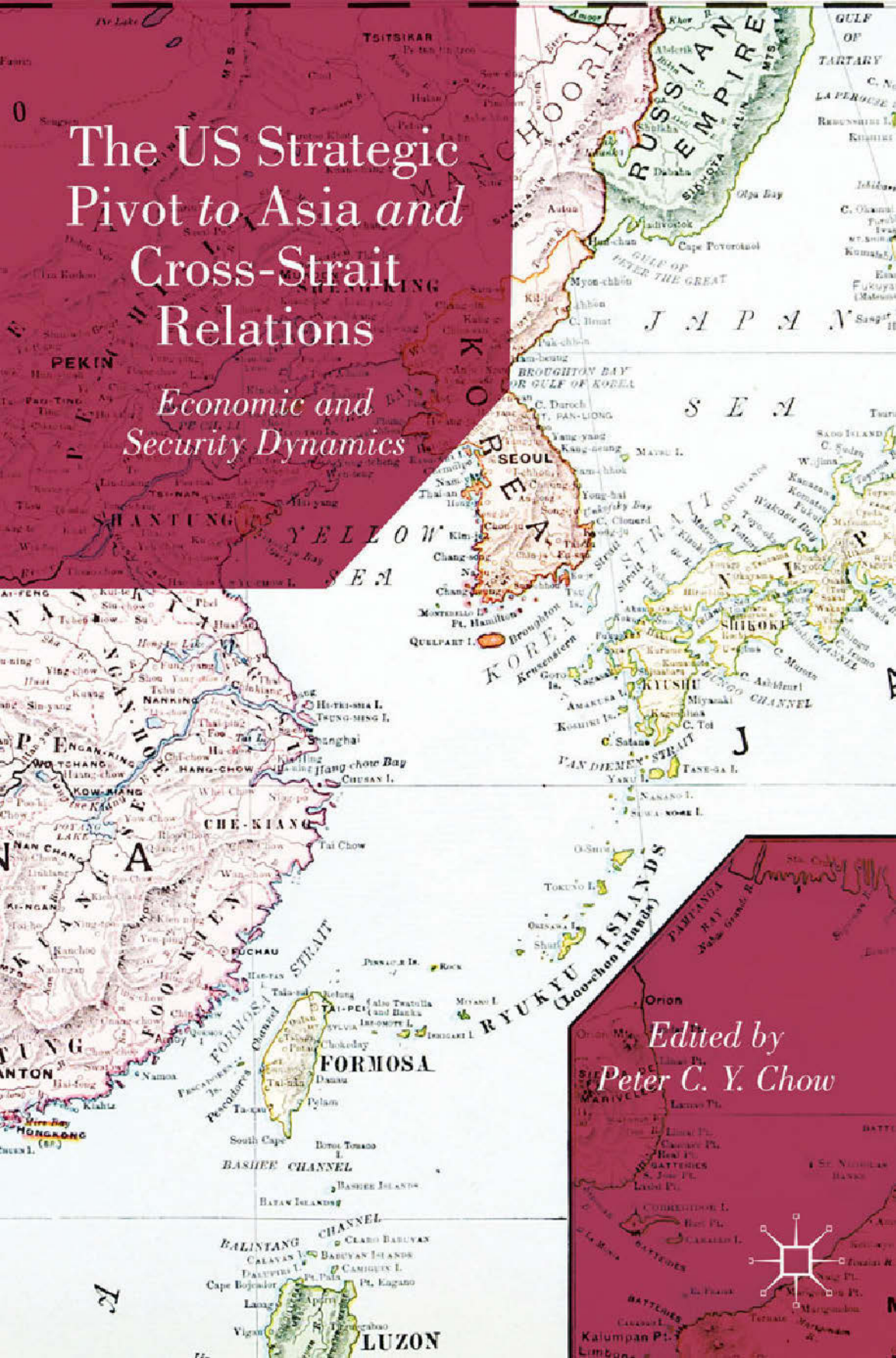


# The US Strategic Pivot to Asia and Cross-Strait Relations

*Economic and  
Security Dynamics*



*Edited by  
Peter C. Y. Chow*

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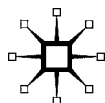
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THE US STRATEGIC PIVOT TO ASIA AND CROSS-STRAIT RELATIONS

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# Contents

List of Figures and Tables	vii
Foreword	ix
Preface	xv

## **Section I The Role of Taiwan Strait in the US Strategic Pivot to Asia**

1	Introduction	3
	<i>Peter C. Y. Chow</i>	
2	Taiwan's Narrowing Strait: A Triangular Analysis of Taiwan's Security since 2008	15
	<i>Lowell Dittmer</i>	
3	An Indispensable Pillar of Obama's "Pivot" to Asia: Continuing Strategic Ambiguity across the Taiwan Strait	31
	<i>Dean Chen</i>	
4	America's Pivots to Asia and the Taiwan Strait Crises	55
	<i>Edward Friedman</i>	

## **Section II Economic-Security Nexus and China's Responses**

5	The Unwelcome Return: China Reacts to the US Strategic Pivot to Asia	79
	<i>Yong Deng</i>	
6	US Rebalancing: Implications for Taiwan's Security and Stability across the Taiwan Strait	97
	<i>Scott L. Kastner</i>	
7	The TPP and the Pivot: Economic and Security Nexus	113
	<i>Tun-jen Cheng and Peter C. Y. Chow</i>	

8	US-China Economic Relations: Implications of the Trans-Pacific Partnership <i>Chien-Pin Li</i>	135
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### **Section III Retrospect and Prospect of Cross-Strait Relations amid US Pivot to Asia**

9	Why Taiwan? ROC Leaders Explain Taiwan's Strategic Value <i>Steven Phillips</i>	159
10	Taiwan's Geostrategic Significances: From the Past to US Contemporary Pivot Strategy <i>York W. Chen</i>	179
11	Reflections on China's Military Trajectory and the US Pivot <i>Richard D. Fisher, Jr.</i>	207
12	Pacific Pivot, Taiwan Fulcrum: Maritime Taiwan and Power Transition in Asia <i>John J. Tkacik, Jr.</i>	227

