

**THE LEVELS OF ANALYSIS QUESTION IN THE CROSS-STRAIT
BARGAIN: DOMESTIC CONSTRAINTS AND INTERNATIONAL
BARGAINING POWER**

by

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Abstract

Our understanding of the bargain between China and Taiwan depends on our ability to effectively untangle the myriad of processes that exists at multiple levels across the Taiwan Strait. By examining in this context Robert Putnam's two-level game, widely endorsed as the answer to this methodological puzzle but never rigorously examined, I seek to determine the relevant levels of analysis needed to explain, predict, and shape cross-Strait bargaining outcomes. I examine two working hypotheses and a set of supporting questions, derived from Putnam's article and related works, against empirical evidence from the most recent iteration of the cross-Strait bargain, from Ma Ying-jeou's election in 2008 to the 2012 Presidential Elections in Taiwan.

On the methodological front, the empirical evidence speaks to the power of systemic-level variables, but ultimately demonstrates the necessity of incorporating domestic-level variables according to the two-level game's interactive logic in any analysis shorter than the longest of the long runs. Regarding substantive aspects of the cross-Strait bargain, my findings suggest that Beijing is most likely to succeed in manipulating the Taiwanese domestic constituency by focusing on mobilizing segments of Taiwanese society with interests similar to its, specifically through agent-specific punishment promoting the KMT at the expense of the DPP. We are presented with the situation in which the KMT is the better agent when it comes to gaining concessions from Beijing, but cannot do so unless the DPP has a credible chance to spend regular time in office.

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Abbreviations and Acronyms

| | |
|-------|--|
| ARATS | Association for Relations across the Taiwan Strait |
| CCP | Chinese Communist Party |
| COG | Chief of Government |
| DPP | Democratic Progressive Party |
| ECFA | Economic Framework Cooperation Agreement |
| INF | Intermediate Nuclear Force |
| KMT | Chinese Nationalist Party (Kuomintang) |
| MAC | Mainland Affairs Council |
| PRC | People's Republic of China |
| ROC | Republic of China |
| SEF | Straits Exchange Foundation |
| TAO | Taiwan Affairs Office |
| WHA | World Health Assembly |

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Chapter 1: Introduction to Levels of Analysis in the Cross-Strait Bargain

1.1 Background

In the sixty-plus years following the establishment of the cross-Strait situation, we have witnessed numerous attempts from both sides of the Taiwan Strait to resolve the “Taiwan Issue.” Immediately following the establishment of the PRC on China and the ROC's move to Taiwan in 1949, the two belligerent governments vowed respectively to either “liberate” the island or “recover” the mainland.¹ However, in the post-Mao era, marked in the beginning by Beijing's 1979 “Letter to Taiwan Compatriots,” the nature of these attempts became more diversified, ranging from diplomatic to coercive and everywhere in-between. To varying degrees, both Beijing and Taipei have made economic overtures, engaged in direct and indirect propaganda, legislated cross-Strait policy, and continued to build-up militarily.² These actions can be understood as manifestations of what is widely seen as a bargaining situation between the two sides. This bargain, over Taiwan's political standing, started out as one between two relatively unitary actors, the Chinese Nationalist Party (KMT) and the Chinese Communist Party (CCP). With Taiwan's democratization in the mid-1990s, it became a process that involved the Taiwanese public, which is represented by the KMT, the Democratic Progressive Party (DPP), and various minor political parties. To a lesser extent, on the Chinese side, with the opening of society, public opinion through various channels also factored into the bargain.

Presently, we are experiencing a period of unprecedented cross-Strait relations. Since Ma

1. Hieyeon Keum and Joel R. Campbell, “Devouring Dragon and Escaping Tiger: China's Unification Policy vs. Taiwan's Quasi-Independence as a Problem of International Relations,” *East Asia* 19, no. 1 (2001): 61-62.

2. See works on the history of cross-Strait relations such as, Ralph N. Clough, *Cooperation or Conflict in the Taiwan Strait?* (Lanham, MD: Rowman & Littlefield, 1999). Ralph N. Clough, *Reaching across the Taiwan Strait: People-to-People Diplomacy* (Boulder, CO: Westview Press, 1993). Dennis V. Hickey, “Beijing's Evolving Policy toward Taipei: Engagement or Entrapment,” *Issues & Studies* 45, no. 1 (March 2009): 31-70. Lijun Sheng, *China and Taiwan: Cross-Strait Relations under Chen Shui-bian* (London: Zed Books, 2002). Jay Taylor, *The Generalissimo's Son: Chiang Ching-kuo and the Revolutions in China and Taiwan* (Cambridge, MA: Harvard University Press, 2000).

Ying-jeou was elected to presidency in 2008 on a platform of closer ties with China, relations across the Strait have been warmer than ever. During this period, there have been two observable trends. First, on the cross-Strait level, Beijing has continued to intensify what can be considered a two-pronged sticks-and-carrots approach to dealing with Taiwan, in which the hard gets harder and the soft gets softer.³ Economic, cultural, and diplomatic exchanges proliferate, yet the number of missiles deployed along the Chinese coastline remains unchanged.⁴ Second, domestically in Taiwan, the cross-Strait debate has become much more 'engaged' than before. Increasingly, a politician's cross-Strait policy is no longer only a matter of principle, but is rather concerned with substantive issues as well. The bargaining process, due to its increased transparency and frequency, has become much more publicly salient. In the past, especially during the DPP administration from 2000 to 2008, direct negotiation came largely in the form of informal track II meetings behind closed doors. Today, meetings carried out between the two semi-official agencies, the Chinese Association for Relations across the Taiwan Strait (ARATS) and the Taiwanese Straits Exchange Foundation (SEF), are highly publicized, and outcomes are available through many channels. In short, there has been increasing emphasis placed on domestic consultation processes in Taiwan with regards to the government's China policy.

3. Qingmin Zhang, "Two Steps Forward, One Step Back: Domestic Politics and PRC's 'Dual-Track' Taiwan policy," in *Reflections on the Triangular Relations of Beijing-Taipei-Washington since 1995: Status Quo at the Taiwan Straits?*, ed. Shiping Hua (New York, NY: Palgrave Macmillan, 2006), 35-63. Hickey, "Beijing's Evolving Policy," 38-54.

