The Evolution of Cross-Strait Relations between Taiwan and China

In the 1895 Treaty of Shimonoseki, China’s Qing Dynasty ceded Taiwan to Japan after a humiliating defeat in the first Sino-Japanese War. Since then, Taiwan and mainland China have been ruled separately for all but the four years immediately following WWII. The establishment of the People’s Republic of China (PRC) by Mao Zedong’s Communist Party in 1949 saw Chiang Kai-shek and his defeated Nationalist Party flee to Taiwan, all that was left of their Republic of China (ROC). While Taiwan was governed for roughly half a century each by Japan and the Nationalists, it has never been ruled by the government of the PRC. This has led to substantial cultural, economic and political differences between the two.

Whereas Mao’s Communist Party largely failed in its radical development efforts, Chiang’s Nationalists guided Taiwan to become one of the Asian Tigers, with average incomes climbing from less than $1000 per year in the early 1950’s to more than $10,000 annually by the late 1980s, and doubling again since then. While the death of Chiang Kai-shek in 1975 led to political reforms in Taiwan that saw its gradual transition to democracy, the death of Mao Zedong the following year led to economic reforms in China that have allowed it to duplicate Taiwan’s stunning economic growth, only three decades later. China, of course, has not yet seen similar political reforms.

China’s economic development has had major implications for relations across the Taiwan Strait. First, China’s opening to Taiwanese investment in the second half of the 1980s led Taiwanese firms to shift labor-intensive manufacturing to the lower cost mainland, as Taiwan moved up the production value chain. This, along with rapidly rising exports from Taiwan to the mainland beginning in the same period, led to interest groups on the island desiring stable, peaceful relations. In this way, closer economic ties have mitigated the actions, if not the desires, of those committed to independence for Taiwan, namely the Democratic Progressive Party, the Nationalist’s main rival in Taiwan’s multiparty democracy. Second, China’s economic rise, greatly facilitated by Taiwanese investment, has severely constrained Taiwan’s “international space.” As the PRC will not maintain diplomatic relations with any country recognizing the
ROC, the latter’s diplomatic allies have dwindled to a group of countries that resemble a list of “Survivor” locales, including Palau, Panama, Nicaragua, and the Solomon Islands. As the PRC’s diplomatic reach expands as an extension of its rising economic power, the ROC, which held the “China” seat in the UN until 1971, is squeezed out of international relations.

With China’s growing geopolitical clout has come a more patient and nuanced Taiwan policy, aimed at attracting Taiwan’s electorate through expanding economic ties, while preventing Taiwanese moves toward independence or international legitimacy as a nation-state. As authoritarian rulers with expectations of maintaining power for the foreseeable future, the Chinese Communist Party can afford to wait until the day when the costs for Taiwan of maintaining de facto independence outweigh the benefits. That day partially will be a function of the U.S. commitment to Taiwan and the balance of power in East Asia between China and the United States, which through its policy of “strategic ambiguity” (neither explicitly stating nor denying it will defend Taiwan), keeps either side from aggressively acting to change the status quo. Nevertheless, as the Communist Party relies on economic development and nationalism for its legitimacy to rule, should development falter, aggressive moves against Taiwan would offer a means for the Party to shore up support domestically, as the vast majority on the mainland would see this as rightfully redressing the humiliation imposed by the Treaty of Shimonoseki.