Wilson Center | Digital Archive
International History Declassified
digitalarchive.wilsoncenter.org

September 1999

National Intelligence Estimate: China-Taiwan: Prospects for Cross-Strait Relations

Citation:

"National Intelligence Estimate: China-Taiwan: Prospects for Cross-Strait Relations", September 1999, Wilson Center Digital Archive, Freedom of Information Act (FOIA) Case No. F-2010-00738, Approved for Release February 22, 2011, CIA FOIA Electronic Reading Room, DOC_0005526243. https://digitalarchive.wilsoncenter.org/document/300340

Summary:

This NIE discusses how relations between China and Taiwan will develop in the three year period from 2000 until 2002.

Credits:

This document was made possible with support from Chun & Jane Chiu Family Foundation

Original Language:

English

Contents:

Original Scan

Wilson Center Digital Archive
(b)(1)
(b)(3)
Original Scan
APPROVED FOR RELEASE DATE: 02-07-2011

~~Secret~~

National Intelligence Estimate

China-Taiwan: Prospects for Cross-Strait Relations

NIE 99-13, September 1999

This Estimate was approved for publication by the National Foreign Intelligence Board under the authority of the Director of Central Intelligence.

Prepared under the direction of Robert Sutter, National Intelligence Officer for East Asia. Inquiries may be directed to the NIO

Contents

Scope Note
Key Judgments
Discussion
Annex

Scope Note

This National Intelligence Estimate (NIE) was requested by the Department of State and Pacific command. It discusses how relations between China and Taiwan will develop in the next three years--toward greater tension and hostility or toward cooperation and accommodation? We selected this time frame because it encompasses the presidential election in taiwan in March 2000, the US change of administration in January 2001, and a new Party Congress in China that should be held in 2002.

The key assumptions, which we will hold constant throughout the period of this Estimate,

Wilson Center Digital Archive Original Scan

include:

- Neither side experiences fundamental change in its political system or major domestic upheaval.
- The US global superpower role and the US alliance structure in the region will not change radically.

The cross-Strait military balance has been examined in other Intelligence Community studies, particularly NIE 98-05, *China's Conventional Military Forces: Current Status and Future Capabilities (1998-2008)*, June 1998. Consequently, we will focus primarily on the strategic political and economic factors of cross-Strait relations, noting the military factors when relevant to this analysis. Later this year we will publish a National Intelligence Estimate on *China's Strategic Priorities and Behavior*.

In the text when we use the term "China," we are referring specifically to the People's Republic of China (PRC). When we use the term "Taiwan," we are referring to the authorities on Taiwan, who prefer the term "Republic of China."

In assessing the objectives and perceptions of both Beijing and Taipei, we have used a variety of reporting. The available information provides a strong evidentiary base for our conclusions.

Chronology of Cross-Strait Developments

Key Judgments

The most likely outcome in cross-Strait relations over the next three years is a dynamic and tense environment. Tension is likely to remain high or rise, and rising tension increases the chances of

Wilson Center Digital Archive Original Scan

military incidents.

We judge that, over the period of this Estimate, chances are better than even that China will conduct a major military exercise near Taiwan as it did in January-March 1996. Also, chances are better than even that there will be small-scale incidents between the military forces of China and Taiwan ranging from an accidental air incident to the seizure by Beijing of a lightly manned offshore island. We judge chances are very low, however, that Beijing will actually follow through with large-scale combat operations, such as invading Taiwan or a heavily defended offshore island, conducting missile attacks against targets on Taiwan, or blockading Taiwan with air or naval forces.

We assess chances of major sustained conflict are low because:

- A full-scale military assault presents formidable materiel and human costs with a large risk of failure for China.
- Domestic factors on both sides will contribute to a tense atmosphere but also will bound the risk each side is willing to take to gain its objectives. Taiwan's new leaders will try to avoid antagonizing China to the point it would disrupt Taiwan's economy and stability. To avoid arousing criticism within the Politburo, Chinese leaders will appear firm in dealing with Taiwan, but they will be wary of bold moves that could backfire and play into the hands of political opponents.
- China's perceptions of international actors-notably the power and influence of the United States-will constrain China's behavior.

We see prospects as likely for generally increasing tension because:

- China sees trends on Taiwan as unfavorable and is concerned that time will run out on its reunification objectives. China will be inclined to continually weigh coercion as well as military power as principal means of dealing with separatist sentiment in Taiwan.
- Taiwan will continue to press its desire for increased international status and freedom of action from China. The controversy that erupted over Lee Teng-hui's assertion of a "special state to state relationship" with the mainland illustrates Taiwan's approach.

Key Drivers

We assess key drivers that will determine relations across the Strait will include:

Internal Politics
Taiwan is a hot-button issue within the Chinese leadership and leaders cannot afford to appear "soft" on Taiwan. Leaders on Taiwan would risk loss of popular support if they were perceived as jeopardizing Taiwan's security.