4. Shih Hsiu-chuan, "PLA Chief 'Lying through His Teeth,' Legislator Says," *Taipei Times*, May 20, 2011, last accessed December 15, 2011, <http://www.taipeitimes.com/News/front/archives/2011/05/20/2003503685>. Mark Stokes and Dan Blumenthal, "Why China's Missiles Should Be Our Focus," *The Washington Post*, January 2, 2011, last accessed December 15, 2011, <http://www.washingtonpost.com/wp-dyn/content/article/2010/12/31/AR2010123102687.html>. Ralph Jennings, "China Adding Missiles Near Taiwan: Navy Official," *Reuters*, March 27, 2010, last accessed December 15, 2011, <http://www.reuters.com/article/2010/03/27/us-taiwan-china-idUSTRE62Q0AS20100327>. William Lowther, "China Boosting Missile Strength: Think Tank," *Taipei Times*, April 21, 2011, last accessed December 15, 2011, <http://www.taipeitimes.com/News/front/archives/2011/04/21/2003501282>.

1.2 Research Question and Statement of Purpose

When trying to understand the cross-Strait bargain, how should we treat the myriad of processes at the international and domestic levels? How can we organize them into a coherent framework of international bargaining behaviour when many of them at first blush do not appear to be related to bargaining? As is the case with many puzzles in international relations studies, our questions here are methodological in nature. Specifically, we are concerned with the levels of analysis question, which can refer to the selection of both the units of analysis and of the explanatory factors at different levels, as well as to considerations regarding their integration.⁵ To understand interstate bargaining behaviour, which processes at which levels should we examine?

Various scholars have pointed to Robert Putnam's "two-level game," which is primarily an approach to the levels of analysis question, as a fitting metaphor to the cross-Strait situation.⁶ Contributing to Suisheng Zhao's edited volume that examines cross-Strait issues leading up to the 1995-1996 Taiwan Strait Crisis, Yun-han Chu and Steven Goldstein both attempt to explain Taipei's China policy through the two-level game.⁷ Using Putnam's analogy as an organizational tool, Chu seeks to explain the "perplexing duality" of cross-Strait interaction in the late 1980s and early 1990s. In a slightly more explicit application, Goldstein examines the effect of Taiwan's domestic politics on the 1993 Koo-Wang talks, and how the outcomes of those talks in turn affected Taiwanese politics. The second Koo-Wang talks in 1998 also receives similar treatment by Wei-chin Lee.⁸ More recently, Chenghong Li looks at the array of cross-Strait

5. James Lee Ray, "Integrating Levels of Analysis in World Politics," *Journal of Theoretical Politics* 13, (2001): 355-88.

6. Robert D. Putnam, "Diplomacy and Domestic Politics: The Logic of Two-Level Games," *International Organization* 42, no. 3 (Summer 1988): 427-60.

7. Yun-han Chu, "The Political Economy of Taiwan's Mainland Policy," in *Across the Taiwan Strait: Mainland China, Taiwan, and the 1995-1996 Crisis*, ed. Suisheng Zhao (New York, NY: Routledge, 1999), 163-95. Steven Goldstein, "The Cross-Strait Talks of 1993 – The Rest of The Story: Domestic Politics and Taiwan's Mainland Policy," in *Across the Taiwan Strait*, ed. Zhao, 197-228.

8. Wei-chin Lee, "One Talk, Two Tables: A Study of the 1998 Koo-Wang Meeting across the Taiwan Strait," *Journal of Chinese Political Science* 5, no. 2 (1999): 1-34.

processes during the first year of Chen Shui-bian's administration, focusing on the transboundary interactions that resulted from Chen's frosty relationship with Beijing.⁹ A less-common application of the two-level game can be found in Jih-wen Lin's game-theoretical examination of a zero-sum game, the reunification-independence issue, played between two adversarial players, Beijing and Taipei, for whom domestic constraints, modelled explicitly as winsets, cannot be taken lightly.¹⁰ In his examination, Putnam's logic persists, but the application is different.

Evident from this brief overview, the fact that the two-level game can be applied to the cross-Strait situation in a variety of ways is apparent. However, despite its wide use and popular endorsement, when grappling with a levels of analysis question – the selection and integration of pertinent units of analysis and explanatory factors at different levels – a theory's apparent applicability is not sufficient justification for its use. On this issue, J. D. Singer argues, “the responsible scholar must be prepared to evaluate the relative utility – conceptual and methodological – of the various alternatives open to him, and to appraise the manifold implications of the level of analysis finally selected.”¹¹ The works cited above, as illustrative as they are of the two-level game's theoretical sophistication, are not assessments of its relative utility. They make the common *a priori* assumption that the domestic level needs to be incorporated in a specific way as justification for the application of the theory, without first evaluating the merits of this assumption, nor do they return, post-examination, to evaluate the framework in detail. The levels of analysis question, central to Putnam's theory, receives minimal treatment. The resulting analyses are nevertheless richly descriptive accounts of an array of domestic processes and how they factor into the cross-Strait bargain. This can be useful, but if

9. Chenghing Li, “Two-level Games, Issue Politicization and the Disarray of Taiwan's Cross-Strait Policy after the 2000 Presidential Election,” *East Asia* 22, no. 3 (2005): 41-62.

10. Jih-wen Lin, “Two-Level Games Between Rival Regimes: Domestic Politics and the Remaking of Cross-Strait Regimes,” *Issues & Studies* 36, no. 6 (November/December 2000): 27-51.

11. J. David Singer, “The levels of analysis Problem in International Relations,” *World Politics* 14, no. 1 (1961): 77.

our objective is to understand – for the purposes of explaining, predicting, and even shaping – the cross-Strait bargain, the utility of the approach still has to be assessed.

1.3 Thesis Outline

In the following examination, I attempt to address the questions raised above – namely, what the pertinent levels of analysis to the cross-Strait bargain are and how they integrate, and, in light of that, what to make of present day cross-Strait interaction.

