

THE ECONOMICS OF CROSS STRAIT INSTABILITY: THE METHODS AND LIMITS OF
CHINA'S ECONOMIC COERCION AGAINST TAIWAN

A Thesis
submitted to the faculty of the
Graduate School of Arts and Sciences
of Georgetown University
in partial fulfillment of the requirements for the
degree of
Master of Arts
in Asian Studies

By

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Washington, D.C.

November 16, 2019

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ABSTRACT

This paper examines the ways China employs economic coercion to influence Taiwan, and the limitations of these tactics in influencing Taiwan's domestic politics. Although there is ample research conducted on the broader theme of Cross-Strait relations, there have been fewer attempts at analyzing the variety of ways China uses economic coercion to impact Taiwan's domestic politics. China's growth in the past several decades has resulted in China becoming a dominant power in the global economic sphere. Meanwhile, it has become Taiwan's largest trading partner. While there are a variety of tools China has employed, they have ultimately been met with limited success, as Taiwan has responded both proactively and reactively to mitigate vulnerabilities. Furthermore, the deepening of Taiwanese democracy and identity further exemplifies the weakness of China's attempts to bring Taiwan within the sphere of direct influence, and public opinion continues to favor maintaining the status quo over reunification.

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Introduction

Despite Taiwan's advancements as a strong economic power and thriving democracy, it occupies a precarious position. The country is considered to have a high degree of economic freedom.¹ It ranks highly in terms of political freedoms, with a vibrant democracy and guarantee of civil liberties.² However, through it all, China's desire for Taiwan to reunify with mainland China looms over the nation. The issue affects how the people of the island vote, how they do business, and how the government derives policy.

While the goal of the reunification with mainland China has existed since the end of the Chinese Civil War in 1949, it did not receive much attention until Jiang Zemin assumed power in the 1990's. Jiang saw the issue as a means to provide legitimacy to his leadership, relying on a rise in nationalism to embolden his agenda and establish himself amongst party members.³

The basis of China's policy toward Taiwan is to create conditions that both encourage reunification and prevent Taiwanese independence. Initially, a main tenet of mainland China's policy toward Taiwan was to sew the conditions for peaceful reunification. Yet, as a result of an emphasis on status quo conditions that have been loosely recognized by both sides, the deadline for reunification has appeared to have been indefinitely delayed. Since the end of Jiang's second term, an alternative but complementary goal has developed: preventing Taiwanese independence.⁴ Brute force, specifically through military means, while always presented as an option, has never been preferred, as China prefers the status quo to the costs of coercion via

¹ "2019 Index of Economic Freedom" 2019.

² Freedom House 2018.

³ Zheng 2006, 38-9.

⁴ Zheng 2006, 53.

military force.⁵ Therefore, China has found an alternative means of influencing Taiwan's status: economic coercion.

Economic coercion refers to the use of monetary policy in order to influence another party. Economic coercion can take various form, and may not be as obvious as military coercion (by which brute force is used to influence another party). Economics can be the underlying driving factor behind political movements. For instance, dollar diplomacy is a useful tool by which a country can influence another state's politics; in this case, economic coercion is employed via loans or other means in order to encourage a state to behave in a certain way.

In the first part of this article, I examine the ways that China has utilized economic coercion in an effort to fulfill the dual goals of Taiwan's isolation and entrapment within China's sphere of influence. I examine how China has utilized its economic influence to diminish Taiwan's diplomatic alliances, as well as evidence of its attempts at political manipulation and media disinformation. I then detail the direct economic implications of coercion, including how China has exploited the vast Taiwanese investments in the mainland, particularly Taiwanese businesses that have outsourced production and manufacturing to the mainland.

After examining the evidence on Chinese economic coercion, in the latter half of the paper I argue that such efforts have had limited impact on accomplishing the Chinese government's goals. I first examine the economic limitations of such coercion. I evaluate the tools Taiwan has developed to mitigate economic intimidation, including the New Southbound Policy under Tsai Ing-Wen, which has succeeded in diversifying Taiwan's economic and tourism partners. I also look at how this policy has allowed Taiwan to develop stronger informal relations

⁵ Kastner, "Drinking poison," 29.

with its neighbors, despite being diplomatically severed from them. I then examine how Taiwanese identity has not diminished, but rather deepened, as has Taiwan's nascent yet powerful democracy in contrast to the threat of the authoritarian Chinese government.

China's Economic Coercion

As a means to avoid military confrontation, China has adopted a variety of economic tactics in an effort to isolate Taiwan and bring it closer to reunification. Whether interfering with Taiwan's foreign policy goals or directly impacting its domestic politics and economy, China has been able to utilize its economic strength to affect Taiwan.