Legitimacy and Respect
Beijing perceives the Taiwan issue as an internal matter and expects the international community to accede to its wishes on Taiwan and adhere to "one-China" policies (that most countries have formally accepted) because it is an emerging great power that deserves status, respect, and, on

Wilson Center Digital Archive Original Scan

the question of Taiwan, deference. Taiwan perceives it should have international legitimacy because it is a democracy with economic power.

Legacy
Leaders on both sides of the Strait perceive their personal legacies will be enhanced if they can make progress on dealing with the other side. But their key objectives are incompatible.

Perceptions and Expectations of the United States
US policies are significant to the attitudes of both sides. China sees Washington as encouraging Taiwan's separatist stance but also calculates that it can restrain US actions in support of Taiwan. Taiwan perceives it has strong support in the US Congress and media for its objectives. Both sides will increase efforts to test the current or a new administration in Washington-Beijing by pressing the United States on arms sales, Taiwan by looking for additional security guarantees.

China: Options Against Taiwan

Concerns for the United States

In the situation of worsening tensions, we have identified potential responses to crisis by China including restraint, saber rattling, and punishment of Taiwan

Exercise Restraint
Military measures range from returning to normal military deployments along the Strait to conducting small-scale, Taiwan-focused exercises on the Strait. Diplomatic activity would range from toning down rhetoric against Taiwan's leaders and maintaining longstanding efforts to limit Taiwan's international activity. Economic measures would include encouraging Taiwan to resume the "three links."

Rattle its Saber
Military measures would range from large-scale force deployments opposite Taiwan to deploying an out-of-area ground, airborne force to Fujian province (opposite Taiwan). Diplomatic measures would range from canceling talks between cross-Strait negotiators to public hints at the need for a reunification timetable. Economic measures range from warning other countries of economic consequences of continued engagement with Taiwan to closing the Strait to shipping with lengthy military exercises.

Punish Taiwan
Military measures range from bombarding a Taiwan-occupied island to seizing such an island. Diplomatic measures would include demanding an immediate cessation of US arms sales to Taiwan. Economic measures would range from spreading rumors in the Taiwan business community that military action is impending to blockading a key Taiwan port.

China could attempt to blockade or invade Taiwan, but Beijing recognizes this would risk war with the United States. In our judgment, such a war is highly unlikely during the period of this Estimate because of the reasons stated above.

Movement Toward Reconciliation
Less likely, we assess, is a situation in which the various drivers interact to bring about an

Wilson Center Digital Archive Original Scan

amelioration of tensions across the Strait. For example, economic interaction is seen by both sides as important, and economic interdependence could create more favorable conditions for political and military restraint. Also, the desire for legacy could cause leaders on both sides of the Strait to resume unofficial talks, hold secret talks, or even less likely, hold a summit to make progress on outstanding differences. In this outcome, China most likely would reduce its reliance on the military option and seek to engage Taiwan increasingly through economic, social, and political interaction.

Discussion

Introduction

Taiwan President Lee Teng-hui's 9 July 1999 declaration that cross-Strait ties are a "special state-to-state relationship" and Beijing's sharp verbal reaction--combined with the thus-far small-scale military posturing across the Strait--is the latest in a series of moves and countermoves across the Taiwan Strait ongoing since 1991 (see inset). In our view, Lee's statement was as much designed for Taiwan's coming presidential election as for cross-Strait or international effect. Beijing has interpreted his statement as a further push for Taiwan's independence and has reacted vehemently. The ensuing crisis could worsen, especially if Beijing feels compelled to resort to greater military pressure to persuade Taiwan leaders to moderate Lee's statement and to influence Taiwan's March 2000 presidential election.

A key issue for the United States is whether tensions can be contained in cross-Strait relations, or whether they will move toward military conflict. US interests also would be affected favorably by a shift toward accommodation, which we see as much less likely.

What China Wants

The PRC's long-term objective is reunification. Within the time frame of this Estimate, Beijing's goal will be to prevent further Taiwan steps toward permanent separation. Using Deng Xiaoping's "One Country, Two Systems" formula, Beijing states that Taipei can have a high degree of autonomy but must recognize it is part of "one China." Beijing's vision of a unified China, however, is not clear. China tends to identify more clearly that which it will not tolerate--for example, a Taiwan formal declaration of independence--than precisely what Beijing wants.

China's strategic objective stems directly from its perceived "century of humiliation," wherein superior powers--Western countries and Japan--carved out spheres of influence and controlled much of China's economy, politics, and social affairs. Territorial unification became a symbol of the Chinese revolution for both nationalists and communists. Today, the Chinese Communist Party sees its own legitimacy as entwined with its ability to show progress toward the goal of reunifying Taiwan with the mainland. Taiwan's status also is a deeply emotional issue for many Chinese leaders and citizens.