	List of Contributors	263
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	Index	265
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# Figures and Tables

## Figures

2.1	Taiwan's quarterly GDP growth	16
2.2	Taiwan's Gini index	17
6.1	A simple conceptual model of cross-strait bargaining	99
12.1	The South China Sea maritime claims and exploration blocks in May 1995: from the US Department of State, Office of the Geographer (INR)	232
12.2	The Senkaku Islands in the East China Sea	237

## Tables

2.1	US arms sales to Taiwan, 2008–2001	22
7.1	US security ties with the Asia Pacific	115
7.2	Hub-ness and spokes in East Asia economic integration	123
7.3	Overlapping membership in US security network and the TPP	127
8.1	US investment in selected Asian Pacific states, 2007–2012	141
8.2	Key differences between the United States and other TPP partners	145
11.1	Estimated improvements in PLA A2/AD capabilities, 2010–2020+	212



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## Foreword

This book addresses the very important question of where Taiwan and its relationship with China fits into the rapidly changing security and economic relationships, which are taking shape in the second decade of the twenty-first century. In particular the book focuses on the place of Taiwan in the American policy of the “pivot” to Asia, or, as it has come to be called officially, “rebalancing” toward Asia.

The new policy was developed in the context of China’s rapidly rising economic and military power, which has begun to change the distribution of power in the region. China has become the second largest economy in the world and the largest trading partner of nearly all the countries in the Indo-Pacific region. Its military spending is exceeded only by the United States, and it accounts for 40 percent of the total defense spending by Asian countries. As an emerging naval power, China is seeking to change the status quo in its favor in the East and South China Seas. If its maritime endeavors were to be successful, America’s 60-year naval dominance of the region would surely come to an end. However, the American pivot was less a response to China’s rise as such than to China’s leaders having overplayed their hand in 2009–2010. Unlike America, China had recovered quickly from the financial crisis; it was not damaged from the aftermath of two long-drawn unpopular wars, and many Chinese claimed that the balance of power had shifted in their favor from a declining America. Accordingly, Obama’s outreached hand in his 2009 visit was rejected, and China began to use its newfound military power in an assertive fashion in both the East and South China Seas, only to find resistance by some of its neighbors as supported by the United States.

Not surprisingly, many observers, including some in this book, see the new American policy as a riposte to China’s assertiveness. The Obama administration, however, denies that the new policy is directed toward China, but it is intended to enmesh the United States more closely in the most dynamic and economically significant part of the world. And far from balancing against China, Washington seeks to engage it, so that as both countries cooperate and compete with each other, they can work more closely to address the many

pressing global issues as well as regional “hot spots,” notably the North Korea problem.

Perhaps in a tacit acknowledgment of its reduced capacity to provide the economic and security goods, which played such a significant role in enabling the East Asian countries (including China) to achieve such rapid economic growth, the Obama administration is enhancing its alliances in the region in the expectation that the allies and partners will play a greater role in ensuring security in the region. At the same time the Obama administration has become more active in regional institutions. On the economic front, the “pivot” has been linked with the American promotion of a Trans-Pacific Partnership (TPP), designed to commit the 12 countries currently involved in the negotiations to rules of economic intercourse that will go beyond tariffs at the borders to include trade in agriculture, services, and the protection of intellectual property.

Some observers have pointed to a contradiction in the American policies of the “pivot” or “rebalancing.” In this view, Washington seeks to develop a new kind of major relationship with Beijing that allows China to rise without that leading to major conflict and that does lead to a partnership in addressing global and regional problems. But most of Washington’s allies and partners in the region are under increasing pressure from China to cede their claims to sovereign territory or maritime domains in the name of China’s right to secure what it calls its “core interest.” At issue for the United States, even if it were to lean on its allies to accommodate Chinese interests, is that without access to bases in its allies’ territories and their adjacent seas, America would cease to be a great power in the region and beyond. Clearly, it is up to American strategy and diplomacy to ensure that this putative contradiction does not materialize.

It might be thought that Taiwan, as a major trading country with a geographical location straddling the strategic location between the East and South China Seas, should be included in American thinking about its new strategic and economic policies in the region. But, as the chapters in this volume illustrate, there is precious little sign of that taking place. Although the Taiwan government has expressed interest in participating in the TPP, there has been no official response from the Obama administration. The only public references to Taiwan involve two issues that antedate the adoption of the “pivot.” The first is Washington’s reiteration of the 35-year-old policy of selling arms to Taiwan in the face of Chinese objections, and the second is the reaction by the American military to what it has termed China’s policy of “anti-access area denial” (A2/AD), by which Chinese military deployments were designed to deny or to delay access by American forces to Taiwan or its adjacent waters. But neither has been invoked as an integral part of the “pivot.” Rather, they have tended to be seen as aspects of American relations with China.

In fact the Taiwan issue has been subsumed by both the Chinese and American sides within the framework of their bilateral relations. As the chapter by Lowell Dittmer suggests, the relationship between the three can be understood within the framework of a triangle. The advent of the Ma Ying-jeou administration in

2008 has brought about a closer economic integration between the two sides of the Taiwan Strait and made possible political dialogues of various kinds. Dean Chen argues that the more peaceable atmosphere that this has engendered has made it possible for the Chinese leadership to become more accommodating to Taiwanese sensibilities including their aspiration for greater access to the international community. Whether Beijing will be so accommodating remains to be seen, but the more peaceable cross-strait relationship has reduced the intensity of the American concern with Taiwan as one of the region's "hot spots" and it has enabled the Obama administration to put the Taiwan problem on the back burner.