My examination is organized as follows. The second chapter presents the research design. I examine the claims of the two-level game against that of competing approaches to the levels of analysis question. In doing so, I facilitate a better understanding of the relevant issues. At the same time, the logic behind these approaches allow me to formulate a set of working hypotheses regarding the validity of these approaches. Then, contextualizing these hypotheses, I identify the observations that are expected to be present in cross-Strait bargaining.

The empirical examination constitutes chapters three and four. The examination is limited to the most recent iteration of the cross-Strait bargain, from Ma Ying-jeou's election in May 2008 to his reelection in January 2012 over Tsai Ing-wen. As will be discussed in more detail, the empirical data are used to determine the bargaining behaviour of the relevant actors. The data come in the form of position statements and policy proposals obtained from the news, websites of the political parties, and the campaigns of the candidates.

In the concluding chapter, with my findings from chapters three and four, I answer the questions raised above – that is, I assess the relative utility of the competing approaches to the levels of analysis question as it pertains to the cross-Strait bargain.

Chapter 2: Theoretical Framework and Research Design

2.1 Introduction

As presented in the introduction, my research objective is to determine, for the purpose of understanding the cross-Strait bargain, which levels of analysis should be focused on, and, if there are more than one, how to integrate them. This requires an examination of the relative utility of different approaches to the levels of analysis question. To begin this examination, I follow Andrew Moravcsik's argument in the introductory chapter of *Double-Edged Diplomacy: International Bargaining and Domestic Politics*, the edited volume that grew out of the two-level research programme.¹²

The aim of this chapter is to devise a test for competing approaches to the levels of analysis question, specifically with regards to the cross-Strait bargain. I begin by summarizing the logic behind Moravcsik's argument, tracing the intellectual progression of the two-level approach. From this summary, I infer two working hypotheses regarding levels of analysis approaches. For each, I proceed to examine the concerns surrounding its pertaining approach in more detail. This allows me to derive the expected observations to be used later, that is, the empirical data we should expect to observe if the claims are valid. Following this, I review a sample of the literature that has grown out of Putnam's two-level game, selected based on their relevance to the cross-Strait bargain. This discussion allows me to examine further certain aspects of two-level bargaining beyond what is explored in Putnam's and Moravcsik's articles.

12. Andrew Moravcsik, "Introduction: Integrating International and Domestic Theories of International Bargaining," in *Double-Edged Diplomacy: International Bargaining and Domestic Politics*, eds. Peter B. Evans, Harold K. Jacobson, and Robert D. Putnam (Berkeley, CA: University of California Press, 1993), 3-42.

2.2 Contending Approaches to the Levels of Analysis Question

The intellectual progression of the two-level game, as Moravcsik presents, is as follows: Amongst international relations theories, there is a tendency towards restricting analysis to the systemic level by assuming stable domestic preferences across states. These assumptions are generally too restrictive such that empirical anomalies abound, thereby requiring domestic-level variables as ad hoc explanatory factors. The prevalence of these “anomalies” suggests that they are not anomalies, but instead reflect the shortcomings of pure systems theories. However, if the restrictions are broadened to encompass these anomalies, then the range of behaviour predicted is likely to be of little value. Regardless of which it is, these theories are “ripe for revision” for the integration of the domestic levels in a more systematic manner.¹³ Common attempts at integration tend to do so “additively,” stacking systemic and domestic constraints on the state on top of each other. However, empirical evidence suggests that factors from the two levels interact in a fashion more complex than simple additive stacking. Instead, constraints at one level may affect constraints at the other, potentially offering states the room to manoeuvre that they would otherwise not have. As such, the two levels of analysis should be integrated “interactively.”¹⁴

Moravcsik's argument contains two essential claims, one pertaining to the selection of levels of analysis and the other to their integration. These claims function effectively as working hypotheses from which expected findings can be derived. I undertake this task in the remainder of this chapter.

13. Ibid., 6.

14. Ibid., 16-17.

2.2.1 Levels of Analysis Selection: Systemic Approaches versus Integrative Approaches

In arguing for the examination of international relations through an integrative approach rather than a systemic one, Moravcsik's first claim is concerned with levels of analysis selection. In his view, the prevalence of empirical anomalies that arise in the face of the restrictive assumptions that purely systemic approaches make about the stability of state preferences suggests that these assumptions, inherent to such approaches, are not justified. Because holding state preferences constant results in either an overly restrictive theory that must rely on ad hoc variables to explain anomalies or one that lacks practical value because its assumptions are so broad that “the result in *any* specific case is indeterminate,” purely systemic approaches are fundamentally flawed and must be revised to systematically incorporate subsystemic variables.¹⁵

In order to design a test to assess the validity of Moravcsik's claim, the purely systemic approach must be examined. For this, I turn to Kenneth Waltz's *Theory of International Politics*,¹⁶ the work against which Moravcsik frames the majority of his critique. Waltz's argument is useful because it is meticulous. More than just theorize based on the purely systemic approach, Waltz carefully lays out his justifications for doing so. This facilitates my examination as it provides a logic to be followed. The test that follows is not intended as an examination of Waltz's theory, but as a means to determine the characteristics inherent to a purely systemic approach. An “approach” is a set of methodological assumptions upon which theories can be built. This distinction is integral. If the test derived below draws upon Waltz's argument concerning state survival, balance-of-power, and the relative capacity of states, then the assessment would be one of Waltz's theory, as opposed to one of the systemic approach. The test should be based on the inherent characteristics of the approach, rather than on the assumptions of

15. Ibid., 8. (Emphasis original.)

16. Kenneth N. Waltz, *Theory of International Politics* (New York, NY: Random House, 1979).

a given theory based on the approach. As such, the following discussion focuses on the parts of Waltz's argument that pertain to the logic of purely systemic approaches.

An investigation of Waltz's argument in terms of Moravcsik's claims demonstrates that they are in agreement that a purely systemic theory results in empirical anomalies, and that these anomalies can only be explained through subsystemic variables. As Waltz states, a theory of international politics based on the systemic level, can describe

The range of likely outcomes of the actions and interactions of states within a given system and show how the range of expectations varies as systems change. It can tell us what pressures are exerted and what possibilities are posed by systems of different structure, but it cannot tell us just how... the units of a system will respond to those pressures and possibilities.¹⁷

Applied to the field of international politics, a systemic-level theory identifies the structural characteristics of the international political system. From this, one obtains the constraints the system poses to states within it. State behaviour is inferred, and the “range of likely outcomes” is predicted. Because states can act freely within the set of constraints imposed upon them by the system, a purely systemic theory can predict outcomes no more specific than that range.