Beyond this, China perceives Taiwan as a security problem. Chinese officials fear that Taiwan might develop closer military cooperation with a foreign military power such as the United

Wilson Center Digital Archive Original Scan

States or Japan. Some Chinese officials have stated, for example, that Japan could cooperate with Taiwan in posing a barrier to China's regional and global influence. Some Chinese leaders point to the military alliance between Taiwan (the ROC) and the United States prior to the normalization of US-China relations on 1 January 1979.(1) The PRC also wants to eliminate Taiwan as a base for subversion in case of domestic turmoil on the mainland.

We assess Beijing over the next three years will:

- Try to limit US support for Taiwan, particularly by pressuring Washington to cease, or at least reduce, arms sales to Taipei.

- Continue to seek to undercut Taiwan's international standing by competing with Taipei for diplomatic recognition, seeking to reduce even further the small number of states that recognize Taiwan as a legitimate government .(2) China's approach was clearly manifest when in February it vetoed a UN Security Council resolution continuing UN peacekeeping forces in Macedonia because the Macedonian Government established diplomatic relations with Taiwan.

- Beijing perceives that such US support encourages the island to assert its de jure independence; by eroding US support, China thereby hopes to reduce the potential for Taiwan to move toward permanent separation from the mainland.

- Oppose Taiwan's membership in international bodies in which statehood is required, including the United Nations, and try to circumscribe the amount of influence Taiwan has in organizations in which it is a nonstate member.

- Continue to insist on the "three links" (direct shipping, communications, and air transportation) with Taiwan as steps toward political reunification.(3) China's leaders also will encourage rapidly growing economic ties to Taiwan as both a source of growth and employment in China and as a means of developing a constituency in Taiwan favorable to reunification. Beijing also insists that the reunification process begin with "political talks to end the state of hostilities," in addition to the "technical" confidence-building talks between unofficial representatives that have proceeded off and on since 1992.

- Use rhetoric, political, and military actions to seek to move Taiwan leaders and voters away from taking steps toward greater independence.

What Taiwan Wants

Taiwan's principal objective is to determine its own future, with future options including de jure independence, or, alternatively, some type of formal accommodation with China. Taipei wants to make these decisions on its own without bowing to pressure from China or others. For the period of this estimate, we assess Taiwan will continue to try to maximize its freedom of action while benefiting economically from growing cross-Strait trade and investment. Taiwan wants to avoid acceptance of the PRC's concept of "one China" and has offered its own framework for cross-Strait ties.

Wilson Center Digital Archive Original Scan

China-Taiwan: Divergent Views on Cross-Strait Relations

China's View

Both sides should adhere to the principle of "one China."

Taiwan is part of China. China's territory and sovereignty cannot be separated.

China should be unified under the formula of "one country, two systems."

Two sides should negotiate peaceful reunification step by step beginning with political talks on cessation of hostilities.

Prefers peaceful reunification but will not renounce right to use force.

Taiwan's View

There is no "one-China" now.

Taiwan and the mainland are separate and equal "states."

Unification could come gradually after political democratization and economic reform on the mainland.

Substantive discussions to improve cultural, trade, and economic ties are mutually beneficial. Political talks are acceptable if China accepts Taiwan's "state-to-state" formula.

Mainland must reciprocate Taiwan's 1991 renunciation of force.

Divergent Views

We assess Taiwan, in pursuit of its strategic objective will:

- Continue to promote its international identity. Besides competing with Beijing for diplomatic recognition in developing countries, Taiwan will use "pragmatic diplomacy" to seek to enhance ties to the United States, Japan, European, and other developed countries. Taiwan will view responsible participation in the international community as strengthening its case.

- Take into account--while trying to shape--popular opinion in the formulation of its objectives. As an emergent democracy, Taiwan's leaders are heavily influenced by public attitudes, and polls suggest that Taiwan's people do not favor either unification with the mainland or a formal declaration of independence that would bring down the wrath of Beijing. Public opinion strongly supported Lee's assertion that Taiwan's political status was equal to that of China, but the Taiwan public remains highly sensitive to threats to prosperity and stability.

The View From Beijing

Wilson Center Digital Archive Original Scan

China on balance sees political and social trends as unfavorable to achieving its objectives as Taiwan remains separate, and shared bonds gradually dissolve. Taiwan's democratic evolution has strengthened Taiwan's de facto independence, particularly as Lee Teng-hui has asserted Taiwan's status.

Beijing is particularly concerned that the United States supports Taiwan's continued separation from the mainland, as is evidenced by political and military support, including arms sales to Taiwan. China, for example, has vociferously decried Theater Missile Defense (TMD) for Taiwan, especially because Beijing recognizes the political implications of TMD. Wang Daohan, former Mayor of Shanghai and China's chief negotiator with Taiwan's representatives, told a visiting US delegation that TMD "would completely change the strategic equation between the United States, China, and Taiwan." Similarly, Chinese officials have observed that China could handle the military challenge of TMD by building more missiles, but that TMD would nevertheless weaken the deterrent that China's missile threat poses to Taiwan's international activities. Other information indicates that China intends to mount an all-out diplomatic offensive against TMD, specifically TMD involving Taiwan.

