IT industries also depended on international investment and deals from multinational corporations. Since most of their shareholders, buyers and associated corporations had already moved to China to take advantage of its domestic market, Taiwan's IT industries had to move to China not only because of economic interests but also for their survival in international markets.

As I mentioned, the political situation in Taiwan also changed in the late 1990s. The government could no longer strictly control the business sector because of the democratization and the severe competition between anti- and pro- China coalitions. IT industries took advantage of this (no one could really stop them) and rapidly moved to China establishing tons of "Taiwan Cities" in Mainland. This time, the second wave of Taiwanese business immigration to China was much more powerful and systematic than

²³⁶ About Chinese economics in the end of the century, see Lardy, Nicholas R. China's Unfinished Economic Revolution Washington D.C.: Brookings Institution Press, p.221-245. Shirk, Susan L. How China Opened Its Door Washington D.C.: Brookings Institution Press, p.42-50.

with the small and medium- sized enterprises. They systematically transferred capital, technology, managers and factory facilities to China.

The political preferences of the IT industries were pro- China but in a more passive way. They were passive to lobbying or changing Taiwan's China policy simply because they were acting based on their own economic interests and despite governmental regulations. After the primitive stage, IT industries gradually became more independent from governmental assistance. Instead, they became financially depended on Taiwan's, and other international stock markets. Also, in relation to technology, they had grown into the level that could merge the corporations with advanced technology. In other words, they do not depend on the government anymore. When they needed to move to China and they would do it no matter what. Therefore, there were no sufficient reasons for IT industry owners to participate or be involved in the competitions between the anti- and pro- China coalitions.

- **Overall Evaluation of Anti and Pro China Political Coalitions**

Table 5-3 shows a summary of chapter 5. From the overall evaluation of pro- and anti- China coalitions' willingness to participate in competitions, we realize that the anti- China coalition did have a better chance to win the competition. First, labor and peasant groups had much more willingness to support anti- China politicians than capitalists in

pro- China coalitions. They were facing unemployment and survival problems and they were definitely eager to change the politics in order to pursue their own interests. Second, capitalists do not have the similar strong incentive to participate and involve in politics. More importantly, since they all moved to China legally or illegally, they no longer necessarily needed to worry about Taiwan’s anti- China political policies. Third, it is clear that the population in each coalition was not equal—in numbers, laborers and peasants are way more than capitalist. In a democracy, the anti- China coalition did have advantages in competitions. These are the reasons that anti- China coalition gradually controlled the administration and it seems like it will continue its’ leading position in the competitions.

Table 5-4 Overall Comparison of Anti and Pro China Political Coalitions

Political Stance	Economic Sector	Reason to Participate	Willingness to Participate in Political Competition
Anti China Coalition	Labor	Suffer from outsourcing	Strong: Labor groups had long cooperation with DPP and bitter experience with KMT. Most of labor groups tend to hold the stance against both China/capitalist/government.
	Real Estate Related Industries	Suffer from decline of land price	Passive: Land owners blamed outsourcing as the cause of declined land price but they also hoped that open of cross strait transportation could bring prosperity.
	Agriculture	Suffer from imported products	Strong: Farmers life was pretty unfavorable under KMT regime and got even worse after 1989. They were the loyal supporter to DPP and Lee Tung hui.
Pro China Coalition	Traditional Industries	Benefit from investment in China	Passive: They preferred pro China stance but had bitter experience with pro China politicians who were KMT elites.
	Basic Industries	Want to broaden business in China	Passive: SOEs remained neutral and private conglomerates could not afford to break the law although actively advocate for pro China policies.
	Hi Tech Industries	Benefit from investment in China	Passive: They are too strong to obey the law. They are pro China but do not need to participate in politics to run their business.

Political Competitions and Their Influences to Anti China Campaign

Now, I begin to list all the significant political competitions from 1991 to 2004. I give the date, topic, summary of the incident and the result of the competition in relation to the AC coalition. I utilized this selection of events to test the correlation between political competition and Taiwanese hostility toward China. The findings were introduced in chapter 4. I provide all the information here to strengthen our understanding of how domestic politics determined foreign policy making.

1991/02/23 Guidelines for National Unification (AC Loss): In 1991, the DPP was the leading force of the AC coalition. However, surrounded by various powerful KMT factions, the KMT chairman and the President of Taiwan, Lee Tung-hui gradually shifted his political stance toward the AC coalition. In the next several years, Lee subtly manipulated this transformation to extract political power from both the KMT and DPP. In 1991, Lee continued his severe political struggle with KMT elites. To compromise with the mainstream expectations of the KMT elites, Lee convened the National Unification Council and approved the Guidelines for National Unification. This act

legally verified Taiwan's will to reunify with China and it was apparently a loss for the AC coalition.²³⁷

1991/12/07 National Election (AC Loss): Months later, unlike Lee's retreat from the anti- China stance, the DPP adopted the proposal for Taiwanese independence in its party's constitution and used it to campaign for the National Assembly election in the end of 1991. However, under the KMT's strong propaganda system and with the spread of rumors that China would crush Taiwan, the DPP lost the election. The DPP's loss in 1991 made Lee become more cautious towards AC policies. The morale of the AC coalition declined for years after this event.²³⁸