Evidently, Waltz agrees with Moravcsik regarding what a purely systemic theory cannot do without incorporating subsystemic levels. Their disagreement is over the *value of what it can do*. The debate over the systemic approach is not about whether empirical anomalies abound – this is an inherent aspect of such an approach, and it has been reasonably addressed – but is rather about whether systemic-level variables alone suffice in determining a *meaningful* “range of likely outcomes” for a given international bargain. Specific to my examination, the question is whether an analysis of the cross-Strait bargain that excludes variables from the domestic levels provides us with useful explanations and predictions.

Here, Waltz's examination in *Theory of International Politics* is instructive for test design.

17. Ibid., 71.

According to Waltz's, structural variables, that the system is anarchic and bipolar, suggest that states will balance against power through internal military build-up. The fact that this is observed in both the United States and the Soviet Union following World War II despite strong domestic disinclination for such policies indicates that systemic variables preside over subsystemic ones.¹⁸ This logic – that the predominance of systemic variables over subsystemic ones can be substantiated by demonstrating that international bargaining outcomes occur despite domestic forces to the contrary – can be applied to my present purpose.

One way of doing so without drawing upon a specific theory is to focus on examining for whether bargaining outcomes remain the same despite domestic change. If systemic-level variables are held constant, then examining whether change in subsystemic-level variables lead to changes in bargaining outcomes allows us to answer our question. This can be done by examining the policy proposals of different political parties during the lead-up to domestic elections. These different proposals can be treated as “change” in domestic variables, and, from them, likely bargaining outcomes can be inferred. As these proposals are made during the same time frame, we can reasonably assume systemic variables to be constant. Therefore, if it is deemed that the same outcomes occur despite different proposals, then we should conclude that systemic variables alone are sufficient for examining the cross-Strait bargain. Proceeding this way accounts for the concern raised above regarding theories versus approaches. By utilizing the mutual-exclusivity of the different levels of analysis, we are able to test for the value of a purely systemic approach without relying on predictions from a theory such as Waltz's.

In the next chapter, this is examined for in the Taiwanese domestic political arena. As an electoral democracy, Taiwan satisfies our need to observe concurrent policy proposals made by parties during the lead-up to elections. The period under examination spans two Taiwanese

18. Waltz, *International Politics*, 125.

elections – the 2010 municipal elections and 2012 presidential elections. The makeup of the political field in Taiwan – consisting of a China-friendly pan-blue camp and an independence-inclined pan-green camp – is further conducive to the examination as it presents us with two sets of distinctly divergent political preferences. From the proposed policies of each camp, bargaining outcomes are inferred based on Beijing's response. As discussed, if systemic variables take predominance over domestic ones, then these outcomes should be constant regardless of the value of the domestic-level independent variable. On the other hand, if the two sets of proposals result in dissimilar outcomes, then we are presented with the “range.” If this is the case, an evaluation as to whether the degree of discrepancy between the outcomes is significant enough to necessitate the inclusion of domestic variables is needed.

Having now discussed the research design for levels of analysis selection, I move to examine the second part of Moravcsik's claim.

2.2.2 Levels of Analysis Integration: Additive Approaches versus Interactive Approaches

Following his discussion of systemic approaches, Moravcsik concludes that “the question facing international relations theorists today is not *whether* to combine domestic and international explanations into a theory of “double-edged” diplomacy, but *how* best to do so.”¹⁹ This brings us to the question of levels of analysis integration. As I did in the preceding section, I begin by examining his claim in more detail before deriving relevant empirical expectations.

Proceeding from his argument of systemic approaches, Moravcsik argues that the common practice in international relations theory with regards to integrating the systemic level and the subsystemic levels is to apply variables from the latter, where necessary, to account for the limitations of the former. In various ways, domestic forces are treated as sources of “residual

19. Moravcsik, “Introduction,” 9. (Emphasis original.)

variance” used to relax the stringent assumptions required by purely systemic approaches.²⁰ This practice, known as the “additive approach” because constraints from different levels are stacked additively, is favoured as it allows theorists to maintain their emphasis on the international system while relying on domestic variables on an ad hoc basis as needed. The problem with this practice, as Moravcsik argues, is that works following such an approach tend to focus solely on how the process of domestic interest formation affects variances in *states preferences*, and as such, fail to account for the “influence of domestic factors *on international bargaining*.”²¹

In order to rectify this, the two-level game introduces a behavioural model for statesmen different from the additive approach. It highlights the possibility that domestic constraints can be a source of “creative statecraft” for statesmen in a bargain, meaning that while domestic forces constrain the behaviour of statesmen, as determinants of bargaining power, these constraints do not necessarily result in a disadvantaged bargaining position relative to the other side.²² Accordingly, the preferences of statesmen in determining the outcomes of bargains become central.²³ If domestic constraints can be a source of creative statecraft in shaping international bargaining outcomes, then strategic statesmen can and will attempt to, based on their preferences regarding bargaining outcomes, manipulate these constraints into manoeuvring room at the international level.

This behavioural model can be understood by viewing the relationship between statesmen and their domestic constituents as one of agent and principal. An agent-principal relationship, often usefully conceptualized as a contract, can be broadly defined as one in which the latter acts on behalf of the former to accomplish a certain task.²⁴ In the social contract that is state-society

20. Ibid., 9-14.

21. Ibid., 14-15. Quoted from 14. (Emphasis original.)

22. Moravcsik, “Introduction,” 16.

23. Ibid., 16-17.

24. Kathleen Eisenhardt, “Agency Theory: An Assessment and Review,” *The Academy of Management*

relations, the statesman, as the agent of his domestic constituents, is hired through the electoral process and retained through reelection and general compliance to fulfil certain functions, such as carrying out international bargains, on behalf of the principals. Two common mechanisms of agent control translates to two types of domestic constraints on the statesman. First, the agent's work is often subject to approval by his principal before it can be finalized. With regards to international agreements, this process of approval occurs through mechanisms such as legislative ratification or policy referendums. Second, agent can be fired if the principal deems that the his performance is sub-par. In the case of international bargains, this most likely means the obtained agreement is perceived to being overly concessionary. Essentially, for every state negotiating in the international arena, there exists two sets of bargains. The first, between the state and another international actor, is directly concerned with the outcome of the actual issue under negotiation, whereas the second, between the state and its constituents, determines what the state is allowed to bargain for and bargain away. The state functions as the international agent of its domestic constituents, and therefore must take their preferences into consideration.