Despite unfavorable trends, however, Beijing does perceive that it has been able to arrest to some degree Taiwan's path to independence.

- Chinese leaders believe the 1996 missile tests discredited the platform of the Democratic Progressive Party, which supported an independent Taiwan, and that the numbers of those on Taiwan who advocate a declaration of de jure independence have declined.

- China sees its military buildup opposite Taiwan as restraining calls for independence on the island.

- China has been able to block Taiwan's attempts to gain formal international recognition. China was heartened by President Clinton's statement in Shanghai in June 1998 that the United States would adhere to "three no's" (no support for Taiwan independence, no support for one China/one Taiwan, and no support for Taiwan representation in international bodies where state membership is required) in dealing with Taiwan. China also reacted favorably to US statements and diplomatic efforts reaffirming a one-China policy after Lee's 9 July statement.

- Beijing also is pleased with the expansion of trade and investment across the Strait; Chinese officials believe greater economic interdependence builds a sympathetic constituency for reunification on Taiwan.

Beijing nevertheless believes its efforts are only a holding action. Such efforts have constrained Taiwan's freedom of action, but its sense of a separate identity grows and its appeals for US support persist. And, in this view, time is not on China's side. China's power and influence are limited, which undermines its ability to achieve its objectives. Thus, a challenge for Beijing is to come up with a more effective means of reaching its goals.

The View From Taipei

Taiwan's view, as compared to that of China, is somewhat more optimistic. Taiwan believes that it has healthy security relations with the United States and that problems in US-China relations

Wilson Center Digital Archive Original Scan

generally work to Taiwan's advantage (although Taipei also says that a sharp downturn in US-China relations is not good for Taiwan because that leads Beijing to harden its approach to Taiwan). Taiwan also perceives that its international standing, even in the absence of formal recognition, is relatively good.

Taiwan has expressed interest in TMD, primarily because it provides political advantages and would build a closer military and intelligence relationship with the United States.

Still, in Taipei's view, not all trends are favorable. Taiwan relies heavily on the United States but perceives that on important issues, the United States will side with China against Taiwan's interests. Taiwan also recognizes that Beijing has been able to restrict its international presence. Taipei knows that it is vulnerable to punitive PRC missile attacks and that the long-term military balance is unfavorable, with much of Beijing's military modernization aimed at preparing to deal with Taiwan crisis scenarios.

Key Drivers

We assess several key drivers will interact in various ways to produce different dynamics in cross-Strait relations over the next three years but primarily will interact to sustain or increase tension.

Internal Politics

No Chinese leader can afford to appear to be "soft" on the Taiwan question. In the early 1980s, Deng himself came under criticism for suggesting that Taiwan could be put on the back burner while China improved relations with the United States. In the era of no paramount leader, Chinese officials must be even more cautious about any statement that would lead to criticism and open the door to attacks from political opponents.

Given the visceral nature of the Taiwan issue, there is little divergence of opinion on the need for progress toward reunification. (C)

On Taiwan, where leaders are democratically elected, there is little support for reunification with the PRC. Rather, polls show strong support for maintaining Taiwan's current status in the face of Chinese pressure. Consequently, any leader who pushed hard for reunification probably would be defeated in an election. Nevertheless, no leader wants to aggravate Beijing to the point that China decides to strike with military force. In sum, this key driver is likely to pull China and Taiwan in opposite directions.

Desire for Legitimacy and Respect

Beijing sees itself as an emerging great power in and a legitimate member of the international system. It is developing its economy, political influence, and military capabilities. A permanent member of the UN Security Council, China deems it deserves status, respect, and, in the case of Taiwan, deference. Perceived attempts by Taiwan to separate itself from China are seen as

Wilson Center Digital Archive Original Scan

causing a "loss of face" for China, a threat to China's sovereignty, and a possible precedent for other regions of China. China's leaders will respond accordingly. For example, China insists that Taiwan not enter the World Trade Organization before China does.

Meanwhile, Taiwan has achieved democracy and economic prominence and believes it is equally entitled to legitimacy in the international community. Taiwan declares that it must be treated as an equal by China and that it will never consider reunification until China democratizes. Leaders in Taipei call attention to Beijing's lack of respect for human rights while pointing to themselves as responsible members of world society.

China-Taiwan: Decisionmaking for Cross-Strait Isues

Legacy

Top leaders of both China and Taiwan see "progress" in their respective views of the Taiwan question as enhancing their personal reputations. Both incumbent presidents have offered

Wilson Center Digital Archive Original Scan

proposals for dealing with the situation across the Strait. Jiang presented an eight point proposal in 1995 and Lee responded with a six-point proposal shortly thereafter.