Diplomatic Isolation

As China's economy has become elevated in the global economy, so too has its influence and ability to implement "dollar diplomacy" in isolating Taiwan diplomatically. Dollar diplomacy refers to the use of entitlements, loans, or other economic incentives in order to convince different nations to switch recognition from Taipei to Beijing. Dollar diplomacy has become a competition between the PRC and ROC in order to secure diplomatic allies, and the ROC has been, more often than not, been on the losing end.⁶

In March 2004, Dominica switched ties from Beijing to Taipei. It was revealed that the PRC offered Dominica \$122 million USD in aid, compared to Taipei's \$9 million USD offer.⁷ Altogether, during Chen Shui-bian's presidency, nine countries severed ties with the Republic of China in favor of the People's Republic of China.⁸

⁶ "The Gambia Gambit" 2016.

⁷ Zuo 2016, 124.

⁸ Ibid, 125.

In 2008, as Taiwan elected KMT candidate Ma Ying-jeou as President, mainland China tempered its efforts to promote the switch of recognition. In 2013, Gambia severed ties with the ROC and pursued relations with the PRC. However, as relations between Taiwan and the mainland had thawed under President Ma, the PRC rebuffed Gambia's efforts.

Most recently, immediately following the election of DPP candidate Tsai Ing-wen in January of 2016, the PRC resumed its strategy of employing dollar diplomacy to chip away at Taiwan's alliances. Despite overtures promoting peace and stability across the Taiwan Strait, President Tsai has refused to accept the Ninety-Two Consensus.⁹ The PRC has retaliated by stepping up its campaign of pushing for derecognition of the ROC. For instance, two months following the Taiwanese election, Gambia's switch to PRC recognition was accepted by the government and the deal finalized.¹⁰ Overall, five countries have switched recognition from the ROC to the PRC between President Tsai taking office and the beginning of 2019.¹¹

Dollar diplomacy has, for the past two decades, been a way for mainland China to attempt to influence Taiwanese politics through the threat of diplomatic isolation. When the Taiwanese electorate has chosen a candidate (i.e. Ma) who worked to promote Cross-Strait relations and closer ties between the two sides, the PRC has limited its attempts to isolate Taiwan. Likewise, when the Taiwanese government acts in a way that is seen as threatening to the PRC's mission of reunification, the PRC intensifies its attempts to isolate Taiwan. In other words, when China feels threatened by an independence-minded administration, even if only through perception, then it takes actions to weaken Taiwan, including through diplomatic

⁹ The Ninety-Two Consensus (also stylized '92 Consensus) is a loose agreement proposed that outlines "One China, Two Interpretations" of the seat of government (Beijing or Taipei).

¹⁰ "The Gambia Gambit" 2016.

¹¹ Ingber 2018.

isolation. Considering China's end goal of Taiwan reunifying with the mainland, it is logical that isolating Taiwan undermines any attempts by Taiwan to establish itself as an independent state; since diplomatic relations occur at the state-to-state level, any diplomatic relations Taiwan maintains feeds into a narrative of Taiwan being its own state. Thus, isolating Taiwan through undermining its diplomatic alliances helps weaken Taiwan's posturing and ability to interact with others – particularly outside the sphere of China.

Coercion Through the Media

One avenue China has pursued to change Taiwanese public perception in its favor has been through control of the narrative played in domestic media. China's economic rise has given China the ability to influence the content of Taiwan's media. China has been able to utilize “economic incentives and threats” in order to influence or control international media outlets.¹² Huang Jaw-nian provides a theoretical model by which China is able to diffuse censorship into economically-dependent states. Through circulation, advertising, or other capital funding means, China is able to conduct “financial co-opting” of the local media, at which point the media begins self-censoring.¹³ For instance, China's State Council Taiwan Affairs Office began pursuing advertisement deals with Taiwanese media, providing funds in exchange for advertisements promoting Chinese business and tourism – despite these being illegal in Taiwan.¹⁴

In a more discrete manner, China has indirectly been able to influence the political direction of one of Taiwan's largest news distributors. In 2008, the China Times Group was sold

¹² Huang 2017, 28.

¹³ Ibid, 30.

¹⁴ Ibid, 33.

to Want Want China Holdings. The China Times Group is a media conglomerate containing several news media companies, including the *China Times* newspaper and Chinese Television (CTV). It includes online, print circulation, and radio channels. The Chinese government has been able to exert considerable influence over content in the stories, as the head of Want Want, Tsai Eng-meng, has strong relations with leaders in the Chinese government.¹⁵ Despite denials of Chinese influence, Tsai has met with Chinese State officials, such as in 2008 after the deal when he met with China's State Council Taiwan Affairs Office head Wang Yi. Furthermore, in 2012, the Want Want group was complicit in a propaganda plan with the Fujian Provincial government to embed Chinese advertising in the *China Times* in exchange for funding.¹⁶ Additionally, since 2008, there has been no criticism of the CCP in the *China Times* newspaper.¹⁷

China's employment of economic coercion through the media is an attempt to control the narrative to promote its own goals. Between censorship, advertisements, and the promotion of propaganda, the Chinese government has attempted to push a narrative favorable to China and politicians traditionally considered more China-friendly.