The presence of these constraints has significant implications for an international bargain. If both negotiators are constrained to the extent that not enough concessions can be made, then even if they themselves reach an agreement, it will not be ratified domestically. This is accepted by both the additive approach and the interactive approach, named for interaction between levels. The latter, however, argues that the constraints introduced by the agent-principal relationship between the state and its constituents, instead of something that necessarily needs to be shed, serves as a mechanism through which concessions can be obtained. As noted, because a bargaining agent is bound by his contract to serve the interests of his principals, it may be beyond his power to make concessions while bargaining. An overly concessionary agreement is

Review 14, no. 1 (January 1989): 58.

likely to be rejected during the domestic ratification process and might even result in the agent being “fired.” These constraints – the inability to ratify an agreement domestically and the potential of a failed re-election – can be used as credible threats of involuntary defection from the agreement, which results in lost gains for both sides. Given that, if both bargaining agents are interested in coming to an agreement, the onus to concede falls on the less-constrained. Applying this to observations from instances of international bargaining, such as the 1978 Bonn summit conference,²⁵ Putnam argues that, when it is in the interest of both states to come to an agreement due to whatever collective gains are to be had from cooperation, the more domestically-constrained a state, the more concessions it can obtain from its more-autonomous counterpart.²⁶

Following this notion, also known as the “Schelling Conjecture” after Thomas Schelling who first introduced it to international bargaining,²⁷ the optimal international bargaining position is a domestically less-autonomous position relative to that of one's opponent's, as long the internationally-reached agreement can still be ratified in both domestic arenas. This is the logic that informs the behavioural model posited by the interactive approach. If domestic constraints can be a viable form of bargaining power, it follows that statesmen will attempt to improve their relative bargaining positions by manipulating their domestic constraints – or, at the very least, by parlaying existing constraints into concessions from their counterparts. This set of expected behaviour is a marked departure from that of the additive approach. Because the additive approach treats domestic constraints as sources of variances on the “national interest,” it expects statesmen to uniformly attempt to enhance their own autonomy in the face of such constraints.

This departure has been recognized as the most significant and theoretically innovative

25. Putnam, “Diplomacy and Domestic Politics,” 427-30.

26. Ibid., 449.

27. Helen V. Milner, *Interests, Institutions, and Information: Domestic Politics and International Relations* (Princeton, NJ: Princeton University Press, 1997). Thomas C. Schelling, *The Strategy of Conflict* (Cambridge, MA: Harvard University Press, 1960), 19.

contribution Putnam's two-level game offers to the levels of analysis question.²⁸ As Moravcsik states, “The two-level-games framework offers convenient language in which to express the theoretical claims of additive approaches... [b]ut the most theoretically distinctive element in the two-level-games approach is its typology and analysis of *strategies for simultaneously exploiting both levels in a bargaining situation.*”²⁹

In chapter four, evidence of this is examined for in the actions of the two international bargaining agents, the KMT and the CCP, as they react to the changing preferences of the constituency in Taiwan while attempting to craft an agreement. We are looking for evidence of “hand-tying,” when one statesman attempts to decrease his domestic autonomy “to induce the opposing statesman to compromise at a point closer to the first statesman's preferences.”³⁰ This could manifest as a credible threat of involuntary defection from the KMT, which results in the CCP making offers closer to the Taiwanese domestic preferences. It could also be observable as “COG (chief of government) collusion,” where “statesmen exchange political assets in order to strengthen the prestige of the opposing statesman *vis-à-vis* his or her domestic constituency,” meaning that the CCP provides the KMT with certain benefits such that the KMT can better manoeuvre domestically to shape ratification outcomes.³¹ If this cannot be found, and the evidence instead shows that the KMT only attempted to free itself from domestic constraints, then we must ascertain as to whether this is due to the external bargaining context, (that there is insufficient aggregate leeway for an agreement to be reached without the negotiators first increasing their domestic autonomy), in which case the test is indeterminate, or due to the actor's

28. Moravcsik, “Introduction,” 17. Jack Snyder, “East-West Bargaining over Germany: The Search for Synergy in a Two-Level Game,” in *Double-Edged Diplomacy*, eds. Evans, Jacobson, and Putnam, 104. Leonard J. Schoppa, “Two-Level Games and Bargaining Outcomes: Why *Gaiatsu* Succeeds in Japan in Some Cases but Not Others,” *International Organization* 47, no. 3 (Summer 1993): 353.

29. Moravcsik, “Introduction,” 17. (Emphasis added.)

30. Moravcsik, “Introduction,” 28.

31. *Ibid.*, 26.

internal preferences, in which case the interactive approach needs to be reconsidered.

2.3 Understanding the Interactive Approach: Exploring the Schelling Conjecture

Beyond the tests, it is expected that our observations will allow us to further develop some of the discussion found in the literature that has grown out of the Schelling Conjecture. These works can be organized into two categories. From each, I review a sample, selected based on their focus on an aspect of international bargaining relevant to the cross-Strait context. I review these in turn. Following the empirical examination in chapters three and four, I revisit these issues in the concluding chapter.

2.3.1 Dovishness and Credible Threat

The Schelling Conjecture has been subject to a wide variety of tests. These tests, ranging from formal modelling to qualitative studies, have yielded mixed results. Starting with the case studies in *Double-Edged Diplomacy*, we find instances of interactive bargaining to be possible but rare. Jack Snyder's examination of the East-West bargaining over Germany demonstrates that “attempts at synergistic issue linkage between the two levels were largely unsuccessful.”³² Snyder's findings are corroborated by most of the other cases from the edited volume, especially with regards to hand-tying.³³ It was observed that statesmen at times avoided arriving at the bargaining table with tied-hands, opting to instead unbind themselves prior to ensure successful ratification in the event of shifts in domestic preferences over time. More often, it was found that they attempted to create synergy, but were unsuccessful in doing so for reasons such as their inability to credibly communicate their constraints to their counterpart.