1992/03/20 Voting in National Assembly (AC Win): The KMT controlled every aspect of Taiwanese society, especially the political arena. Lee Tung-hui knew that even as President, his power foundation was not stable without KMT elites who eagerly wanted to take over his position. The DPP, although the most powerful opposition party, also realized that she would never knock down KMT dominance in Congress. Therefore, they both supported general and direct presidential elections in which they would have more possibilities to defeat KMT elites. During a provisional session of the National Assembly, the representative body that gathered to vote for the President every four

²³⁷ "Guidelines for National Unification Will be the Law," Taipei United News Data 26 Feb. 1991

²³⁸ "DPP Lost," Taipei United News Data 8 Dec. 1991

years, the DPP explicitly campaigned for a constitutional amendment and Lee implicitly supported it. The large scale protests on the street created pressure and the National Assembly finally favored Lee and the DPP's preferences.²³⁹

1992/07/13 Political Scandal (AC Loss): The Minister of Transportation, Eugene Chien, who was personally promoted by Lee, was accused of a political scandal that involved serious financial corruption. The exposure of the illegal connections between Lee's follower Eugene Chien and Lee's close business ally, Evergreen conglomerate, shocked Taiwan's public. Eugene Chien never admitted his involvement in this scandal. This scandal was a competition because there were series of political struggles before and after the exposure. In the beginning, the DPP congressman accused a PC congressman of influencing the governmental contracting process. It turned out that Eugene Chien was the one who was deeply involved in the whole scandal. Lee tried to protect Chien but his efforts did not work. This incident strongly weakened the reputation and power of Lee's political camp.²⁴⁰

1992/08/01 One China Principle (AC Loss): After debates and political competitions amongst KMT elites, Lee's camp, the DPP, and the National Unification Council finally generated the official version of Taiwan's One China Principle. The final definition of

²³⁹ "DPP Raised Chaos on Streets, Is it Necessary?" Taipei United News Data 22 Mar. 1992

²⁴⁰ "The Puzzle of the Eighteenth Contract," Taipei United News Data 20 Aug. 1992

the One China Principle led Taiwan's political position back towards the PC coalition's preferences. Ignoring DPP's protests, Lee compromised with the KMT elites and claimed that he would adhere to this principle. It was a loss for the AC coalition.²⁴¹

1992/12/19 National Election (AC Loss): PC politicians inside the KMT formed a new faction and claimed to fight against Lee's leadership. Lee's followers also formed a subgroup. The pro- China New KMT Alliance won seats in the second Legislative Yuan election and largely defeated Lee's follower group. From this point on, Lee began to face internal party challenges both from conservative (CCK's followers) and liberal factions (NKA).²⁴²

1993/02/02 Resignation of the Premier (AC Win): Under pressure from Lee and the DPP, Premier Hao Pei Tsun, who held a PC stance, resigned and Lee's loyal follower Lien Chan took the position. Hao was deemed the most powerful figure in PC coalition primarily due to his de facto control of the Taiwan military sector for more than a decade. His resignation was an important milestone for Lee and the DPP's rising power. After Hao, there was no longer an PC politician who could control the important position in the government.²⁴³

²⁴¹ "One China Principle Will Lead to One Prosperous China," Taipei United News Data 2 Aug. 1992

²⁴² "NKMTA All Win," Taipei United News Data 20 Dec. 1991

²⁴³ "Hao Resign," Taipei United News Data 2 Feb. 1993

1993/03/06 Initiation of Diplomatic Campaign (AC Win): Right after Lien Chan became the Premier, Taiwan initiated a series of campaigns to rejoin the United Nations. Despite disagreements and critiques from bureaucrats, scholars and KMT elites who controlled the media, Lee and Lien boldly began their diplomatic campaign to promote Taiwan's participation in international society, which inevitably triggered Beijing's resentment and reactions. These series of attempts to broaden Taiwan's international reorganization were a clear win for the AC coalition.²⁴⁴

1993/08/22 Voting Inside the KMT (AC Win): After severe competition between AC and PC factions inside the party, Lee was re-elected as the Chairman and Lien Chan as the Vice Chairman of the KMT. The AC coalition successfully consolidated the party and became the majority in the Central Committee. After Lee's victory, the liberal and the PC factions inside the KMT, New KMT Alliance left the party and formed the New Party.²⁴⁵

1993/12/04 National Election (AC Loss): In this election, the DPP did not win and Lee led the faction to hardly keep their seats. The newly established New Party took 16.6% of the votes in the election and quickly became a political force in Congress. Lee's authority was seriously challenged by a growing PC coalition inside the KMT and from

²⁴⁴ "Premier Claims to Rejoin the UN," Taipei United News Data 6 Mar. 1993

²⁴⁵ "Special Report: KMT's Central Committee Member Election," Taipei United News Data 23 Aug. 1993

the New Party. The PC coalition finally realized that through elections could they regain a counterbalance to Lee. It was a loss for the AC coalition.²⁴⁶

1994/04/29 Voting in National Assembly (AC Win): In the fourth provisional session of the National Assembly, Lee led the AC coalition members to amend the Constitution. The amendment approved the direct and general presidential election and ratified the fact that Taiwan is the main body of the country.²⁴⁷ After this amendment, Taiwan's constitution, although still based on a one China principle, had shifted its focus to Taiwan instead of the mainland China. It was a fundamental win for the AC coalition.²⁴⁸