It is generally assumed that America need not be concerned about China's military rise as it outspends the Chinese People's Liberation Army (PLA) by a wide margin and it enjoys a major technological lead. Accordingly, conventional wisdom holds that American military superiority will be sustained for at least a decade and maybe much longer. Edward Friedman challenges this by pointing out that the pivot may be underfunded and that by seeking to be "nonconfrontational," China's deepening of its A2/AD is overlooked and its military buildup for the specific fronts of Korea, the Taiwan Strait, the South China Sea, and India is not addressed. Friedman also points out that no allowance has been made for China's global military potential or its underestimated nuclear force. He outlines the breadth and enormity of China's growing military challenge, but argues that the United States, together with its allies, could meet the challenge, but questions whether the nature of China's military challenge is properly perceived in Washington and worries whether the necessary funding will be available.

The new Korean president, Park Geun-hye, coined the term "Asian paradox" to draw attention to the contrast between the deepening integration of Asian economies and the security disconnect between the Asian states. Tun-jen Cheng and Peter C. Y. Chow argue that as far as America is concerned, economics and security are now intertwined. Although the United States had played and continues to play the anchor role of the market of last resort for Asian economies, it has not been a party to Asian multilateral economic groupings. When it comes into effect, the TPP will ensure that America and its allies will be more closely bound together and the costs of damage to a partner will be more prohibitive than groupings involving China. The proposed Regional Cooperation Economic Partnership (RCEP) centered on China is little more than a loose multi-free trade association, especially as compared to the TPP, but the two are not exclusive; Japan, for example, will belong to both. But the TPP may be seen as cementing the pivot along with its security dimensions.

The Chinese response to the "pivot," as discussed in the chapter by Yong Deng, reflected the fundamental strategic distrust between the two great powers, but ended in the recognition that it was not in China's interest to confront the United States. The priorities of the new Chinese leadership, like those of its predecessors, are the domestic ones of combining regime security with economic development. From that perspective, Yong Deng argues that American and Chinese economic

interests are intertwined, and the task is to use these to transform the geopolitics of Sino-American relations.

Even though Taiwan has not been officially mentioned in the context of the pivot, this does not mean that the policy and implementation of the pivot does not affect the security of Taiwan. In his chapter, Scott Kastner discusses various scenarios and concludes that Taiwan would benefit, especially if the pivot were to increase the American security presence in the region, provided that the American rebalancing did not deepen the regional security dilemma and that a future Taiwanese government avoided provoking Beijing, or that Beijing turned unduly nationalistic.

The economic relationship between China and the United States is deep and extensive. The nature of their economic interdependency is explained in the chapter by Chien-Pin Li, who argues that it is too significant to be greatly affected by the TPP. He also notes that one of the main effects of China's entry into the World Trade Organization (WTO) was to provide sufficient external pressure to bring about much-needed reforms under the aegis of Premier Zhu Rongji. The question now arises as China seeks to carry out a new round of fundamental reforms whether new external pressure in the shape of the TPP may be needed to overcome the powerful vested interests opposed to major change.

The broadly accepted view that the unification of Taiwan with the Chinese mainland is a key national objective of Beijing is challenged by Steven Phillips. He argues that neither in the past nor in recent times has Taiwan been of great importance in itself. He contends that since 1949 Chinese policy toward Taiwan has been shaped by the Communist Party's changing global interests and not "by the passions of identity." He claims that the current emergence of China as a military power is accompanied by bellicose forces within the leadership, which are being deterred by the American pivot to Asia, which he dates back to 1996. Whether or not Beijing's professed national "passion" for unity is genuine, Taiwan may have acquired a new significance for Beijing as China has begun to assert a new maritime identity.

It is that dimension of Taiwan's significance which is addressed by Richard Fisher. He explains with great care the immense importance of Taiwan's geopolitical position in the overall strategy of the United States. Located between the islands of Japan and the Philippines, it commands the Taiwan Strait and the Luzon Strait to the south. Taiwan lies at the passageways for China, Japan, and Korea that provide access to the resource-rich Southeast Asia. The geo-economics of this vast region would be radically changed were Taiwan to come under the control of the PRC under present conditions. Not only would China have unfettered access to the Pacific (at present its vessels have to pass through straits between Japanese islands or the Luzon Strait) and be free of concerns about an American blockade, but it would also be able to exercise control over the maritime trade of Japan and Korea, on which these massive economies depend. In addition to examining Taiwan's geopolitical significance over time, Fisher also makes a strong case for the United States to enhance the island's defense capabilities as an indispensable part of the pivot.

Although written independently of the Fisher chapter, that by York Chen builds on his analysis. He shows that in seeking to become a maritime nation, China is strengthening its military maritime presence in the South China Sea and, perhaps more significantly, it is working tacitly almost in tandem with Taiwan to limit access to other naval forces through the Taiwan Strait. Chen also believes that KMT leader Ma Ying-jeou will try to reach a “peace agreement” with his Communist Party equivalent before the presidential election due in 2016 and he suggested that could result in a “Beijing-Taipei axis.” However, it should be noted that Ma separated himself from Beijing in reaching a fishery agreement with Japan in waters near the disputed islands in the East China Sea at the height of Chinese displeasure with Japan and Ma proposed a peaceful way in which the differences between Beijing and Tokyo could be addressed—for which he was publicly commended by James Steinberg, the then US Deputy Secretary of State in the first two years of the Obama administration. It is premature therefore to speak of a “Beijing-Taipei axis.”

John Tkacik follows a similar approach by emphasizing Taiwan’s importance as the maritime “fulcrum” of East Asia, noting its significance as a maritime heavy-weight in its own right, and he also warns of the baleful consequences of what he sees as an all too possible “Beijing-Taiwan axis.”

In conclusion, it is apparent that the Obama administration is already finding it much more difficult to cultivate the new kind of great-power relationship with China it had sought earlier and that it subsequently agreed with Xi Jinping in June 2013. Washington is currently caught uneasily between its pursuit of engagement with China and its support for its ally, Japan, to whom it is bound by treaty to help defend the Senkaku/Diaoyu Islands from Chinese attack. Its calls on both sides to seek peaceful dialogue and adopt crisis management mechanisms, seeming to treat both parties equally, thereby raising doubts in Tokyo about Washington’s will to intervene on its behalf and encouraging Beijing to try and drive a wedge between Tokyo and Washington. In this context, the future of Taiwan has gained even more significance. The Ma administration has openly asked to be considered for membership of the TPP. So far the Obama administration has put off consideration until the current rounds of negotiations have been completed. Taiwan has already signed free trade agreements with seven countries, with several others in Asia in the process of negotiation. The signing of FTAs with New Zealand, and Singapore (who were among the original progenitors of the TPP), suggests that there would not be objections in principle by Beijing to Taiwan becoming a member of the TPP. Indeed, given the close economic partnership between Taiwan and China, the Chinese could actually benefit from Taiwanese membership. It would be hugely against American national interests as well as a setback to Taiwan if the Obama administration were restraining itself out of fear of upsetting China’s rulers.