Vulnerability of Investments

Taiwanese businesses have invested heavily in mainland China, under both DPP and KMT administrations. Ease of communication and cultural ties between the two sides have fostered a strong business relationship. In particular, many Taiwanese businesses have invested in manufacturing, such as building factories for their products in China due to lower costs and regulations. Indeed, Taiwanese investment in mainland China is not a recent development,

¹⁵ Hsu 2014, 134.

¹⁶ Huang 2017, 33.

¹⁷ Hsu 2014, 134.

although it has experienced periods of deepening integration such as during the presidency of Ma Ying-jeou. Taiwanese businesses have seen China as a strong manufacturing center for decades. By early 2005, there were an estimated 70,000 Taiwanese businesses in China, with investments valued at nearly \$100 billion USD.¹⁸

As a result, these heavy investments in mainland China have left Taiwan's businesses – and the Taiwanese stock market – liable to be affected by changes or tensions within the Cross-Strait relationship. In March of 2000, then-Chinese Premier Zhu Rongji issued a warning to the Taiwanese people about the upcoming presidential election in Taiwan. In his address at the end of the National People's Congress, he warned of potential war stemming from independence, an allusion to voting for independence leaning candidate Chen Shui-bian.¹⁹ Following Chen's election, the Taiwan Exchange (Taiex) fell by over 2.7%, falling again on May 20 (the first day of Chen's presidency) by 3.3%.²⁰ While not exceptionally destabilizing on its own, that the election had a significant and direct effect on the stock market demonstrated the capacity for Chinese influence.

In another instance, in 2004 following the reelection of Chen Shui-bian, newspapers in mainland China criticized businesses that were depicted as pro-DPP or within the pan-green coalition – the traditionally pro-independence side of Taiwanese politics, in contrast to the “pan-blue” coalition encompassing parties seen as more China-friendly, including the KMT. In particular, the media targeted the CEO of the Chi Mei Corporation, a Taiwanese company with business ties to mainland China. The next day, Chi Mei experienced a 5% drop in their stock

¹⁸ Zuo 2016, 119.

¹⁹ Zhu 2000.

²⁰ Tanner 2007, 92.

prices on the Taiex.²¹ Because of the direct relationship between the Chinese media and the government, the ability of the Chinese government to indirectly affect the stock prices of Taiwanese businesses is cause for alarm.

Trade and Tourism

Tourism – specifically referring to tourists from mainland China visiting Taiwan – has become an enormous economic engine in Taiwan. As a result, the industry has made itself vulnerable to the ebbs and flows of Chinese tourists. According to official Taiwanese government statistics, visits from mainland Chinese tourists increased dramatically during Ma Ying-jeou’s presidency, reaching a peak of over 4.1 million people from the mainland in 2015.²²

Figure 1 displays data from the Taiwan Tourism Bureau, which shows the number of tourists arriving in Taiwan on a monthly basis. The chart shows that there were relatively few tourists coming from mainland China before Ma’s election. Afterward, however, the number slowly increased, and continued to rise for nearly all of his presidency.

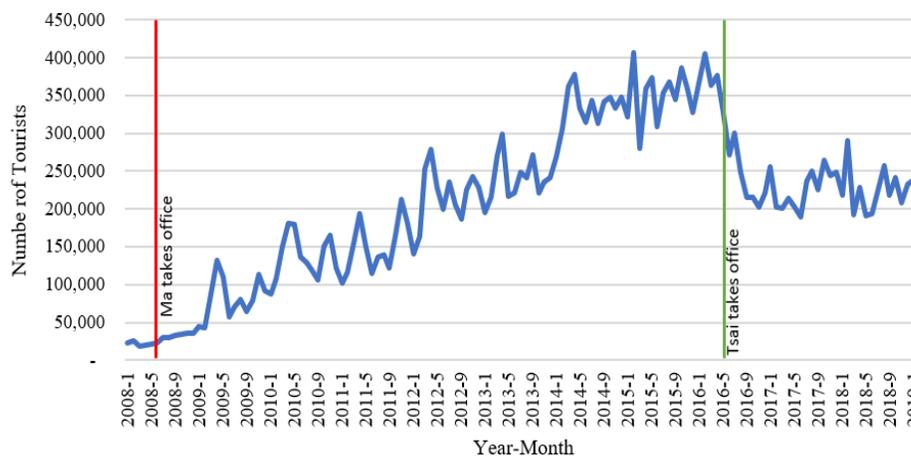


Figure 1. Inbound tourists from Mainland China to Taiwan, from January 2008 through January 2019. Source: *Tourism Statistics Database of the Taiwan Tourism Bureau.*

²¹ Ibid.