1994/12/03 Capital Mayor Election (AC Loss): Lee's close follower Huang Ta-chou, who was also the incumbent capital mayor, was defeated in re-election. This was the first direct mayor election in the capital after the lifting of martial law. Therefore, the importance of this election created a national impact. Although the other AC coalition started by Chen Shui-bian won the election and became the mayor, Lee was again seriously challenged by both his own party and the opposition party. The DPP claimed that Lee was no longer popular and the other parties accused Lee of giving a chance to the Taiwan independence-orientated candidate, Chen. After this election, several

²⁴⁶ "Result of Legislative Yuan Election," Taipei United News Data 4 Dec. 1993

²⁴⁷ The Constitution of the Republic of China claimed that the territory of the Roc included both mainland and Taiwan, which was, not very realistic since CCP actually governed mainland.

²⁴⁸ "Today Constitution Amendment in National Assembly," Taipei United News Data 29 Apr. 1994

powerful figures inside the KMT began their Presidential election campaign targeting Lee's position. It was a serious loss for Lee and the overall power of the AC coalition.²⁴⁹

1995/11/15 Formation of Presidential Candidate (AC Loss): After a series of efforts to consolidate the KMT, Lee failed to stop the KMT elites from joining the Presidential election and challenging his position in 1996. The PC coalition had finally generated its Presidential candidate. Popular politician Lin Yang-kang who had an indigenous Taiwanese ethnic background and former Premier Hao Pei-tsun, formed a strong challenge to Lee. Lin was a moderate Taiwanese politician who was deemed a “down to the earth” person. He was very popular in central and southern Taiwan. Hao was the de facto leader of the PC coalition and the most influential figure in the KMT elite group. Together they were deemed as a star combination to challenge Lee's presidency. It was a loss for the AC coalition.²⁵⁰

1995/12/02 National Election (AC Loss): After Lin and Hao announced their candidacy for President, the major force of the PC coalition in Congress, the New Party took 21 seats in the third Legislative Yuan election. Combined with DPP and non-party alliance' votes, the opposition parties could already become the majority in the

²⁴⁹ “Chen Won the Taipei Mayor Election,” Taipei United News Data 4 Dec. 1994

²⁵⁰ “Lin-Hao Combination Begins their Campaign,” Taipei United News Data 15 Nov. 1995

Congress. The defeat of Lee led the KMT in the legislator election showed the weakness of anti- China coalition.²⁵¹

1996/02/01 Voting in Legislative Yuan (AC Loss): After the KMT lost the election, the New Party actually allied with the DPP and tried to overthrow Lee. This led to KMT's majority status in the Legislative Yuan. As a result, in the election for speaker of the Legislative Yuan, the DPP and NP alliance lost by only one vote. Although continuing its majority status, KMT's political power had been further eroded. Despite their totally different stance on Taiwan's China policy, the new alliance of the NP and DPP challenged Lee's political power because whether he was going to win the Presidential election on March 1996, Lee had to face a strong and defiant congress.²⁵²

1996/03/20 Presidential Election (AC Win): Facing the challenges from the DPP candidate, the legendary Taiwanese independence figure, Peng Ming –min, and PC candidates, Lin and Hau, Lee successfully manipulated Beijing's reactions toward him and created strong nationalist sentiment in Taiwan, and won the election. In the ninth Presidential election (but the first general and direct election), Lee took 54% of votes and won the election by landslide. It was a big victory not only for AC politicians, but also the whole AC movement in Taiwan. Although Peng represented the long-term Taiwan

²⁵¹ "KMT Lost the Election," Taipei United News Data 3 Dec. 1995

²⁵² "February Reform Almost Succeeds," Taipei United News Data 2 Feb. 1996

independence faction, Lee's victory brought much more significance and real changes than Peng could do.²⁵³

1996/12/31 The Left and Rising of James Soong (AC Loss): Lee held a National Development Conference and generated the consensus to abolish the Taiwan provincial government. This act would disable the governor of the Taiwan province, James Soong's political power. Soong loyally assisted Lee pursuing his absolute power and expected his future career after Lee's retirement in 2000. People suspected that Lee chose Lien Chan instead of James Soong as the political successor because of Soong's mainlander ethnic background. This decision raised lots of problems because Lee ignored the fact that Soong was a much more popular politician than Lien and Lee also underestimated Soong's ambition to continue his political career. Therefore, Lee's plan did not run smoothly. Once the obedient James Soong resigned and initiated a series of protests to the Lee and Lien led central government. Because of his subtle tactics, Soong was extremely popular as the governor of the Taiwan province and created a sort of Yeltsin affect in Taiwan. Soong's protests greatly weakened Lee's authority.²⁵⁴

1997/05/18 Resignation of the Premier (AC Loss): Because of the continuous occurrences of serious murder crimes, large scale protests were held in the capital. Lien's

²⁵³ "Lee Won by 54% of Votes," Taipei United News Data 21 Mar. 1996

²⁵⁴ "Yeltsin Effect in Taiwan?," Taipei United News Data 5 Jan. 1997

own cabinet member, PC politician Ma Ying-jeou voluntarily resigned to echo the people's request and further harm Lien's administration. On the other hand, James Soong also continued his critiques of Lien. Ironic enough, the DPP opposition party supported Lien and Lee's leadership. The formation of AC and PC coalitions became very clear in this incident. As a result, Lien was forced to resign from the Premiership. It was the AC coalition's loss.²⁵⁵