Michael Yahuda

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## Preface

In the first decade of the twenty-first century, the US foreign policy was preoccupied by antiterrorism, the wars in Iraq and Afghanistan, as well as the deterrence of Iranian nuclear proliferation. During 2010 and 2011, President Barack Obama developed its policy of “rebalancing” or “pivot” to Asia to advance America’s security and economic interests in the region. While this policy was overwhelmingly received by many US allies and friends in the region, Beijing has perceived it as a cold war syndrome aiming at the US containment of China.

The economic dynamism in the Asia Pacific in the past decades relies on peace and stability in the region, of which the United States has been serving as a guarantor since the end of World War II. China’s rapid and not quiet rise, coinciding with US economic malaise and the Heisei recession and its aftermath in Japan, has created a strategic space for China to assert and expand its influence. Hence, there is a paradoxical development in many Asian countries that they have deepened their economic integration with China yet they are wary of China’s hegemonic expansions in international affairs, including but not limited to its aggressive management on the territorial disputes in the East and South China Seas. Therefore, most of them still rely on US commitments to their security. This was partly due to the legacy that the US policy in Asia was based more on its military and strategic interests rather than on institutionalizing formal trade pacts to facilitate economic and trade growth until recently, though the US trade with Pacific Rim countries surpassed that with the ones across the Atlantic Ocean decades ago. Therefore, China’s rise as a powerhouse of the world economy has not only increased its spheres of influence in the region but also generated strong apprehension in many of its neighborhood countries that are US allies and friends.

In geopolitics, the conflicts of sphere of influences between the US maritime power and China’s land power in the Asia Pacific region are most likely to occur in the Korean Peninsula, the Taiwan Strait, and the Spratly Islands. The US commitment to the peace and stability of the Korean Peninsula is well demonstrated by its defense treaty and free trade agreement with South Korea, whereas only disproportionate attention was paid to the developments under way



in the Taiwan Strait, though the strategic significance of Taiwan is still well recognized by some intellectual and power elites in the United States. Even though the US pivot to Asia did not explicitly exclude or include any of these potential trouble spots, the peace and stability of the Taiwan Strait will be crucial to US rebalancing to Asia and the relationship between Washington and Beijing. Hence, rebalancing to Asia could not leave out the peace and stability of the Taiwan Strait unattended at all.

Other than US strategic and economic interests in the region, US rebalancing to Asia would also promote a long-standing US normative objective in fostering free trade regime and greater political liberalization. Taiwan's free market economy and democratic system are fully compatible with those core values of the American society as well. Therefore, Taiwan really matters to the US pivot to Asia, and a book on its interconnectedness with cross-strait dynamics will be a timely publication for those who are concerned about these critically important issues.

Motivated by the common cause of these core values, a group of prominent scholars in all fields of Asian studies jointly contributed to this volume through their dedicated and updated researches. Through their joint efforts, vigorous calibrations of the complexity of economic and security nexus in "America's Pacific century" are fully examined in this book. I am deeply indebted to those who contributed to this book in various capacities. In addition to all the contributors, I would like to express my sincere gratitude to Michael Yahuda for his foreword of the book. Many professional friends who reviewed the manuscripts anonymously and offered their respective constructive comments to each author on their earlier drafts have greatly enhanced the quality of the book. In organizing this book project, I was especially benefited from June Teufel Dreyer, Tun-jen Cheng, and Wei-Chin Lee for their invaluable suggestions on the conceptual framework of the book. Of course, I am responsible for any caveats to the final product.

On behalf of the American Association for Chinese Studies (AACS), for which I serve as a humble Executive Director, I would like to acknowledge the funding of this book project from the Chiang Ching-kuo Foundation for International Scholarly Exchange to the AACS. Needless to say, the views expressed in this book represent neither the AACS nor the funding foundation. Finally, I would like to thank all members of my family for their tolerance toward negligence of my family obligations while I was devoted to editing this volume.

Peter C. Y. Chow  
January 10, 2014

## SECTION I

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*The Role of Taiwan Strait in the US  
Strategic Pivot to Asia*

## CHAPTER 1

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# Introduction

*Peter C. Y. Chow*

Peace and stability has been the key to the dynamism of Asia Pacific region, which in the past few decades has generally been considered the “economic center of gravity” for the world. The economic growth and prosperity in the Asia Pacific region is based on a seamless global trade regime under the multilateral framework of the General Agreement on Tariffs and Trade/World Trade Organization (GATT/WTO),<sup>1</sup> and the US commitment to the security of many of its allies and quasi-allies in the region. Nevertheless, the rise of China has led to an expansion not only in its economic landscape and sphere of influence but also in its military, which is far larger than what could be justified for its national defense.<sup>2</sup>

During the first decade of the twenty-first century, Japan suffered from a prolonged economic malaise that extended from its Heisei recession in the 1990s, while the United States, coinciding with its economic slowdown started first by the dot-com bubble in 2000–2001 and then the Great Recession of 2008–2009 triggered by the financial crisis, was obsessed with wars in Iraq and Afghanistan as well the deterrence of nuclear proliferation in Iran. China did not hesitate to seize the opportunity to create a strategic space to assert and expand its influence in the region; despite China’s official commitment to a peaceful development policy under Deng’s guidelines of “bidding for time and hiding capabilities,” Beijing has acted more assertively in its regional affairs, such as the disputes in the South and East China Seas. Such seeming contradiction has engendered anxieties and fear from the United States, Japan, South Korea, and other neighbor countries, many of which are allies of the United States.<sup>3</sup>