Jiang probably calculates that his legitimacy and stature will be best served by making progress toward the goal of reunification while trying to avoid major conflict. Lee, however, sees his legacy as requiring an enhancement of Taiwan's status. Both want to avoid war, but beyond that their goals are mutually incompatible. Although Lee will step down as Taiwan's president, he will remain head of the ruling KMT. KMT candidates probably will be reluctant to directly challenge Lee's personal legacy; furthermore, any Taiwan leader may have difficulty taking back some of Lee's declarations and positions as China has demanded.

Respective Military Priorities

Beijing has been building its military capabilities for scenarios of conflict on Taiwan. The Intelligence Community has assessed that Beijing has begun a long-range program to develop forces that, in a Taiwan crisis, would be able to deter or delay US military forces if US intervention seems likely or inflict losses if US intervention actually occurs.(4) In the interim, Beijing will use its military capabilities to intimidate Taiwan, which will maintain a state of tension across the Strait.

Taiwan, meanwhile, has been building its forces to complicate Beijing's planning. Taiwan also will conduct modest training timed for political impact that probably will contribute to tension.

Perceptions and Expectations of the United States

US policies are significant to the attitudes of both sides. The perceptions and expectations of the United States by both China and Taiwan are likely to continue to contribute to tension across the Strait. Both expend great efforts to influence opinion in the United States and are seeking advantage in the coming US election. China, on one hand, sees Washington as supporting Taiwan's indefinite separation, including through the supply of arms; on the other hand, China believes it can alternatively threaten and cajole the United States on the Taiwan issue. Taiwan knows that it has strong support in the US Congress and media and that it has been effective in exerting influence on the United States to provide political and military support. Both sides will try to get at each other through the United States. For example, Lee Teng-hui issued his "state-to-state" comments in part because he believed that the low state of US-China relations following the bombing of the Chinese Embassy in Belgrade offered an opportunity.

Both sides will increase efforts to test the current or a new administration in Washington. Taiwan, for example, could press for US legislation similar to the Taiwan Security Enhancement Act to strengthen its position vis-à-vis Beijing. Beijing could demand additional concessions by the United States on arms sales.

Regional Factors

Many PRC officials believe Japan secretly plans to expand its influence on Taiwan, and Beijing will be wary of Japan's approach to the island. Beijing sees Japan's cooperation with Washington in the defense guidelines as an element of Tokyo's designs. China repeatedly warns that such US-Japan cooperation will produce instability in the region. The degree to which US-Japan discussions and military exercises imply a Taiwan scenario will cause China to respond by harsh

Wilson Center Digital Archive Original Scan

rhetoric and perhaps military exercises of its own.

Moreover, the situation on the Korean Peninsula will affect cross-Strait relations. North Korea's policies are likely to continue to cause the United States and Japan to worry about instability in the region and heighten defense cooperation, including over a regional TMD. This situation will heighten China's anxieties about the implications for Taiwan.

China hopes to use Hong Kong as a model of success in its "one country, two systems" formula. Taipei will point to problems in Hong Kong as reasons why it should not accept Beijing's enticements.

The Potential for Conflict

Chinese CSS-6 and CSS-7 Mobile Missile Series Launchsite Coverage of Taiwan

The most likely outcome in cross-Strait relations over the next three years is a dynamic and tense environment. Tension is likely to remain high or rise, and rising tension increases the chances of military incidents. Also, Beijing could posture for large-scale military operations in an attempt to intimidate Taiwan.

We judge that, over the period of this Estimate, chances are better than even that China will conduct a major military exercise near Taiwan as Beijing did in March 1996. Also, chances are better than even that there will be small-scale incidents between the military forces of China and Taiwan. We judge chances are very low, however, that Beijing will actually follow through with large-scale combat operations, such as invading Taiwan or a heavily defended offshore island, conducting missile attacks against targets on Taiwan, or blockading the island with air or naval forces.

- China has the capability to conduct large scale combat operations, but we think the chances are very low because Beijing knows such operations would not necessarily be successful in achieving its objectives. Such operations probably would be counterproductive because they would be costly in casualties, could destroy Beijing's regional economic interests, and could invite third-party intervention.

Certain circumstances will cause the key drivers to increase tensions leading to incidents of armed clashes short of war.

Shifts in Internal Politics. To counter domestic instability in China, especially if caused by economic deterioration, Beijing could provoke a wave of nationalism leading to an even harder line toward Taiwan. Or, in the case of Taiwan, friction among rival political parties could cause a leader to calculate that he can gain popular support by emphasizing Taiwan's separate status.

Escalating the Desire for Legitimacy and Respect. Following the reversion of Macao, China could decide to press more vigorously on Taiwan by tightening the diplomatic noose. China could warn small countries that have relations with Taiwan that they will suffer consequences in the future, such as loss of trade or political retribution in the UN. Or, Taiwan could issue new statements that infuriate China.

Wilson Center Digital Archive Original Scan

Misconstruing US Intentions. China could misconstrue US statements criticizing Taiwan's policies as a lack of will to defend Taiwan from attack. Conversely, Taiwan could misconstrue pro-Taiwan/anti-Beijing statements of US officials or legislators as tacit support for moves toward de jure independence.