1997/08/25 Voting Inside the KMT (AC Loss): James Soong utilized his influence inside the KMT to challenge the Lee-Lien coalition. Soong found help from the KMT elites and manipulated his ethnic background in order to consolidate the anti Lee-Lien political force. A shortage of a powerful political figure to lead the PC coalition gradually allowed Soong to become their main leader. His transformation from AC to PC was very similar to Lee's transformation from PC to AC. In the party's election, James Soong ranked first in the Central Standing Committee and many of his followers won seats in this KMT decision making body. Lee realized that his journey to achieve the absolute power over the KMT, or the country, had yet finished. He had to again

²⁵⁵ "Hsiao would Probably Become the Premier," Taipei United News Data 19 May. 1997

initiate the old trick—challenging Beijing to gain the Taiwanese people’s support.

Soong’s victory was an AC coalition loss.²⁵⁶

1997/11/29 National Election (AC Loss): In general, the KMT lost the county and city elections to the DPP. More specifically, the Lee led KMT not only lost the seats to the DPP but also to James Soong’s allies at the local level. Soong was popular among the people because of his political tactics and he was also quite welcomed by local politicians, whether KMT or DPP members, because of his use of provincial government resources. In this election, Soong once again proved his popularity and it further weakened the Lee and Lien coalition. At this point, it seemed Soong would run for the Presidency and win it.²⁵⁷

1998/08/22 Voting inside the KMT (AC Loss): Again, James Soong challenged Lee inside the KMT. Soong realized that because of Lee and Lien’s control of the resources of the Central government, he did not have chance to overthrow their de facto dominance inside the KMT. However, to prepare for the Presidential election in 2000, he needed more time and resources to consolidate his political camp and boost his supports. Although he did not join the party elections, James Soong gained Lee and Lien’s

²⁵⁶ “Result of KMT Central Committee Election,” Taipei United News Data 26 Aug. 1997

²⁵⁷ “Soong’s Provincial Government Faction Largely Won the Legislator Election,” Taipei United News Data 29 Nov. 1997

agreement to re-negotiate the abolition of the provincial government. By this agreement, Soong further strengthened his ability to prolong the political competition with the AC coalition. It was the AC coalition's loss since Soong's potential power had been shown again and he would definitely become a strong PC leader.²⁵⁸

1998/12/05 National Election (AC Win): Under continuous challenges from James Soong, the Lee led KMT defeated the DPP in the Legislative Yuan elections and helped PC politician Ma Ying-jeou to win the capitals major election against Chen Shui-bian. This event shows Lee's bilateral strategy was clear. On the one hand, he strove to win the legislator elections by adopting an AC sentiment and on the other hand, he supported a PC politician in the election. To keep his absolute power and to deter Soong's influence, Lee would not hesitate to side with PC politicians and crush AC political stars. In sum, this election was a victory for Lee.²⁵⁹

1999/03/15 Formation of PC Presidential Candidate (AC Loss): James Soong left the position of governor of the end of 1998 and did not accept any job offered by Lee. Lien Chan himself hoped that he could cooperate with Soong but Lee disapproved of this idea. All of the KMT's efforts to stop Soong from running for president failed. In this month,

²⁵⁸ "KMT Central Committee Election Report," Taipei United News Data 22 Aug. 1998

²⁵⁹ "Ma Win the Capital Mayor and KMT Win Back the Majority in Legislative Yuan," Taipei United News Data 6 Dec. 1998

after Lien Chan and Chen Shui-bian, Soong established the campaign organization to run for the president. Although people already expected that Soong would run for president, this act created an immense threat to Lee, his successor Lien Chan and also the DPP.²⁶⁰

1999/07/09 State to State Remark (AC Win): Lee announced the State to State special relationship remark. Lee did this for two reasons. First, he wanted to pull cross-strait relations toward Taiwanese independence before he left the office and also to establish his own legacy and assure his comfortable life in retirement. Second, again to assure his proper retirement, he had to make sure that his successor could win the election. Although this remark seriously angered Beijing, Lee believed that after this bold attempt, his successor must follow the tone he established with China. More importantly, no matter who became the next president, Lee could continue his absolute leadership in the AC political coalition that he believed would be the mainstream political power in the next decade. Therefore, under tremendous critiques from the business sector, scholars, public opinion, and even his appointed successor, Lien Chan, Lee decided to test Beijing's bottom line. The State to State Remark had been the most pro- Taiwan independence act from government ever and it was a victory of the AC coalition.²⁶¹

²⁶⁰ "Association of Soong's Friends Established Today," Taipei United News Data 16 Mar. 1999

²⁶¹ "President Lee Spoke to German Journalist," Taipei United News Data 10 Jul. 1999

1999/12/09 Political Scandal (AC Win): The forerunner in the Presidential election, James Soong was seriously crushed by a KMT congressman who revealed Soong's illegal assets abroad. These assets were suspected stolen from KMT's accounts. It was known as a set up by Lee himself but during the moment, this scandal severely weakened Soong's campaign for Presidential election. The KMT's governance has long been criticized as corruptive and there were lots of voters in the 2000 who wanted to change that situation. These voters shifted their supports from James Soong to Chen Shui-bian after the exposure of the financial scandal. It was a victory for the AC coalition.²⁶²