The rise of China as a powerhouse of the world economy created both opportunities and challenges for many countries in the Asia Pacific region. On the one hand, many countries have deepened their economic integration with China through a trade and investment nexus so as to join the global production network

and now mainly rely on the United States as the market of last resort. Hence, there is a triangular trade pattern among China, other Asian countries, and the United States, which disproportionately absorbs the final consumption products and capital goods from the area. On the other hand, most countries in the region have faced the challenge of increasing assertiveness from China, which has been claiming its sovereignty over uninhabited isles in the East and South China Seas and has expanded its maritime territory and air defense identification zone (ADIZ) with crossover territories that have overlapping claims of ADIZ or issues of disputed sovereignty between China and other neighboring countries. At the ASEAN Regional Forum meeting in Hanoi held in 2010, the Chinese premier even told China's neighbors that they were small and China was big, and that was a fact they ought not to forget.<sup>4</sup> In the 2013 Sunnylands Summit with President Obama, Chinese president Xi Jinping further called for a "new type of major-country relationship" with the United States.

While most Asian countries want to have good relations with both the United States and China, they would need the United States to pledge its security commitments to them to check China's hegemonic expansion in the region. With Japan's triple disasters in March 2011, followed by its sluggish economic recovery so far despite the economic statecraft of "Abenomics" to revitalize the economy since December 2012,<sup>5</sup> the United States is the only country that really has the muscle to check China's seemingly unstoppable expansion of its sphere of influence in the region, though it is generally understood that Japan will become more proactive there.

Under such circumstances, the US "pivot to Asia" has become an important foreign policy after former Secretary of State Hillary Clinton published her article entitled "America's Pacific Century" in *Foreign Policy* in October 2011. In that article, Secretary Clinton declared that as the wars in Iraq and Afghanistan "wind down . . . , we will need to accelerate efforts to pivot to new global realities."<sup>6</sup> Subsequent developments include not only President Obama's speech at the Australian parliament in November 2011 and statements by other high-ranking US officials, and visits to Asia by the president, Secretary Clinton, and Secretary of Defense Leon Panetta, but also substantial policy actions in economic statecraft, such as negotiating trade pacts with the Asia-Pacific Economic Cooperation (APEC) member states, diplomatic initiatives, and military presence.<sup>7</sup> Hence, the US determination to "rebalance" to Asia has shown its allies that the United States has the capability to maintain the peace and stability necessary for sustainable development in the region.

China has been trying to push back against the pivot with concrete policies rather than the merely aggressive rhetoric it employed in the past. As China's military modernization proceeds, "the costs and risks to the United States for intervention in potential regional conflict involving China will increase."<sup>8</sup> From Washington's perspective, the United States, as a Pacific power, will not be able to maintain its global leadership without paying due attention to China's assertiveness toward its neighboring countries and to the apprehension of US allies in the region. Hence, the US pivot to Asia involves rebalancing rather

than reviving the Cold War containment against China.<sup>9</sup> To avoid any miscalculations from Beijing, the United States, while pledging its security commitment to its allies, has been working smartly to disengage itself from territorial and maritime disputes and reduce its presence on China's land borders, though it has not significantly changed its views on any of those disputed issues.<sup>10</sup> On economic and commerce diplomacy, the ongoing negotiation of the Trans-Pacific Partnership Agreement (TPP) agreement invites the "like-minded" states of all APEC members to join, with seven out of the 12 current TPP members having dual membership with the TPP and the China-centric trade bloc under the Regional Comprehensive Economic Partnership (RCEP).<sup>11</sup> Moreover, as per the US Trade Representative, the TPP is not meant to exclude China, but the bar for TPP membership is so high that China's bid is not just in the offing yet, if it ever comes.<sup>12</sup> Hence, the United States believes that, for peaceful cooperation and competition, each big power has to play its role as a "responsible stakeholder." Although China has tremendous soft power among postcolonial states, it has not yet become a full-fledged great power to override the great industrial democracies of the world. Hence, China's aspirations of readjusting the power structure in the region have to be compatible with its national capability.

Given that the United States still holds supremacy in military and technological spheres, any of Beijing's attempts to redefine its role in the international arena will bring about incremental but not fundamental change. Moreover, since both the United States and China would need to devote more attention to their economic rehabilitation/reconstruction after the worldwide recession of 2008–2009 for different causes,<sup>13</sup> both must realize that a stable US-China relationship is essential to the economic growth of the respective countries—a growth most Asian countries stand to benefit from. Such a scenario will not require other Asian countries to choose between the United States and China.

Ross (1999, p. 32) identified that in terms of geopolitics, the Korean Peninsula, Taiwan, and the Spratly Islands were the three possible points of conflict between the US maritime power and China's land power. One may also notice that the territorial disputes on the uninhabited Senkaku/Diaoyutai Islands are equally if not more conducive to armed conflicts as those in the South China Sea. The threat of nuclear proliferation from North Korea could be devastating to the region, yet Taiwan is situated in a strategic position as the "first island chain" that China intends to secure to access the Pacific. While the United States has had a defense treaty and a free trade agreement with South Korea, it has paid disproportionate attention to the developments across the Taiwan Strait.<sup>14</sup> Washington's long-standing policy has been and still is its continual warning to both sides of the Taiwan Strait not to take any unilateral action to change the status quo, a scenario subject to different interpretations.<sup>15</sup> However, given Taiwan's asymmetric trade dependency on China's market and the military imbalance in favor of China, the status quo that has currently developed across the Taiwan Strait is running against US economic and strategic interests in the region. Though the pivot-to-Asia policy has not explicitly included or excluded any of these potential troublesome areas, the contributors to this book have paid due attention to addressing the

relationship between the United States' rebalancing with Asia and the dynamic relations across the Taiwan Strait.