Regional Problems. Several situations would exacerbate tensions across the Strait, including deterioration on the Korean Peninsula that raises prospects for US intervention in contravention of China's interests or a decision by Japan to upgrade ties to Taiwan.

"Red Lines"

China has established certain "red lines," that if Taiwan crosses, will cause a significant change in policy from peaceful reunification to use of force. These red lines are general in nature and Beijing's use of force is likely to vary depending upon the situation. Among the "red lines" cited by Beijing include:

- *A Taiwan formal declaration of independence, or Taiwan's holding a referendum or modifying its Constitution to establish independence.*
- *Foreign support for proindependence forces in Taiwan.*
- *Taiwan's development of nuclear weapons together with a delivery system capable of threatening the mainland.*
- *Widespread social instability or unrest on the island.*

We believe that at some point Chinese leaders would perceive Taiwan participation in a US-sponsored TMD program as "foreign intervention in China's internal affairs." This could become a "red line" issue that would elicit a military reaction, but we do not know what level of US participation in a Taiwan TMD program would bring about such a PRC response.

Beijing's Options

In tense cross-Strait relations, Beijing has several options (see **China: Options Against Taiwan** for a full range of options), many of which would be worrisome for the United States:

- ***Exercise Restraint.*** Military measures range from returning to normal military deployments along the Strait to conducting small-scale Taiwan-focused exercises on the Strait. Diplomatic activity would range from toning down rhetoric against Taiwan's leaders and maintaining longstanding efforts to limit Taiwan's international activity. Economic measures would include encouraging Taiwan to negotiate the "three-links."
- ***Rattle its Saber.*** Military measures would range from large-scale force deployments

Wilson Center Digital Archive Original Scan

opposite Taiwan to deploying an out-of-area ground, airborne force to Fujian province (adjacent to Taiwan). Diplomatic measures would range from canceling talks between cross-Strait negotiators to public hints at the need for a reunification timetable. Economic measures range from warning other countries of economic consequences of continued engagement with Taiwan to closing the Strait to shipping with lengthy military exercises.

- ***Punish Taiwan.*** Military measures range from bombarding a Taiwan-occupied island to seizing such an island. Diplomatic measures would include demanding an immediate cessation of US arms sales to Taiwan. Economic measures would range from spreading rumors in the Taiwan business community that military action is impending to blockading a key Taiwan port.

China could attempt to blockade or invade Taiwan, which Beijing recognizes would risk war with the United States. In our judgment, such a war is highly unlikely during the period of this Estimate because of the reasons stated above.

Factors That Could Ease Tensions

Although less likely in our view, several drivers could interact to bring about an amelioration of tensions across the Strait.

Economic Interaction

Economic interaction between China and Taiwan has been impressive (see chart). According to Chinese statistics, total trade has grown to $20 billion annually. More than 40,000 Taiwan businessmen have invested in the mainland, amounting to about 20 percent of outside investment. Taiwan data indicate that the PRC is Taiwan's third-largest trading partner and 42 percent of Taiwan's overseas investment is in China.

China sees the investment not only as important for developing its economy but also for facilitating integration between the two entities and building a constituency for reunification on the island. Taiwan's view is more mixed. Taiwan officials stated that, if the PRC share of total Taiwan overseas investment rises above 60 percent, the PRC would use this dependence to squeeze Taiwan at the negotiating table. At the same time, many Taiwan officials see the island's prosperity resting heavily on closer economic interchange with the mainland.

Although we recognize the possibility of economic friction, on balance we judge economic factors will be a force for moderation. Taiwan will continue to place restrictions on cross-Strait economic flows, but Taiwan businesses probably will continue to channel money indirectly to the mainland through offshore banks. Meanwhile, China will try to promote greater trade and investment from Taiwan.

Shifts in Other Key Drivers

We assess changes could occur in other key drivers that would move China and Taiwan toward greater accommodation:

- Following Taiwan's presidential election in March 2000, domestic politics on both sides could shift. A new Taiwan leader could soften Taiwan's approach by agreeing to negotiate the three links. Beijing could calculate that a softer line toward Taiwan was in

Wilson Center Digital Archive Original Scan

its interests. Leaders on both sides could conclude that resuming ARATS-SEF contacts would improve communications, confidence, and predictability between China and Taiwan. Although we think it unlikely, leaders could hold secret talks, or, even less likely, agree to a summit meeting to try to ease tensions.

- The two sides could conclude that economic interests warrant a reduction of military tensions.
- Greater stability in US-China relations could improve cross-Strait ties as well. Beijing's fear that Washington was secretly fostering an independent Taiwan probably would ease.

Bottom Line

On balance, we assess that the key drivers are more likely to combine to sustain and exacerbate a tense atmosphere across the Strait. Important constraints--notably US and international support for regional stability--will act against a major conflict, but provocative tactics and greater use of military signaling will heighten the prospects for accidental or intentional armed clashes.