2000/03/20 Presidential Election (AC Win): Taiwan's independence-oriented candidate Chen Shui-bian took 39.3% of votes and won the presidential election. James Soong took 36.84% and Lien Chan took 23.1%. It was not a big win for the DPP but it was the first time that KMT handed over power to opposition party since the founding of the country. The AC party DPP finally controlled the administration.²⁶³

2000/09/14 Open of Cross Strait Transportation (AC Loss): The "Mini three links" project had been discussed and ratified by the former KMT administration. This new opening of the direct transportation between China's coastal city (Xiamen) and Taiwan's frontline island (Quemoy) was deemed as an important step before the total opening of

²⁶² "Shing-Piao Scandal Crashed Soong ," Taipei United News Data 10 Dec. 1999

²⁶³ "Chen Shui-bian Will be the Next President," Taipei United News Data 20 Mar. 2000

cross-strait direct three links. Facing an opposition party controlled congress, the DPP government compromised with the PC coalition and announced the opening of the mini three links in the following year. The AC coalition always wanted to constrain or even stop cross-strait commerce; this was a retreat from their political belief.²⁶⁴

2000/10/03 Resignation of the Premier (AC Loss): To stabilize the political situation, in May 2000 Chen appointed a retired KMT general, Tang Fei, to be the Premier. However, the DPP and Tang Fei conflicted over various issues, especially the debates of whether to continue to build the country's fourth nuclear power plant. In this month, Tang Fei resigned because of his insistence on several policy decisions. He left quite a mess for the DPP to deal with. This resignation symbolized the incompetence of the DPP and Chen in leading the country. It was a failure of the new AC coalition leader, Chen Shui-bian.²⁶⁵

2001/03/17 World Taiwanese Congress (AC Win): After lots of critiques and protests, Chen and other high ranked DPP high ranked politicians attended the World Taiwanese Congress. The WTC is the most famous and radical Taiwan independence organization. It was the first time in Taiwan's history that government officials were participating in Taiwan independence activities. In other words, the campaign for Taiwan independence

²⁶⁴ "Government Spokesman Claims to Launch Mini Three Links," Taipei United News Data 14 Sep. 2000

²⁶⁵ "Tang Fei Resigned," Taipei United News Data 3 Oct. 2000

had evolved from an implicit movement to a clear and obvious governmental policy. It was a victory for the AC movement.²⁶⁶

2001/08/24 National Economic Development Conference (AC Loss): After Chen became the President, Taiwan's economy had begun to experience a severe depression. Most of the critiques of Chen's administration focused on its' hesitation to expand trade with China, which was the fastest growing economy in the world. Many governmental policies that were set up by Lee's administration intended to prevent further cross-strait economic cooperation. To deal with this problem, Chen held the National Economic Development Conference and agreed to change Lee's insistence on limiting cross Strait commerce. It was a retreat of the AC coalition's political beliefs.²⁶⁷

2001/12/01 National Election (AC Loss): The DPP did not lose the Legislative Yuan election. As a matter of fact, the DPP became the biggest party in the Legislative Yuan. However, opposition parties like the KMT and the James Soong led People First Party, formed the majority that claimed to reject any of Chen's acts, bills or budget planes. The result of this election consolidated the PC coalition and further confirmed the fact that Chen would face an opposition controlled congress in his first term.²⁶⁸

²⁶⁶ "President Chen Attended World Taiwanese Congress," Taipei United News Data 18 Mar. 2001

²⁶⁷ "National Economic Development Conference Begins Today in Taipei," Taipei United News Data 24 Aug. 2001

²⁶⁸ "Result of Legislator Election," Taipei United News Data 2 Dec. 2001

2002/01/13 World Taiwanese Congress (AC Win): Again, behind many critiques and protests, Chen joined the World Taiwanese Congress and even gave a speech. This time, he promised the Taiwan independence organizations to add the word "Taiwan" in Taiwan's passport where it only showed the "Republic of China" before. It was a step forward towards Taiwan's independence for the AC coalition.²⁶⁹

2002/08/03 One Side One Country and Referendum (AC Win): In this year, Chen sent a series of benign messages to Beijing and attempted to improve the cross-strait relationship. Beijing replied to Chen with indifferences and critiques. Therefore, Chen announced the "One-side, one-country" comment and proposed to hold a referendum to decide Taiwan's future. After the State to State relation remark, Chen's act was again a very bold challenge to Beijing. On the other hand, it was a great achievement for Taiwan independence. For now, the AC coalition believed that no matter what they said, Beijing would just threaten to use force without actually doing it.²⁷⁰

2002/11/21 Political Rally against Government (AC Loss): Chen's administration failed to continue its reform of local financial sectors. This reform directly harmed farmers' interests who were the very essential supporters of the AC coalition and triggered large-scale rallies in the streets. Not only opposition parties, but also Lee Tung-

²⁶⁹ "New Passport with Taiwan Word," Taipei United News Data 14 Jan. 2002

²⁷⁰ "President Chen's Da-dang Talk," Taipei United News Data 3 Aug. 2002

hei, severely criticized Chen's administration. As a result, the minister of finance resigned and Chen apologized to the nation.²⁷¹