In the next chapter, Lowell Dittmer explores the dynamic relations among Beijing, Taipei, and Washington since 2008 in strategic triangular terms. After regaining power in the 2008 presidential election, the KMT (Kuomintang) government, under President Ma Ying-jeou, took a new and more cordial stance toward China, shifting Taiwan away from its customary adversarial position to a more accommodative stance—in triangular terms, toward a *ménage à trois*, in which all three actors in the triangle have mutually positive relations. This has significantly lowered the level of cross-strait tension, facilitated trade and tourism, and hence been welcomed not only by Beijing but by the United States as well. However, the *ménage* has been no panacea. The triangle has always been asymmetrical and has grown more so as China's growth has surpassed that of both other actors. Since the 2008 global financial crisis, the cross-strait economic integration has proved less obviously beneficial to Taiwan's economy. Finally, China's relationship with Japan has complicated matters. Though Japan is not an active member of the security triangle, its logistical support is indispensable to an American defense of Taiwan if hostilities should break out across the strait. Thus, the Senkaku/Diaoyutai territorial dispute, which has polarized relations between Japan and China, places Taipei in a delicate strategic position, committed to its territorial claims on historical grounds and yet hesitant to alienate Japan for strategic reasons. As the dispute escalates, Taiwan is forced to choose.

In Chapter 3, Dean Chen deals with the strategic ambiguity in the US policy toward Taiwan. Though not explicitly stated in President Barack Obama's pivot or rebalancing-to-Asia policy, Taiwan, as America's longtime albeit silent ally, is an integral player in the administration's strategy, which seeks to cultivate a stable security and economic environment across the Asia Pacific region, where the People's Republic of China (PRC) is becoming an ever more influential regional and global power. Essentially, while the "pivot" focuses on advancing America's security and economic interests in East Asia, it also seeks, in line with the democratic peace theory, to promote a long-standing US normative objective in fostering greater political liberalization and, even, democratization in mainland China. Thus, America's perennial security commitment to the Taiwan Strait and its consistent pursuit of strategic ambiguity are meant not only to deter Beijing and Taipei from engaging in unilateral and provocative acts that threaten to destabilize the region but also to preserve Taiwan's de facto autonomy and democratic experience, which may serve to elicit political change in China. Nonetheless, since realist considerations often supersede liberal idealism, there remains the potential that Washington may forsake Taiwan if the latter's democratic politics loses its appeal and Taipei leans further toward an increasingly assertive China.

In Chapter 4, Edward Friedman challenges the conventional wisdom that the Chinese Communist Party (CCP) government, because of its Chinese nationalist identity, has long been willing to risk war with the United States in order to incorporate Taiwan into CCP's China. The chapter treats the CCP government

as a regime with world power ambitions whose policy toward Taiwan has been shaped since the founding of the PRC by the CCP's changing global interests, not by the passions of identity. Placing CCP decision-making in this global context clarifies why CCP policy-makers refused to risk war with a strong America over Taiwan before the 1990s. The Taiwan Strait Crisis of 1996, however, revealed larger CCP ambitions in the Asia Pacific region, which led to a US pivot to Asia. An intensification of the assertiveness of CCP policies since 2008 has deepened the case for a US pivot to Asia.

The second section of the book addresses the economic–security nexus in the region and China's response to the US pivot to Asia. From China's perspective, the US pivot strategy has a particularly hard edge to it as it is widely taken as targeted against China's assertiveness. But how has China reacted to it? In Chapter 5, Deng tracks the US strategic shift starting from the inauguration of the Obama administration. The initial US attempt at a global partnership was spurned by Beijing. Strategic competition quickly escalated to a new height. When the United States announced its pivot strategy in 2011, it caused a stir in policy circles and the media in the United States and China's neighbors in East Asia. The Chinese elites were concerned about its impact, but were hardly alarmed by the US refocus on Asia, as they had long anticipated such policy adjustment. More importantly for them, as the relative calm on the Taiwan issue indicates, the US pivot remains open to China's "peaceful rise," and its sustainability and impact on China is by no means preordained. From this perspective, the Xi-Li government proposed a "new model of great-power relations" centered on mutual accommodation and responsible choice, as well as shared interests to steer bilateral ties. But to get there, the two countries must address jointly, the vital question of how exactly they define each other's role in an evolving Asian order. Regardless, a successful US strategy, whatever it is called, must by definition be adaptable, sustainable, and comprehensive.

In Chapter 6, Kastner explores some of the possible implications of US rebalancing for the relationship across the Taiwan Strait. He begins by constructing a simple model of the cross-strait relations to serve as a baseline for thinking about stability and uncertainty in the Taiwan Strait. He then considers how rebalancing could affect key parameters in the model. An important point emerging from the model is that rebalancing can affect China's satisfaction with a peaceful status quo, and it can also affect China's expected costs associated with conflict in the Taiwan Strait. But the way these effects ultimately materialize is not straightforward. Whether rebalancing increases or decreases Taiwan's security, and whether it helps to stabilize or destabilize the Taiwan Strait, will ultimately hinge on whether the United States can make a stronger commitment to the region without triggering a spiraling security dilemma with China. In recent years the United States has articulated and begun to implement a rebalancing strategy that places higher priority on Asia. The policy shift is manifest in many different policy initiatives, such as deployment of a greater percentage of military assets in the region, enhanced security cooperation with regional allies, and the embrace of economic initiatives such as the TPP to deepen economic integration.

Cheng and Chow, in Chapter 7, continue with the subject of TPP by first addressing the economic–security nexus and then its linkage to the US pivot policy to Asia. They argue that the pivot and the TPP have been vehemently pursued in tandem with each other, if not simultaneously. Fundamentally, both projects embody the very processes of hegemonic competition between the United States and China in East Asia, where most members were (and some still are) hedging rather than bandwagoning between the two powers. The authors provide two logical links between the two enterprises. First, security and prosperity are interdependent. Security is the key to prosperity. The pivot reaffirms the United States as the security provider of the region. To be a security provider, a leading nation has to have fiscal resources and economic prowess, which the TPP can help to restore. Second, coupling the two projects also makes the intra-alliance management problems, entrapment and abandonment, less intractable. Membership in both projects enhances the ability to make credible and responsible commitment to each other within the security-cum-economic community.