32. Ibid., 123.

33. Peter B. Evans, “Building and Integrative Approach to International and Domestic Politics: Reflections and Projections,” in *Double-Edged Diplomacy*, eds. Evans, Jacobson, and Putnam, 402-03.

Yet, there are rare instances in which synergy was observed. Notably, Richard C. Eichenberg finds that during the bargaining between the U.S. and West Germany over the deployment of NATO's intermediate nuclear force (INF), successive German Chancellors, first Schmidt and then Kohl, were able to obtain concessions from Reagan in the early 1980s by reporting the pressures they were facing from their domestic constituency.³⁴ There was no active manipulation of domestic constraint, but Schmidt and Kohl went into the bargain with their hands tied, and emerged with gains at the international level. Contrasted against the other cases, the factor enabling the success of the German Chancellors is that this was a bargain “among friends.”³⁵ That the COG is perceived as a dove relative to its constituents and alternative bargaining agents greatly aids its ability to convince its counterpart that its hands are really tied.³⁶

Outside of the qualitative studies found in the edited volume, much of the work testing the Schelling Conjecture has been done through formal modelling which allows bargaining parameters to be set. Findings from these works introduce nuance into the relationship between doves and synergistic bargaining, suggesting that it is not as clear as what *Double-Edged Diplomacy* finds. Many of them argue that domestic preferences discrepant from that of the bargaining agents' can be a detriment to the agent under various conditions, not just when they preclude the ratification of an agreement. For example, Helen Milner and B. Peter Rosendorff find that the conjecture only holds under a limited range of moderate constituency preferences, with overly hawkish preferences yielding lower payoffs for the bargaining agent. This range decreases when uncertainty is introduced, such as when upcoming elections put into question the domestic ratification of agreements currently under negotiation. Because negotiators will make offers closer to the preference of the domestic constituency in order to prevent involuntary

34. Richard C. Eichenberg, “Dual Track and Double Trouble: The Two-Level Politics of INF,” in *Double-Edged Diplomacy*, eds. Evans, Jacobson, and Putnam, 61-62.

35. Evans, “Building an Integrative Approach,” 402.

36. *Ibid.*, 405-8.

defection, the result is a more protectionist agreements that is further away from the negotiator's ideal point.³⁷ Jongryn Mo finds that veto power in the hands of a domestic constituent results in a “range reduction” in the offers the foreign counterpart can make, precluding the possibility of more internationally-inclined agreements that dovish bargaining agents prefer. Like Milner and Rosendorff, Mo concludes that the Schelling Conjecture holds in some instances, but not in those characterized by a large divergence of preferences between the negotiator and his constituents.³⁸

These findings, however, do not necessarily counter that of Eichenberg's. First, the domestic constraints in Germany may simply have been at the optimal level of moderate hawkishness such that Schmidt and Kohl wanted to take advantage of them. Second, the difference can be explained if we recognize that the assessments above are true only if the negotiator's ideal point (and, by extension, his acceptable range) on the spectrum of possible bargaining outcomes rests somewhere between the ideal point of his bargaining counterparts and that of his domestic constituents – in this case, overly protectionist agreements can, as they argue, fall farther from the negotiator's ideal point than a more internationalist one. While this may be the case for certain types of negotiations, it does not hold for others where a negotiator's ideal point invariably sits at the pole of his end of the bargaining spectrum regardless of how dovish he is, in this case measured by how far he is willing to concede his “bottom line.” Here, negotiators should welcome the opportunity to make credible threats as long as the domestic constraints do not preclude ratification outright. This highlights the ways in which different types of “dovishness” can affect perceived payoffs to a bargain, and, thus, whether or not negotiators prefer their hands to be tied by their domestic constraints. While Eichenberg's examination

37. Helen V. Milner and B. Peter Rosendorff, “Democratic Politics and International Trade Negotiations: Elections and Divided Government as Constraints on Trade Liberalization,” *Journal of Conflict Resolution* 41, no. 1 (February 1997): 127-28, 138-41.

38. Jongryn Mo, “Domestic Institutions and International Bargaining: The Role of Agent Veto in Two-Level Games,” *American Political Science Review* 89, no. 4 (December 1995): 920-21.

suggests that the former of the two explanations outlined here is the case for the INF talks, the possibility of the latter occurring in bargaining situations must be recognized.³⁹

The selection of works reviewed here highlights two related aspects significant to our understanding of cross-level interaction, a negotiator's dovishness and his ability for credible commitment. First, how does the negotiator's ideal outcome relative to that of his constituents, that is, whether he is a dove or a hawk, affect the possibility of cross-level synergy? Second, the literature reviewed suggests that overly-hawkish constraints from the domestic constituency is disadvantageous for bargaining agents even if they do not preclude ratification because they result in outcomes that are overly-protectionist for the agent's preference. This holds, I argue, depending on the negotiators' type of dovishness, which is based on the location of their ideal points and how their acceptable range spreads across the spectrum of outcomes. The fact that Ma's KMT is generally considered dovish allows for examination of these issues.

2.3.2 Manipulating the Foreign Constituency

While the Schelling Conjecture is the most recognized concept to have come out of Putnam's two-level game, we must be aware of the fact that the potential for synergistic bargaining can be found outside of cross-level interactions within a nation. As Putnam argues, aside from using one's own domestic constraints, states will “seek to expand one another's win-sets... to relax [foreign] domestic constraints that might otherwise prevent the administration from cooperating with their governments.”⁴⁰ Putnam discusses two way this can be accomplished, reverberation and synergistic issue linkage.⁴¹ That statesmen will attempt to remove their opponent's domestic constraints is not an unexpected argument. It is a natural

39. Eichenberg, “Dual Track and Double Trouble,” 60-63.

40. *Ibid.*, 454.