2002/12/07 National Election (AC Loss): Once defeated by the PC political star Ma Ying-jeou, Chen gathered national political resources to help his personally appointed candidate to challenge Ma's position in the capital's mayoral election. With an absolute victory, Ma Ying-jeou defeated Chen's close follower in this re-election. Chen's authority was challenged from both inside and outside his party.²⁷²

2003/04/18 Formation of Presidential Candidate (AC Loss): Opposition parties reached agreement and presented Lien Chan and James Soong as the presidential candidates to challenge Chen. Concerning the fact that Lien and Soong together collected 62.4% votes in 2000, and there since was no evidence showing that Chen had done a good job in his first term as the President, the AC coalition seemed doomed in the coming presidential election.²⁷³

2003/11/27 Pass of Referendum Act (AC Win): Facing the invincible combination of Lien Chan and James Soong, Chen began to campaign for his second term. Just like his predecessor and the last leader of the AC coalition, Lee Tung-hui, Chen wisely

²⁷¹ "Financial Reform Failed," Taipei United News Data 21 Dec. 2002

²⁷² "Ma Ying-jeou'a Big Win," Taipei United News Data 8 Dec. 2002

²⁷³ "Lien Soong Cooperated," Taipei United News Data 18 Apr. 2003

manipulated the cross-strait rivalry to raise Taiwanese nationalism in order to boost his supports. Not only relying on aggressive comments toward China, Chen adopted legal means to pursue de jure Taiwan independence. He successfully convinced the public that a referendum would be a powerful attack to China's authoritarian regime and its intention to attack Taiwan. Gradually, anti- China sentiment became the mainstream in Taiwan. In this month, although opposition parties had the power to disapprove Chen's proposal, they still passed the referendum act. This new law authorized the President to adopt a referendum to decide Taiwan's future. It is an AC coalition's win.²⁷⁴

2003/12/05 Local Election (AC Loss): Although having the power to launch the referendum, Chen chose not to touch the very sensitive issue of Taiwan independence because of a serious warning from the United States. Without the China card, it seems like Chen was destined to fail in the re-election. The local election at the end of 2003 further weakened Chen's confidence.

Although it was a very small scale-election, both the AC and PC coalitions used all their resources to campaign because the Presidential election was ahead. As a result, the

²⁷⁴ "Referendum Act Passed in Legislative Yuan," Taipei United News Data 27 Nov. 2003

PC coalition consolidated and won the county-level election. It symbolized the strength of the Lien Chan-James Soong coalition.²⁷⁵

2004/03/20 Presidential Election (AC Win): The afternoon before the voting day, Chen Shui-bian and his vice president Lu Hsiu-lien were shot by an anonymous person in their campaign parade. Both of them recovered several days after. The Presidential election was held as scheduled. Chen won 50.11% votes in the presidential re-election and began his second term.²⁷⁶

These political competitions clearly explain how the wins or losses influenced Taiwanese hostility toward China. In the next chapter, I will provide my suggestions of how to resolve these political competitions.

²⁷⁵ "Hsieh Sheng-shang Won the Election," Taipei United News Data 6 Dec. 2003

²⁷⁶ "Chen Shui-bian Successfully Reelected," Taipei United News Data 21 Mar. 2004

The Economic and Political Sources of Hostility and Benevolence:

Taiwanese and Chinese Relations, 1975 to 2004

Chapter 6: Conclusion and Policy Implication

Solution to Cross-Strait Hostility

In the last chapter, I discussed the true causes of Taiwanese hostility toward China. It is political competition between anti- and pro- China coalition that determine Taiwanese governmental hostility projection toward China. When the anti-China coalition took the lead, the hostility would increase and when pro-China coalition was dominated, the hostility would decrease. More importantly, I pointed out the factors—the redistribution of wealth and restructuring of industry after the opening of cross-strait commerce—that fueled this political competition. This understanding could help us to find the solutions to cross-strait hostility.

Readers might doubt my inferences here. How could my research help to find the solution to cross-strait hostility? Isn't my research only about Taiwan's hostility toward China? Is it fair to say that if Taiwan decreased its hostility toward China, there would not be any hostility across Taiwan Strait? My defense is that although it took two to quarrel, it would only take one to initiate the beneficial reciprocity and ease the conflict.

Considering the dangerous rivalry between China and Taiwan, we expect either China or Taiwan could be the first one to break the ice. Pessimistic observers always held the attitude that it's impossible to make Beijing give up on Taiwan and as well as make Taiwan voluntarily unify with China. However, at least we can be optimistic and expect that China and Taiwan could keep talking and forego the violent way of pursuing each other's goal. To make this peaceful dialogue possible, we have to find a middle way for China and Taiwan.

I studied Taiwanese hostility toward China not because I wanted to blame Taiwan for cross-strait hostility. To the contrary, I put my hopes on Taiwan and take Taiwan as the only chance to prevent regional military conflict. It is very sad that we could not expect too much from China. With an authoritarian political system, we can not expect China to open its mind and accept different ways to reconcile cross-strait rivalry. Also because of its authoritarian regime, we political scientists always had a hard time studying their politics and generating policy implications. Therefore, we turn our hope to Taiwan and thus we need to concentrate on Taiwan's domestic politics.