²² Tourism Statistics.

However, since Tsai Ing-wen won the presidency in 2016, mainland China has dramatically cut the number of tourists it has allowed to travel to Taiwan. In China, three of the five largest travel agencies are all state-owned; those that are not, are still strongly connected to the Chinese government. China is therefore able to exert incredible control over where and how many Chinese tourists are allowed to travel.²³ Accordingly, Figure 1 demonstrates that, upon President Tsai taking office, there was a dramatic decline in the number of mainland tourists visiting Taiwan. The cut in tourists can be attributed to Tsai's refusal to agree to the Ninety-Two Consensus.

The slowdown in tourism from mainland China has been converted into frustration at Taiwanese politicians. In September of 2016, within five months of President Tsai taking office, there was a protest by 10,000 tourism industry workers who blamed Tsai for the downturn in profits.²⁴ Because President Tsai had refused to accept the Ninety-Two Consensus, the Chinese government used tourism as a way of hurting Taiwan's local economy. In this way, economic coercion tactics were successful in chipping away at the political support of President Tsai and her party.

Limits to China's Coercion

While China has employed a variety of methods to isolate and ensnare Taiwan, these efforts have proven to be limited in their efficacy. On the one hand, Taiwan has employed countermeasures to prevent market volatility, diversify its economy, and increase tourism from other regions. On the other hand, a deepening of Taiwanese identity and democratic norms demonstrate that, despite China's efforts to foster the conditions for reunification, the Taiwanese

²³ Coca 2018.

²⁴ Smith 2016.

people themselves are only moving away from mainland China. In both how they identify themselves, as well as the way they perceive the future of Cross-Strait relations, the Taiwanese people have demonstrated that they have not succumb to the coercion tactics used by China.

Economic Countermeasures

In response to the possible shocks that the stock market may receive due to external factors, Taiwan has proactively implemented a variety of policies and institutions. In 1996, following the stock market slide resulting from President Lee Teng-hui's trip to the United States, the government created the National Stabilization Fund (NSF) with an initial deposit of NT225 billion (about \$7.3 billion USD).²⁵ In 2000, in response to concerns about the future impact of actions by mainland China against the Chen administration, the NSF funding was increased to NT\$500 billion (about \$16.2 billion USD) for the purpose of providing financial and capital market stability.²⁶

Additionally, Taiwan has built up an incredibly large foreign currency reserve to ensure economic stability. As of February 2019, the Central Bank of the Republic of China (Taiwan) holds \$463.94 billion USD in foreign reserves,²⁷ making it one of the ten countries globally with the largest amount of reserves.²⁸ Having a large amount of foreign reserves is a crucial form of insurance for maintaining economic stability in times of uncertainty. For instance, the large amount of reserves is assurance that, should there be a financial shock, there will not be a depreciation in the value of Taiwan's currency.

²⁵ Tanner 2007, 94.

²⁶ Statute for the Establishment and Administration of the National Financial Stabilization Fund.

²⁷ Foreign Exchange Reserves.

²⁸ Picardo 2019.

Economic Diversification, Informal Partners, and the New Southbound Policy

Taiwan's close economic ties to mainland China leaves Taiwan vulnerable to direct attempts at economic coercion from the Chinese government. As already discussed, when the Taiwanese government behaves in a way that the Chinese government disagrees, such as refusing to accept the Ninety-Two Consensus, China is able to have an outsized effect on the island's economy due to how the Taiwanese economy is linked with the mainland. As such, through the New Southbound Policy of the current administration, the Taiwanese government is attempting to diversify its economic partners, while also offsetting the tourism deficit caused by Chinese restrictions on mainland tourism.

The New Southbound Policy under President Tsai is the third iteration of a Taiwanese economic diversification policy directed toward Southeast Asia. The original "Go South Policy" under President Lee Teng-hui (1996-2000) was successful in increasing Taiwanese FDI into ASEAN countries in its first two years. However, following the Asian Financial Crisis, the amount of investment from Taiwanese companies into the region was severely limited, hampering the policy's success.²⁹ Lee's successor, Chen Shui-bian, attempted another "Go South" policy, but was ultimately unable to overcome the competitiveness of mainland China's economy.³⁰

Soon after taking office, President Tsai Ing-wen began implanting the New Southbound Policy. President Tsai's government outlined a set of short- and long-term goals, including the development of economic and trade relations with ASEAN countries to create a "sense of economic community;" expand "two-way exchanges" in terms of trade, tourism, and culture; and

²⁹ Glaser 2018, 6-7.