Li examines the implications of the TPP on US–Chinese economic relations in Chapter 8. The United States and China, as the largest and second largest economies in the world, are highly interdependent in trade and investment flows. Yet, beneath the indicators of economic integration, there have been challenges to the US–Chinese economic relationship. Many of the disputes between the two may have centered on distribution of economic gains arising from these economic ties, but they also reflect deeper mutual mistrust.

Against this backdrop, TPP negotiations offer some insight on the broader dynamics of US–Chinese economic relations. Does the TPP represent an effort by the United States to redirect trade and investment flows to contain China economically, or does it reflect an effort to control international economic regulation? Economic statistics offer little support to the first view. There appears to be no evidence that economic relations between China and TPP members have undergone any significant change since the beginning of TPP negotiations. Multinational enterprises, the “smart money” that is fully briefed throughout the TPP negotiation process, do not appear to anticipate any dramatic change in business opportunities as a result of the TPP.

Instead, it appears the TPP represents a competition for defining trade regimes. Instead of relying on a series of bilateral negotiations, the United States now recruits a critical mass of countries via the TPP, expecting to generate enough momentum to disseminate higher-standard rules through membership expansion. From this perspective, it is important to US interests that China be included after the first round of negotiations is concluded and new standards are established. Incorporation of China into the TPP is similar to the strategy of accepting China into the WTO system, though the admission ticket for the TPP is much higher than that of the WTO. But will China be interested in joining the TPP? As the outcomes of the TPP negotiations unfold and as Chinese leaders begin to institute their own reforms, they may reassess the cost of inclusion in and exclusion from the TPP and find some TPP standards helpful in accelerating internal reform.



The third section deals with the prospects of cross-strait relations amid the US pivot to Asia. In Chapter 9, Steven Phillips first raises the question of where Taiwan fits in Obama's pivot. He then introduces leaders' interpretations of the island's significance, from that of Chiang Kai-shek through to Ma Ying-jeou, and compares their views to those held by a series of American presidential administrations. At the start of the Cold War, the leaders of Taiwan, known as the Republic of China (ROC), understood that their anticommunism and claims to democracy, as well as their island's geographic position, combined to "prove" the island's strategic value to American leaders. During the 1950s, Taipei and Washington were mostly in sync in their approaches, but the two sides drifted apart by the late 1960s. Washington's limited enthusiasm for the Nationalists on Taiwan largely disappeared in the 1970s, when President Richard Nixon visited China and President Jimmy Carter switched recognition to the PRC. America's China policy underwent fundamental changes even as the Nationalists tried desperately to preserve an anticommunist framework from the early Cold War period.

During the 1980s and 1990s, the United States and Taiwan were once again able to offer a more common vision of the island's importance. President Lee Teng-hui (1988–2000) reconciled the Nationalists to the collapse of the ROC's diplomatic position and built the regime's legitimacy through economic development and democratization. Both the United States and the ROC highlighted Taiwan's economic and political transformation and held up the island as a role model for the mainland. However, under President Chen Shui-bian (2000–2008), the gap between Washington and Taipei widened once again. Chen's efforts to push the envelope on the independence issue moved the island into a more openly confrontational stance with the mainland even as Washington focused on engagement with Beijing. When President and Nationalist Party leader Ma Ying-jeou took office in 2008, Taiwan and the United States again appeared to be in sync, as Taipei focused on improving cross-strait relations through economic integration and on avoiding contentious issues related to sovereignty. Under Obama, however, the United States, with the support of many nations in the region, appears to be hedging its bets on China's peaceful rise and is even seeking to limit Beijing's influence. Can Ma reconcile his vision of Taiwan as a peacemaker and economic partner of China with shifting American policies and presence in East Asia? Does Ma's portrayal of Taiwan fit with growing regional concerns over China's assertiveness and military power?

In Chapter 10, York Chen attempts to trace how principal stakeholders in the region evaluated Taiwan's geostrategic significance during the past 400 years. Taiwan stands at the center of the first island chain, and this position plays a significant role in all political, social, and economic transactions in the region. The geostrategic significance of Taiwan has been variously defined and redefined, for example as being a source of commercial gains or as being a hegemonic symbol, based on the strategic deliberations by different stakeholders. Before the mid-seventeenth century, the island had been appreciated only in terms of economic interests. The Manchu Qing gripped Taiwan in 1683 for coastal defense.

In 1895, the Japanese grabbed Taiwan to use it as a springboard in supporting a southward expansion and as a flank base to protect Japan from American counterattacks. The United States replaced Japan as the principal stakeholder after World War II. The role of China in Washington's grand strategy largely defines the value of Taiwan. In the late 1940s, when the role of China in American foreign policy was not so clear, the definition of Taiwan's geostrategic significance remained wavering. The Korean War helped the United States to identify China and the Soviets as the subjects that mattered to be balanced against and therefore to define Taiwan as a node of containment strategy in the Pacific Rim. However, when the United States moved toward China to balance against the Kremlin in the 1970s, Taiwan became politically tradable, and its geostrategic significance declined since then. At present, the rise of China is framing a new strategic landscape. To China, the stakes on the island are symbolically and materially vital. To the United States, even though it will not be in its interests to sacrifice the Sino-US relationship for Taiwan, the political and economic progress in Taiwan in recent decades has changed the nature of the geostrategic significance of the island. America's security protection of Taiwan has now evolved into a morality issue and involves US credibility, which are crucial aspects in maintaining US influence in the region.