Now, readers might doubt my conclusion again. How could it be possible to solve the political competition that was the nature of all politics whether in democracy or authoritarian countries? And, is it wise to solve political competition? Some would say

that political competition or checks and balances is the nature of democracy and is very healthy for a state's long-term interests. My defense is that yes, political competition is the fundamental feature of politics, but a small country like Taiwan, challenging its giant neighbor and risking to go to war for impossible dreams are not. In Taiwan's situation, its China policy should be more carefully discussed and made instead of becoming a zero sum political competition.

To solve Taiwanese hostility toward China, it is obvious that many approaches could not work effectively and efficiently. First, a political realist's explanation would argue that the balance of power could prevent regional conflict from happening. However, for Taiwan, building up its military might or further cooperating with the US and Japan would only force China to act aggressively. Scholars had confirmed the correlation between arm races and war, but I just don't think an armed Taiwan and an angry China could bring the world peace. My empirical tests suggest that Chinese hostility is part of the source of Taiwanese hostility toward China. It is not possible to ask China to stop complaining; it is just not a possible solution. My empirical tests also suggest that increasing cross-strait commerce made Taiwanese hostility toward China increase. However, it is impossible to stop cross-strait commerce and it is silly to do so in order to reduce its hostility toward China.

Second, political liberals kept arguing that cross-strait commerce would promote better relations between China and Taiwan and they also argued that the facts had already proved their prediction. But, their arguments are incorrect according to my empirical tests. Before the opening of cross-strait commerce, there were no military confrontations in the Taiwan Strait for more than 20 years, partly due to the fact that the US hadn't sent Pacific Fleet to guard the Taiwan Strait for more than a decade. No matter how beneficial the economic links between China and Taiwan, it did not stop Taiwan from screaming its desire of getting independence and it also did not stop China from shooting missiles into the Taiwan Strait.

To solve Taiwanese hostility toward China, we need to defuse the issue of political competition in Taiwan and we need to cut the economic factors that fueled the irrational political manipulation. These economic factors are labor, land and capital. Politicians in both anti- and pro- China coalitions had so much leeway to manipulate the population because there were so many unjust economic problems in Taiwan society. We have to correct these problems and then the irrational China policy could be stopped. First, Taiwan's government should adopt economic and social security policies to ease the unemployment problem. To boost economic growth, the government had long neglected social welfare policy. Officials always argue that increasing the governmental budget

and raising taxes would further exacerbate Taiwan's investment environment and force business to move out. However, industries moved out because Taiwan's high wage. Spending more on the labor class would not exacerbate the whole moving out trend that was already unstoppable. Instead, it would create more reasons for other industries to come in. In addition, a better working environment would attract high-skilled labor that had already moved to China where their working conditions might not be as good as that of Taiwan's. Politicians should not manipulate labor's resentment to pursue their own interests and risk every other thing. By enhancing labor's living standard and resolving the unemployment problem, Taiwan could destroy the foundation of irrational constituency and create a more benevolent cross-Strait relationship.

The same solutions should apply to Taiwan's agricultural sector that also became a loyal supporter of irrational anti-China policies after they suffered from the opening of cross-strait commerce. The necessary policies should be adopted to upgrade Taiwan's agricultural production, to increase exports, to decrease unnecessary subsidies and to encourage modern management of advanced agriculture. Most importantly, Taiwan should seriously protect its borders and increase law enforcement efforts to stop the black market agricultural transaction across Taiwan Strait. A fair and productive price system of agricultural goods should be established to protect and improve farmers' life.

Second, the Taiwanese government should pay attention to deal with the illegal and corruptive links between politicians and interest groups, especially the anti- China coalition and land-related industries. Businessmen illegally moved money from banks to bribe politician in order to assure their unjust deals in real estate. These real estate transactions inflated the land price, exaggerated corporate incomes, enhanced the commodity price, and ultimately created a bubble economy. The worst economic nightmare of late twentieth century, the “bubble economy”, was invented in Japan whose economy had been troubled for more than decade. To continue the bad loans and to gain more loans, the connections between real estate businesses and politicians were getting close. As a matter of fact, it was not the rising labor wage, nor scarce land, or the international economic cycle, but this corruptive complex exacerbated Taiwan’s investment environment. In addition, this corruptive complex provided tremendous financial support to fuel political competition. They supported the anti- China coalition in order to raise hostility toward China and to legitimize unjust domestic policies. These new economic policies were actually protecting the parochial interests of landowners and real estate industries, but using the excuse of national security and domestic economic upgrade. To destroy this corruptive complex, Taiwan government had to launch large scale banking system reforms to radically wipe out the roots of corruption in economics

and politics. Taiwan's government should also set new land policies to truly reflect the land value and give people a reasonable price of land and real estate. The social equality should be reestablished and it should be initiated in land price.