³⁰ Glaser 2018, 8.

establish mechanisms for future dialogue.³¹ Despite these often being unofficial due to the lack of formal diplomatic relations, these relations are nevertheless important in creating partnerships with Taiwan, especially against a backdrop of an aggressive China.

In particular, one avenue in which the New Southbound Policy is attempting to remedy Taiwan's dependency on mainland China is by changing certain regulations to boost tourism from other parts of Asia. Per the New Southbound Policy, Taiwan's Tourism Bureau has adopted several strategic policy initiatives in order to generate more tourism from the ASEAN region. More countries have been granted visa-free visitation privileges; online visa approvals have been simplified and extended; and the residents of several Southeast Asian nations who have obtained visas from certain Western countries, as well as Japan, South Korea, and others would be allowed to enter Taiwan visa-free.³²

The New Southbound Policy has so far been successful for diversifying Taiwan and boosting its image in a variety of ways. There have been small increases in the number of tourists from countries targeted by the Policy, and investment has increased between Taiwan and regional partners.³³ Trade between Taiwan and regional partners rose 5.5% in the first eight months of 2018 from a year earlier, and has "secured 17 public projects" in New Southbound Policy nations, worth \$25.2 billion USD.³⁴ In addition, through presenting itself as a "progressive liberal democracy" in contrast to the authoritarian regime in China, Taiwan has been able to bolster its image, especially among countries that are becoming skeptical of China's rise and intentions.³⁵

³¹ "The Guidelines for 'New Southbound Policy.'"

³² Parameswaran 2016.

³³ Ibid.

³⁴ Yang and Chiang 2018.

³⁵ Ibid.

Taiwan faces the dual dilemma of Chinese efforts to isolate the island politically, as well as make it increasingly dependent on China's economy. Though the New Southbound Policy has been in effect only two years, already there are signs that the policies implemented have allowed Taiwan to slowly begin branching out to other regional partners, not just economically but also culturally. Despite diplomatic isolation, Taiwan has been able to maintain ties to other nations in other ways, while also diversifying its economy.

Taiwanese Identity and Democracy

Beyond the physical barrier of the Taiwan Strait, another major barrier to reunification is Taiwan's majority identity as Taiwanese. Since 1992, the Election Study Center of National Chengchi University (NCCU) in Taipei has produced an annual survey identifying trends in how Taiwanese identify themselves – as either Taiwanese, Taiwanese and Chinese (TW-CH), or Chinese. Figure 2 is a graph produced by NCCU that illustrates the results of the survey, plotting annual trends in identity. As the graph demonstrates, prior to democratization, the Taiwanese identified more as both Taiwanese and Chinese, rather than Chinese or Taiwanese; in fact, less than 20% considered themselves Taiwanese. However, by the most recent metric in 2018, less than 5% of those on the island identify themselves as purely Chinese, while over half of respondents have self-identified as only Taiwanese – a number that has stayed stable since 2009.³⁶

The decline of a purely “Chinese” identity is logical when considering the history of the population on the island. Those that were born on mainland China – and thus, have the greatest connection – would be 60 years or older as of 2019. There are now several generations of

³⁶ National Chengchi University, 2019.

Taiwan-born “Taiwanese” who have never lived on the mainland and have little or no meaningful connection to it.

Furthermore, the “Taiwanese” identity actually became more salient during periods of accelerated relations between mainland China and Taiwan. During the Ma administration, as relations between the two sides deepened, there was a deepening of the Taiwanese identity and dip in the identification of Taiwanese-Chinese.