While President Barack Obama's policy of rebalancing or pivot to Asia has received bipartisan support in the United States and praise in Asia, confidence in its implementation has been undermined by fiscal and defense funding uncertainty in Washington. This is unfortunate because the military threat from China is only going to increase in the foreseeable future. The situation of China's increasing capabilities to deny freedom of military action to the United States and its allies in Asia will be compounded by a growth in Chinese military power projection and in its nuclear weapons arsenal. In Chapter 11, Richard Fisher suggests several measures that could enable Washington to continue to be able to lead its Asian allies in deterring Beijing despite its growing military power. These include developing new classes of intermediate-range and short-range missiles that can more effectively counter Chinese naval combatants, which would be targeted in part by a new informal Asian radar and sensor-data-sharing network. In addition, the United States should invest heavily in next-generation energy weapons, which would be especially useful in defending against Chinese missiles, and it should also invest decisively in superior fifth- and sixth-generation combat aircraft. Finally, Washington cannot allow its nuclear capabilities to be overwhelmed by Chinese and Russian nuclear forces and, therefore, the United States should reintroduce tactical nuclear weapons into the Asian theater, especially on US naval ships and submarines. At a minimum, the last step may forestall the growing interest of Washington's allies in Asia in new nuclear capabilities.

In the final chapter, John Tkacik argues that the calculus of power transition in the Asia Pacific region has reached an inflection point where China's rising influence challenges America's. Beijing's avowed goal of becoming the region's "great maritime power" is countered by Washington's new pivot to Asia, and a "Taiwan factor" will determine the future slope of the power transition curve. Chinese

planners explicitly see Taiwan as the key link in their strategy. But American planners, constrained by political anxieties to avoid a confrontation with China over Taiwan, dismiss the consideration of Taiwan's strategic importance from their deliberations. In the near term, the local actors in the region, including Japan and the Philippines, as well as China and Taiwan, seek to confine the territorial face-off to civilian "white-hulled" coast guard forces in an effort to avoid the escalatory potential of a military confrontation. Paradoxically, under the incumbent Ma administration, among the unfolding tensions, Taiwan now tends to support China rather than the United States and its traditional allies among the East Asian countries. Tkacik examines Taiwan's historic maritime position in the Asia Pacific region in the context of the broader power transition dynamics and suggests that Washington must reinsert Taiwan on its side of the strategic equation if its pivot to Asia is to be successful.

In summary, one tends to conclude that in the past 25 years, East Asia has become the world's new economic center of gravity, nurtured by peace and stability in the region. But the coincidence of rising and declining powers in the region has substantially changed the economic and geopolitical equations involving the major powers. In this new international environment, America's pivot to Asia is crucial to maintain the region's stability by reducing apprehensions among many of its allies. Rebalancing to Asia has to be pursued comprehensively through both economic statecraft and strategic deployment. At the heart of stable relations among the big powers is the peace and stability of the Taiwan Strait. Therefore, Taiwan really matters to them for its strategic significance, but beyond that, Taiwan also stands for the core American values of freedom and democracy for the United States.

## Notes

1. Several rounds of multilateral trade negotiations since the Kennedy Round gradually liberalized the global trade regime, which benefited the trade-dependent economies in the Asia Pacific region until the proliferation of regional trading agreements in the 1990s.
2. Office of the Secretary of Defense, Department of Defense, 2005. "Annual Report to Congress: The Military Power of the People's Republic of China, 2005," 13, accessed at <http://www.defense.gov/news/jul2005/d20050719china.pdf>.
3. As a result, many Asian countries chose to strengthen their ties with the United States since 2008, after China's foreign policy became more assertive. The rapprochement between India and the United States is just one of the most salient examples.
4. David M. Lampton, "Sino-American Ties: Building Relations beyond Washington's 'Rebalancing' East Asia Forum" (November 19, 2013), accessed at <http://www.eastasiaforum.org/2013/11/19/sino-american-ties-building-relations-beyond-washingtons-rebalancing/>.
5. Abenomics is the name given to a suite of economic policies initiated by Prime Minister Shinzo Abe after he returned to power in December 2012. Its goal is to revitalize the sluggish Japanese economy through "three arrows," namely a massive fiscal

stimulus, more aggressive monetary easing from the Bank of Japan, and structural reforms to boost Japan's competitiveness.

6. From [http://www.foreignpolicy.com/articles/2011/10/11/americas\\_pacific\\_century#sthash.34sxlls.dpbs](http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century#sthash.34sxlls.dpbs).
7. See Kurt Campbell and Brian Andrews, "Explaining the US 'Pivot' to Asia" (The Asia Group, at the Chatham House, August 2013), accessed at [http://www.chathamhouse.org/sites/default/files/public/Research/Americas/0813pp\\_pivottoasia.pdf](http://www.chathamhouse.org/sites/default/files/public/Research/Americas/0813pp_pivottoasia.pdf).
8. See chapter 2 "China's Impact on U.S. Security Interests", 2013, Report to Congress of the US-China Economic and Security Review Commission (Washington, DC: Government Printing Office), pp. 232–233.
9. Ashley J. Tellis, "Balancing without Containment: A U.S. Strategy for Confronting China's Rise," *Washington Quarterly*, Fall (2013), pp. 109–124.
10. US security commitment to Japan stays strong in case of a military conflict in the East China Sea, even though Washington refrains from taking a stance on the issue of the sovereignty of those islands.
11. These seven countries are Australia, Brunei, Japan, Malaysia, New Zealand, Singapore, and Vietnam.
12. It is to be noted that when Chinese President Xi Jinping met President Obama in June 2013 in Sunnylands, California, China expressed its interest in joining the TPP.
13. While the United States needs to revitalize its economy to sustain its global dominance in cutting-edge technology amid its swollen budget deficits and debt ceiling, China encountered slowing economy, increasing income inequality, widening regional imbalance, rising domestic unrest, and environmental deterioration in addition to rampant corruption.
14. With the ambiguities of maintaining Taiwan's sovereignty in dealing with China, the rapprochement policy undertaken by the incumbent Ma administration reduced the tensions between China and Taiwan. Yet, the current peaceful environment across the Taiwan Strait since 2008 could lead Taiwan to join China's orbit economically in the short run and politically in the long run, as the opposition parties had been concerned about. The United States does not seem at all to pay due attention to the plausible consequences underlying the rapprochement.
15. With the growing interaction between China and Taiwan on trade, investment, and technological flows, it is hard to maintain the status quo across the Taiwan Strait. Yet, the United States seems to like defining the status quo as it wishes so as to maintain US flexibility on the cross-strait policy.

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