Third, the government should set two new policy directions relating to the capital factor. For one, Taiwan should help to promote Taiwanese business profits whether in Taiwan or abroad. Consolidating the business associations to make investment in China a team effort, decreasing political fluctuation in order to smooth the cross-strait trade, balancing the trade deficit to further improve the quantity and quality of cross-strait commerce. In sum, Taiwan's government should facilitate, instead of impede economic interdependence between China and Taiwan. Considering the fact that Taiwan's domestic market is limited, a protectionist economic policy should not be adopted in Taiwan. It is not true that these policies would "hollow out" of all the industries of Taiwan. As a matter of fact, if industries had to move out, they would not hesitate to do so. These policies will create profits for the Taiwanese people and maybe they will not come back but Taiwan will benefit in other ways. It's the same logic with encouraging college students to go abroad to study. In the future, China's economy will continue to grow, they will face the same problems that Taiwan did—wages will increase, the voice asking for political reform will rise, social consciousness will not allow environmental

degradation, and technology will be outmoded. During that time, the important thing is if Taiwan has its comparative advantage to compete in the international market. Taiwan was never a closed economy and should not be one now or in the future. Second, Taiwan's government should appropriately and fairly increase the tax on those corporations who stayed and use this money to upgrade Taiwan's overall investment environment. Corporations who chose to stay or partially stay in Taiwan must have their reasons. Nowadays, Taiwan's government is too cautious about those corporations' intention to move out. Most of the time, they use the excuse of moving out to blackmail the government into giving them tax cuts or all kinds of advantages, and when they think it's not worthy, they move out. These industries stayed in Taiwan for several reasons. Some of them depended on government supported technology, some of them depended on domestic banks' financial help, some of them got the contracts by government's help, some of them had already failed in China's markets, and some of them just don't have the money. Of course staying or creating more job opportunities should be rewarded but not by unjust taxation policies. Most of the IT industries in Taiwan have enjoyed a high rate of tax cuts for more than two decades. For Taiwan's government, their contributions to national finance were even worse than foreign investment. My suggestion is that they should be appropriately taxed. The new tax policy should reflect the social justice.

There were many cases that big corporations borrowed money from domestic banks, grabbed governmental technology, let corporations go bankrupt, and flew to China to start over again. These cases seriously angered the Taiwanese people and further fueled anti- China sentiment and exacerbated the irrational political competition.

In the political arena, corporations worked together with pro-China politicians and created another kind of business complex that manipulated both Taiwan's China policy and Beijing's Taiwan policy. They profited from cross-strait rivalry, indirectly halted the possible settlement between Beijing and Taiwan, and further agitated the irrational competition between anti and pro China coalitions. This unjust manipulation of governmental policy should be stopped.

Epilogue: Feedback Loop in Cross Strait Relations

I spent the whole dissertation discussing, exploring, and testing the formation and implementation of Taiwan's hostility toward China. The result showed that Taiwan's domestic politics is the source of Taiwan's hostility toward China. My finding here, although convincing and comprehensive, does not fully address the question of why cross strait rivalry persisted. To fully understand the cause of cross strait rivalry, both Taiwan's and China's domestic politics should be studied. Following the same logic

that I adopted to understand Taiwan's foreign policy making process, I can expect to see that China should have same kind of domestic political competitions among key leaders as well factions and among central and local governments. The factor to fuel the political competitions in China could also come from economic reasons. Probably politicians representing economic interests would be more likely to adopt a more benign attitude dealing with Taiwan problem. After all, in the end this dissertation, I want to point out that my research is not the final answer to the Taiwan Strait puzzle. At least, no one can ignore China's domestic politics and can not omit the importance of interaction between Taiwan and China.

The limitation of this dissertation leads to another more important issue which I had mentioned and I will further discuss here. In the empirical testing chapter, I first test the correlation between THC and CHT and I find a significant and strong correlation between these two variable. This finding illustrates that the action reaction effect did existed in cross Strait relations. In that chapter, I point out this correlation in order to control its effect in the rest of statistical tests. As a matter of fact, this action reaction effect has much more implications for us to understand cross Strait relations.

First, this feedback loop effect of Chinese Taiwanese interaction is not only important in statistical sense but also crucial in reality. To solve the cross Strait rivalry,

as I suggested, Taiwan should adopt reform to alter its dangerous foreign policy making process. And, Taiwan should initiate benevolent policy, act and talk toward China in order to ease the cross Strait hostility. The evidence shows that feedback loop effect existed; therefore we can expect China to react with same level of benevolent policy, act and talk. Thus, the cross Strait peace could be more likely to be achieved.

Second, this feedback loop effect can help to connect the foreign policy and international relations study. Although my dissertation focuses on Taiwan's foreign policy making, the scope of the research also engages in relations among China, United States and Taiwan. The action reaction effect of cross Strait relations shows that China, as the international level factor, influenced Taiwan's foreign policy making. And in turn, the Taiwanese foreign policy, a domestic factor, went back to influence China's foreign policy. This connection shows that in the new era of IR study, separating three images is outmoded. Finding an appropriate way to synergize the level of analysis is the task for all the IR scholars in the future.

Third, this feedback loop effect of cross Strait relations shed the light for us to further understand the international relations. Scholars tend to follow the linear direction to find the answer for research question. For example, what is the cause of war? There are lots of answers such as human nature, bad kind of regime type, militarism culture,

imbalance of international system and etc. However, none of them can fully address the question. The problem of these answers came from the fact that we assume the connection between war and its cause is a linear direction. We did not try to draw a two or three dimensional picture to understand the cause of war. In reality, the cause of war would not come from only one factor or from one dimension. The assumption of linear thinking might prevent us from achieving the truth.

My research in Taiwan Strait relations points out that the cause of cross strait hostility came from the interaction of China's hostility and Taiwan's domestic politics. I provide a clear picture of this feedback loop effect. And I believe that in the future, studies in the field of international relations will gradually adopt the theories of system dynamics and appreciate the feedback loop thinking.