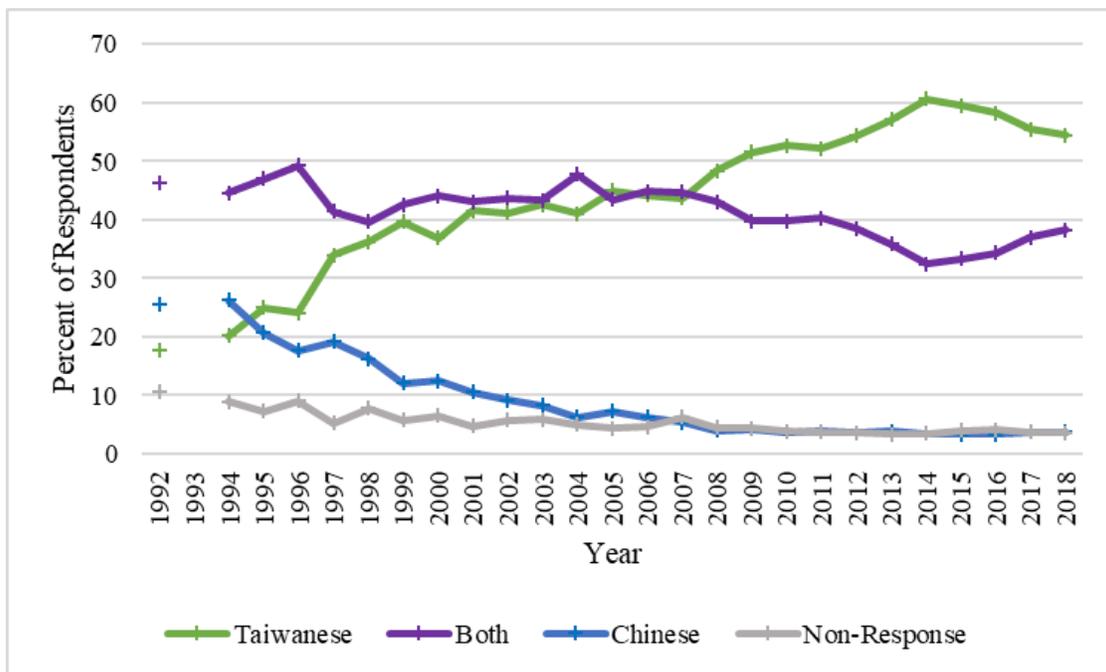


Figure 2. Changes in in Taiwanese identity (1992-2018). Respondents replied “Taiwanese,” “Both Taiwanese and Chinese,” “Chinese,” or had no response. Source: Election Study Center, National Chengchi University

The implication of this growth in Taiwanese identity is that China has a fundamental cultural obstacle it must overcome. As those in Taiwan identify predominantly as Taiwanese, there is a separation that implies an independent identity. Economic coercion is limited in attempting to make Taiwanese people consider themselves a part of a greater China. Having spent their whole life in Taiwan, China is an “other.”

Economic Strains and the Speed of Cross-Strait Relations

Despite attempts to encourage closer relations through squeezing the economy, it is difficult to argue that the effects on Taiwanese public opinion are permanent or long-lasting. One way that the Chinese government has attempted push Taiwan towards reunification is through public opinion. When Taiwan does not agree to the provisions China wants, China utilizes economic coercion tactics to squeeze the island's economy. Theoretically, this behavior should in turn trickle down to everyday Taiwanese, influencing them to put pressure on the Taiwanese government to foster closer ties to China. The closer that relations become, the more Taiwan's economy is integrated into the mainland economy – and the harder it becomes for Taiwan to delink from it, should Taiwan ever decide to pursue independence.

However, the results do not accurately reflect a permanent change in public opinion. Each year, Taiwan's Mainland Affairs Council (MAC), the Taiwanese administrative body that handles Cross-Strait affairs, conducts a survey observing the attitudes of the Taiwanese toward the speed of Cross-Strait relations (Figure 3).³⁷ As the graph demonstrates, for most of the survey's existence, most respondents affirmed the pace of relations at the time the survey was taken. However, regarding the other two options – either too quickly or too slowly – there is an interesting trend. From 2009 to 2016, more respondents believed relations were moving to quickly. This overlapped with Ma Ying-jeou's presidency, a time in which Cross-Strait relations were seen as accelerating in speed. Since 2016, more respondents believed relations were

³⁷ "Zhonghua Minguo" 2019.

moving too slowly – a reversal from the previous eight years. In 2016, Tsai Ing-wen won the presidency, and relations dramatically cooled.