Timelines

We doubt that the PRC has set a deadline for achieving reunification. Nor has it devised a timetable with specific accomplishments along the way. Nevertheless, a variety of reporting indicates that Beijing has become more anxious about achieving concrete progress toward reunification.

We assess that Beijing's sense of urgency will be influenced by China's broader strategic perception of how well it is faring in other key objectives. Economic growth, greater stability in US-China relations, international reputation, and political stability are of importance to China's leaders, and progress on Taiwan will be viewed in this context. Chinese gains in these other areas may cause Beijing to decide that it has more time to deal with the Taiwan issue.

Taiwan has no timeline, but intends to preserve its options. Nevertheless, the Presidential election next year could produce a departure from Taiwan's present approach. Although Lee's preferred successor, Vice President Lien Chan, is unlikely to deviate significantly from Taiwan's present course, other potential successors, notably former Taiwan governor James Soong, have raised other options. Soong, for example, reportedly has discussed the possibility of moving more directly to negotiate with China on the three links.

Outlook Beyond Three Years

The dynamic situation across the Strait over the next three years, including presidential change in Taiwan, China, and the United States, precludes effective estimating about likely outcomes beyond this time frame. Nevertheless, the Intelligence Community agrees that some of the trends

Wilson Center Digital Archive Original Scan

discussed in this Estimate are likely to persist well beyond the three years covered by his Estimate.

Such factors as nationalism, demographics, face, and the personalities of leaders will continue to influence developments across the Strait, as will the perceptions of both sides that they are entitled to international recognition and support.

We agree that economic links will continue well beyond three years. We note that even during past periods of crisis these links have not diminished. We are uncertain that such links would lead to political integration in greater China.

We think China's power in the region will grow, but the power of others in the region, including Taiwan, probably also will grow.

Although we believe unification between China and Taiwan is not likely over the next ten years, we think the possibility of progress on China's request for three links is good and perhaps some progress on CBMs, including military CBMs across the Strait, as well. All of these can be achieved, however, without concrete progress toward political unity. The main issue, in our view, will be whether Chinese nationalism or Taiwan assertiveness and manipulation leads to confrontation, or whether enlightened statesmanship on both sides decides to capitalize on the benefits of peace and stability.

What if We Are Wrong?

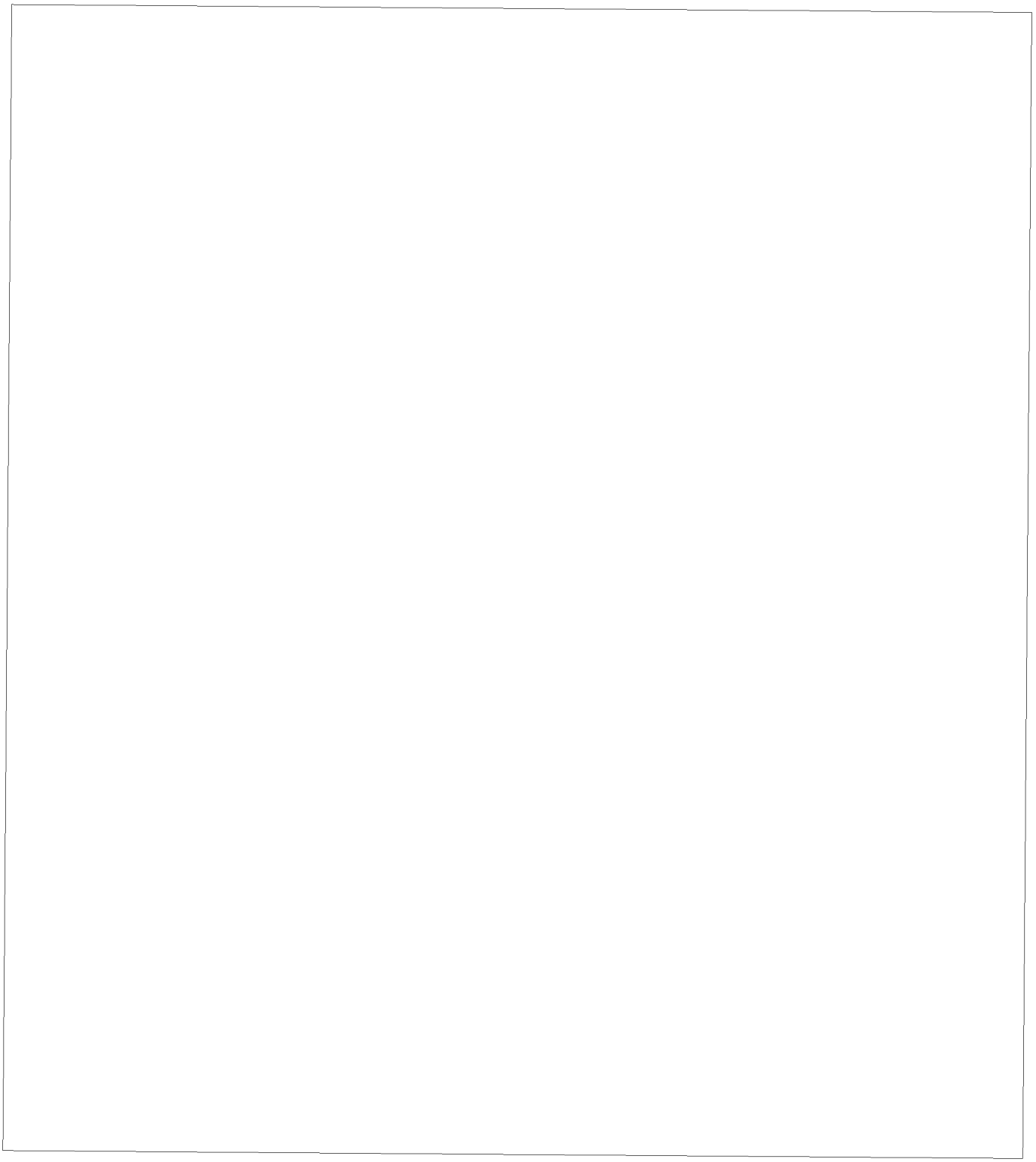
Our overall view is based on two assumptions: no fundamental political upheaval in China or Taiwan and no change in US global superpower status or alliance structure in the region. Major political upheaval in China is the more probable of the assumptions to come under challenge. Although highly unlikely, China's twentieth century history suggests significant political change cannot be ruled out. Over the next three years, serious economic problems, combined with a leadership succession crisis in Beijing, could lead to a popular uprising or a change in regime. A new, more nationalistic regime could define Taiwan's liberation as the cornerstone of its legitimacy. Such a regime almost certainly would increase the pressure to resolve the Taiwan situation. Alternatively, a more democratic government in China could adopt a more accommodating approach to Taiwan.