41. *Ibid.*, 447-48, 454-56.

corollary of the conjecture that an opponent's domestic constraints can both preclude agreements and provide bargaining power to the opponent. Some scholars believe that relative to the Schelling Conjecture this dynamic is underexamined in the original two-level game literature.

For example, Leonard Schoppa argues that “Putnam and his followers have thus far failed to adequately specify the conditions under which a given chief negotiator will be able to use synergistic strategies to produce positive results.”⁴² Examining the Structural Impediment Initiatives between the U.S. and Japan, Schoppa identifies two strategies. First, he finds that by redefining issues traditionally considered to be domestic as issues of international importance, U.S. negotiators were able to expand both elite and public participation in Japan, thereby wresting away control over the issues from specialized elites concerned with maintaining the isolationist status quo.⁴³ Second, he finds that U.S. negotiators were able to influence policy outcomes at the international level by favouring specific domestic policy alternatives.⁴⁴

These strategies can be understood as statesmen's attempts to exert influence on their bargaining counterparts indirectly through foreign domestic constituency. By identifying foreign domestic segments sympathetic to their cause, statesmen can potentially dictate the behaviour of their counterparts, and, by extension, the outcomes to the international bargain.

One area that this has been applied to extensively is the topic of economic sanctions. For example, Fiona McGillivray and Alastair Smith examine economic sanctions as a way for statesmen to punish opposing statesmen for defecting from international cooperation.⁴⁵ As they observe, punishment for defection (or non-cooperation) is often agent-specific, directed at the

42. Schoppa, “Two-Level Games and Bargaining Outcomes,” 354.

43. *Ibid.*, 373-82.

44. *Ibid.*, 382-83.

45. Fiona McGillivray and Alastair Smith, “Trust and Cooperation through Agent-specific Punishments,” *International Organization* 54, no. 4 (Autumn 2000): 809-24. Fiona McGillivray and Alastair Smith, “The Impact of Leadership Turnover on Trading Relations between States,” *International Organization* 58 (Summer 2004): 572-74.

leader responsible instead of the state as a whole. What this means is that, because the cooperate-defect record is tallied against agents, once they are removed from office – and if the political system in question has “accountable agents” it is assumed that they will be removed because principals are averse to foreign punishments such as economic sanctions⁴⁶ – the state, having hired a new agent, reenters the game with a blank record, and cooperation becomes possible again.⁴⁷ Once agent-specific punishment comes to be recognized as an established pattern of behaviour, it provides a mechanism, based on synergy between different bargaining levels, for broadening and sustaining international cooperation.

Furthermore, agent-specific punishment allows statesmen to influence the leadership selection process in a foreign country.⁴⁸ With “agent-specific punishment,” Nation 1's leader can punish Nation 2's citizens for their selection of a certain agent by, for example, carrying out economic sanctions whenever that agent is elected. As Smith argues, if for whatever reasons “Nation 1 prefers one of the groups in Nation 2 over the other, then it is incentivized to manipulate the political balance within Nation 2 by selectively promoting or withholding cooperation.”⁴⁹ “Such discrimination alters the level of benefits that leaders from each group can deliver and so shifts the relative ease with which leaders from each group can retain office.”⁵⁰

Like the strategies Schoppa discusses, the institutionalization of agent-specific punishment provides statesmen with the ability to influence the behaviour of their international counterparts indirectly through foreign domestic principals (i.e. the constituency). This, in turn, allows them to shape international bargaining outcomes. In the context of an international

46. Ibid., 815-17.

47. Ibid., 810-12.

48. Alastair Smith, “Political Groups, Leader Change, and the Pattern of International Cooperation,” *Journal of Conflict Resolution* 53, no. 6 (December 2009): 854.

49. Ibid., 855.

50. Ibid., 854.

bargain, the primary rationale for a negotiator to influence the selection of foreign agents ties back to the fact that counterparts can be dovish or hawkish. While successful ratification is not guaranteed by dovish counterparts nor precluded by hawkish ones, there are definitely benefits, especially in the short run, of dealing with doves.⁵¹ Comparing the advantages afforded by doves to those afforded by hawks in terms of behavioural considerations such as future-discounting and uncertainty aversion, it is expected that statesmen prefer to bargain with doves.

The works reviewed in this section illustrate the potential for synergistic bargaining outside of those covered under the Schelling Conjecture. Following the interactive logic, statesmen should be able to shape the outcomes of the international bargain by strategically manipulating the domestic politics in the country with which they are bargaining. Yet, as Putnam argues, foreign pressure intended to relax domestic constraints against international cooperation can backfire, having the opposite effects of turning the foreign public against cooperation.⁵² A dovish COG can be painted domestically as a traitor when the foreign country punishes the hawkish alternative. The domestic environment in Taiwan is ripe for this type of “negative reverberation.” Political manipulation by Beijing is a significant source of concern for a large portion of the Taiwanese constituency. Beijing has become much more careful of its actions on this front following the 2000 presidential elections in Taiwan, when then-Chinese premier Zhu Rongji's warning to the Taiwanese public against voting for Chen Shui-bian likely gave Chen the last-minute boost he needed to win.⁵³ Yet, Beijing clearly still tries where possible to take advantage of potential channels of influence through the Taiwanese domestic constituency. How

51. Kenneth A. Schultz, “The Politics of Risking Peace: Do Hawks or Doves Deliver the Olive Branch?” *International Organization* 59 (Winter 2005): 1-38. Alex Cukierman and Mariano Tommasi, “When Does It Take a Nixon to Go to China?” *The American Economic Review* 88, no. 1 (March 1998): 180-97. Tyler Cowen and Daniel Sutter, “Why Only Nixon Could Go to China,” *Public Choice* 97 (1998): 605-15.

52. Putnam, “Diplomacy and Domestic Politics,” 456.

53. Benjamin Kang Lim, “2012 Elections Feature: Beijing Tempering its Remarks ahead of Taiwan's Polls,” *Taipei Times*, January 11, 2012, last accessed February 29, 2012, <http://www.taipeitimes.com/News/taiwan/archives/2012/01/11/2003522960>.

does this interactive dynamic factor into the current cross-Strait bargain?