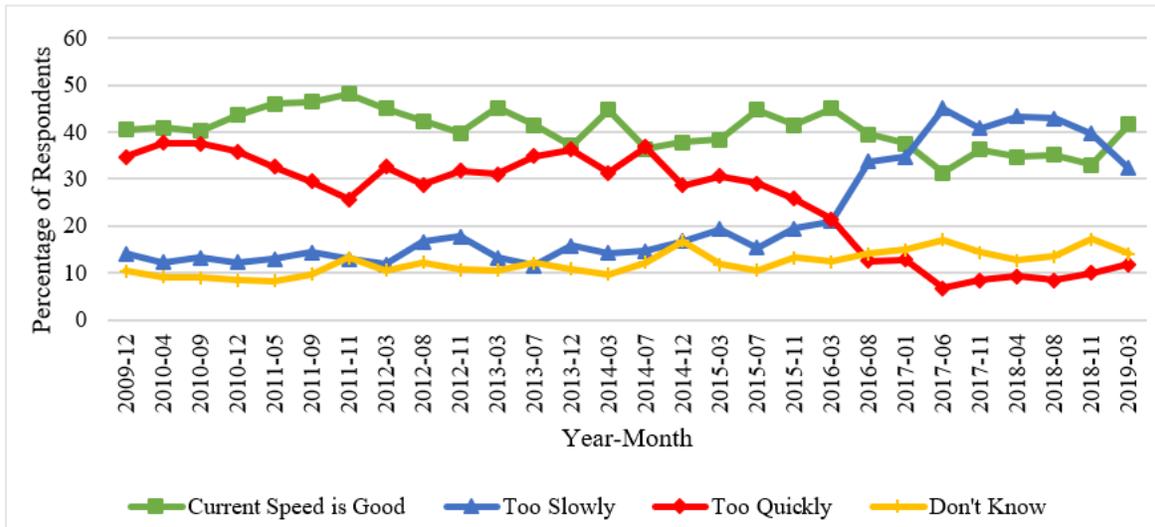


Figure 3. How Taiwanese Citizens View the Speed of Cross-Strait Relations. *Graph generated from data provided by the Republic of China (Taiwan) Mainland Affairs Council.*

While the survey results affirm that China’s economic coercion tactics have an effect on Taiwanese public opinion, the logic is more complex. The results of the MAC survey on the speed of Cross-Strait relations demonstrate that the electorate will seemingly oppose the speed at which relations are occurring at any interval. In times of economic rapprochement, the populace will respond that relations are moving too quickly; then, during times of economic stalemate, the population responds that relations are too slow. While it would be easy to write off the results as reflecting an ever-unsatisfied population, what the survey demonstrates is that Cross-Strait relations require a careful balance. The public will often oppose not only icy relations, but relations considered too hot. Despite the success in garnering public opinion through attempts at slowing the Taiwanese economy, the public will just as quickly turn against China’s interests

should relations appear to be moving too fast. When the relations do move too fast, Taiwanese society responds – not only through elections, but also protests.

Protests Against Deepening Relations

In times when Cross-Strait relations have appeared to be accelerating such that Taiwan was becoming too close to mainland China, the Taiwanese electorate has reacted negatively – both through coordinated civil protests and elections reflecting discontent. In 2014, the ruling KMT party attempted to push through the Cross-Strait Service Trade Agreement (CSSTA). Both KMT and DPP legislators had agreed in June 2013 to a line-by-line review of the CSSTA. However the KMT reneged.³⁸ Protests broke out, with a reported 500,000 protestors taking to the streets of Taipei. For two weeks, Taiwanese students occupied the Legislative Yuan. The protesters demanded Taiwanese withdrawal from the CSSTA and a careful review of any future bills that would impact Cross-Strait relations.³⁹

The Sunflower Movement, as it became known, had several major implications. It demonstrates the Taiwanese people's commitment to democratic institutions, and opposition to perceived corruption or authoritative actions. Furthermore, it was the manifestation of frustrations that had developed over several years under President Ma. Despite closer ties to mainland China, there was no perceived improvement in the lives of everyday Taiwanese. If there was no benefit to the Taiwanese citizens, as was the case with the CSSTA, then a deal would perpetuate the image of "selling out" Taiwan.

³⁸ Rowen 2015, 5-6.

³⁹ Ho 2015, 69-70.

Unchanging Attitudes toward the Status Quo

Through forms of economic coercion, China has attempted to influence the politics and opinion of Taiwan in order to create an environment that would help foster reunification. However, public opinion has remained relatively consistent for the past two decades.

Every year, Taiwan's Mainland Affairs Council produces a survey on public opinion regarding the future of Cross-Strait relations.⁴⁰ In this survey, they ask respondents whether they support immediate reunification, independence, or the status quo. They further break down these three questions into more nuanced responses, such as supporting the status quo for the moment but eventually reunifying or declaring independence. The results of this survey are graphed in Figure 4.