Political radicalism in Taiwan leading to a formal declaration of independence or, less likely, a decision to reunify with China also are plausible. In either event, the US reaction would be critical. Such countries as South Korea and Japan would measure the US response in assessing the strength of their alliances with the United States.

Disruption of the US alliance structure could occur if the Korean peninsula was suddenly reunified. A reunified Korea would involve complex interaction between the United States and China, as well as Japan, that would influence developments with respect to Taiwan. Similarly, situations that undermined the US-Japan security relationship could affect Taiwan's security. For example, Japan, concluding the United States is withdrawing militarily from Asia, could decide to create an independent nuclear arsenal. Such a decision almost certainly would bring about an

Wilson Center Digital Archive
Original Scan

unfavorable Chinese reaction, perhaps including increased military pressure on Taiwan. Though highly unlikely, such developments almost certainly would cause both China and Taiwan to reevaluate their ties to the United States.



Wilson Center Digital Archive
Original Scan



Wilson Center Digital Archive
Original Scan

Wilson Center Digital Archive Original Scan

The National Intelligence Council

The National Intelligence Council (NIC) manages the Intelligence Community's estimative process, incorporating the best available expertise inside and outside the government. It reports to the Director of Central Intelligence in his capacity as head of the US Intelligence Community and speaks authorita tively on substantive issues for the Community as a whole.

Chairman (concurrently Assistant Director of Central Intelligence for Analysis and Production)	John Gannon
Vice Chairman	Ellen Laipson
Director, Evaluation Staff	Dolores Greene
Director, Senior Review, Production, and Analysis	Stuart A. Cohen
Director, Outreach and Strategic Planning	William Nolte
National Intelligence Officers	
Africa	Robert Houdek
At-Large	Stuart A. Cohen
East Asia	Robert Sutter

Wilson Center Digital Archive Original Scan

Economics & Global Issues	David Gordon	
Europe	Barry F. Lowenkron	
General Purpose Forces	John Landry	
Latin America	Randy Pherson	
Near East and South Asia	Ben Bonk	
Russia and Eurasia	George Kolt	
Science & Technology	Lawrence Gershwin	
Strategic & Nuclear Programs	Robert D Walpole	
Warning	Robert Vickers	

Unclassified

Footnotes

(1) As part of normalizing relations with China, the United States not only ended its official diplomatic relations with Taiwan, but also gave the one-year notice required that it was canceling the 1954 Mutual Defense Treaty and ending the official US military presence on Taiwan.

(2) Taiwan has formal diplomatic relations with 28 countries, mostly small countries in Central America, Africa, the Caribbean, and South Pacific. Taiwan's most significant formal relations are with Panama. Taiwan has representative offices in 63 countries with which it does not have formal diplomatic relations.

(3) The "three links" were originally proposed by China in 1979 after its normalization of relations with the United States.

(4) NIE 98-05, *China's Conventional Military Forces: Current Status and Future Capabilities*

Wilson Center Digital Archive

Original Scan

(1998-2008) of June 1998.

Secret

[redacted]