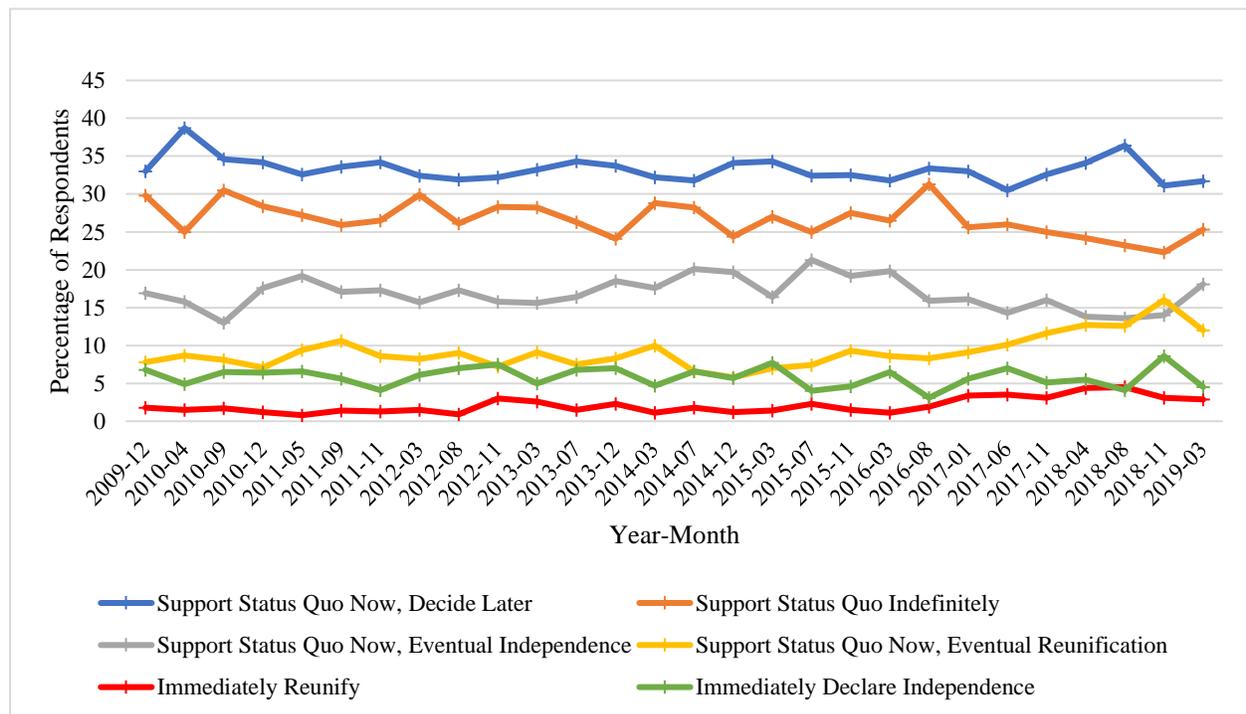


Figure 4. Trend in Taiwanese public opinion toward independence, reunification, and the status quo, from 2009-2019. Graph generated from data provided by the Republic of China Mainland Affairs Council.

⁴⁰ “Zhonghua Minguo” 2019.

As the survey results demonstrate, Taiwanese public opinion toward relations has changed relatively little over the past ten years. Overall, a strong majority of the Taiwanese public favors the status quo. As of the most recent survey in March 2019, 57% of respondents favored either maintaining the status quo now and deciding later whether to reunify/declare independence, or maintaining the status quo indefinitely.

The results of the survey demonstrate that China's attempts to affect Taiwan's public opinion have been met with limited success. China's aim is to move the public's opinion towards one favoring reunification. However, in nearly every year polled since 2010, the option of "immediate reunification" has been the least popular option. It has never even captured 10% of the sample. Meanwhile, the third most popular opinion has been rather consistently maintaining status quo for the moment, but eventually declaring independence. This reflects the attitude that, although the Taiwanese people do not want to destabilize the current relationship, there is still a large sector of the population that sees independence as an ultimate end goal – needless to say, running contrary to what China would want. That less than 20% of the population even considers reunification an option reflects a failure in China's attempt to push for reunification.

Conclusion

The findings I have discussed in the article point to two conclusions. The first is that there is concrete evidence of Chinese efforts to impact Taiwan through tactics of economic coercion. China has used dollar diplomacy to cut off Taiwan's formal diplomatic alliances. It has also cut tourism from the mainland to Taiwan in response to Taiwanese government policies. These tactics all demonstrate that China has tried to foster the conditions necessary to bring Taiwan closer to China and eventually reunification – and more importantly, away from independence.

The second discovery is that, despite China's economic coercion tactics over the past several years, there has been limited success in affecting the policies of Taiwan or public opinion of the Taiwanese people. Taiwan has developed strategies to counteract the effects of economic coercion, such as strengthening its financial system and, more recently, implementing the New Southbound Policy to diversify itself away from China and reaffirm informal allies. The Taiwanese public continues to support the status quo over both declaring independence and reunification, and fewer and fewer Taiwanese people see themselves as connected to the mainland, instead identifying as solely Taiwanese.

What this means for the future of Cross-Strait relations is unclear. On the one hand, it is unlikely that there would be a major change in opinions whereby the Taiwanese people suddenly favor changing the status quo. Even popular opposition movements such as the Sunflower Movement in 2014 did not result in a major change in public opinion toward the status quo. On the other hand, it is questionable how sustainable the status quo is in the long term. An aggressive Chinese leadership may engage the issue in a different way, even perhaps through an ultimatum threatening military action. While highly unlikely due to the costs that would be incurred on both sides of the Taiwan Strait, it is nevertheless always a possibility. At the same time, younger generations of Taiwanese people will continue to grow up disconnected from the mainland. There are already generations of Taiwanese-born people who have never been to China and have a connection instead to Taiwan. Ultimately, however, the status quo will prevail for the moment.

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