2.4 Summary: Hypotheses and Expected Observations

In this chapter, following the intellectual justifications of the two-level game outlined in Moravcsik's introduction to the edited volume that stemmed from the two-level research programme, I examined two issues in the levels of analysis debate, one pertaining to selection and the other to integration. I derived two tests whose results will serve as the primary set of criteria for my examination of the relative utility of different levels of analysis approaches. In chapter three, in order to determine whether the use of a purely systemic approach is justified over that of an integrated approach, I will examine for constancy in bargaining outcomes despite domestic changes. In chapter four, to determine whether or not the bargaining that exist at the international and the domestic levels is truly interactive, the test is based on our observations the behaviour of statesmen involved international bargaining. Finally, beyond the testing of the two-level game, I will examine in chapter five synergistic bargaining in the cross-Strait context through the literature reviewed above.

Chapter 3: Empirical Examination – Selection Test

3.1 Introduction

In this chapter, I undertake the empirical examination for the levels of analysis selection test to determine the value of the purely systemic approach in the cross-Strait bargaining context.

To provide a historical context for the current cross-Strait policies of the three political parties, I begin by discussing the evolution of their respective positions prior to 2008. Following this, I examine the current iteration of the cross-Strait bargain, beginning roughly in 2008 with Ma Ying-jeou's election. I focus on areas of their “campaigning” related to cross-Strait matters, including both their principled positions and their approaches to substantive issues. I begin by outlining the behaviour and statements of the two parties. I then look at the CCP's response. Examining their statements in light of the historical context, the likely bargaining outcome is inferred. My analysis follows.

3.2 Historical Background (pre-2008)

3.2.1 The CCP

For the first few decades after 1949, interactions between China and Taiwan, respectively represented by the CCP and the KMT, were largely restricted to “provocative sabre-rattling” and mutual proclamations of liberation.⁵⁴ Precipitated by changes in world affairs, the PRC's international status improved steadily in the 1970s, with the most significant event being the normalization of relations with the United States. With growing confidence in the shifting of cross-Strait balance in favour of itself, the CCP began to, in the latter half of the decade, approach the cross-Strait question in a fundamentally different manner. On New Years Day in

54. Hickey, “Beijing's Evolving Policy,” 33-34. Simon Long, *Taiwan: China's Last Frontier* (Hampshire: Palgrave Macmillan, 1991), 110-28. Quoted from Hickey.

1979, it published the “Letter to Taiwan Compatriots.” This signalled the beginning of what scholars generally refer to as a two-pronged approach to the Taiwan issue.⁵⁵

One prong is aimed at enticing eventual unification through “soft” measures overtime. Instead of belligerent claims of armed liberation, the tone of the letter is amicable, calling for the gradual opening of relations and ultimately an unification that respects the wishes of the Taiwanese people. The only time “liberation” appeared in the letter was when the eponymously-named military was said to be ceasing its bombardment of Taiwan's outlying islands.⁵⁶ Shortly after, in 1981, Ye Jianying, then-chairman of the Chinese National People's Congress Standing Committee, proposed a nine-point guideline for peaceful unification, solidifying Beijing's shift away from unification through military means.⁵⁷ These nine points, along with Deng Xiaoping's six-point proposal espoused in 1982, formed the basis of the “One-Country, Two-Systems” framework through which Beijing sees eventual cross-Strait unification to occur.⁵⁸ Under this framework, Taiwan would, after unification, maintain its political system distinct from that of China's. This is the “Two-Systems.” “One-country” refers to the “one China” principle.

Despite the shift towards peaceful unification, Beijing has never renounced the use of force in dealing with Taiwan when it comes to the fundamental issue of “one China.” Aimed at preventing Taiwan's independence through “hard” means, this is the other prong. There are many instances of this prong in action. For example, in 1995, missiles were fired over Taiwan as warning following then-ROC president Lee Teng-hui's visit to Cornell, an act Beijing saw as an

55. Hickey, “Beijing's Evolving Policy.” T. Y. Wang, “Cross-Strait Relations after the 2000 Election in Taiwan: Changing Tactics in a New Reality,” *Asia Survey* 41, no. 5 (2001): 726-34.

56. For original text, see Ye Jianying, “Quan Guo Ren Da Chang Wei Hui 'Gao Tai Wan Tong Bao Shu’” (Public Letter, January 1, 1979), last accessed December 15, 2011, http://news.xinhuanet.com/ziliao/2003-01/23/content_704733.htm.

57. Long, *China's Last Frontier*, 159-60. “Deng Xiao Ping Ti Chu 'Yi Guo, Liang Zhi,’” *Zhongguo Wang*, November 22, 2003, last accessed December 15, 2011, http://www.china.com.cn/zhuanti2005/txt/2003-11/22/content_5440658.htm.

58. “Deng Xiao Ping Ti Chu 'Yi Guo, Liang Zhi.” Hickey, “Beijing's Evolving Policy,” 34.

assertion of Taiwan's independence.⁵⁹ In the following year, during the lead-up to Taiwan's first presidential elections, Beijing once again took to military means to warn against potential independence. Speaking about the missile tests, Chinese Foreign Minister Qian Qichen “stated that the people of Taiwan should not panic, but warned of a 'real disaster' if they supported the island's independence.”⁶⁰ Official documents from Beijing outline the conditions for which Beijing reserves the right to use force, all of which boils down to if the “one China” principle comes to be threatened. Taken together, the two prongs demonstrate that in the present, Beijing is content maintaining cross-Strait stability without pushing the unification envelope as long as its bottom-line of no *de jure* Taiwanese independence is maintained, because it is occupied with its internal development, and because it believes that, in the grand bargain, time is on its side.⁶¹

One of the most representative statements of Beijing's position is the third of Jiang Zemin's eight points outlined in his 1995 speech, that, “on the premise that there is only one China, we are prepared to talk with the Taiwan authorities about any matter...”⁶² Since the transfer of power from Jiang to Hu Jintao, whose bargaining behaviour will be examined in more detail below, Beijing's position on the cross-Strait issue has largely remained the same save for differences attributable to shifts in domestic politics and individual leadership styles.⁶³

59. John F. Cooper, “The Origins of Conflict Across the Taiwan Strait: The Problem of Differences in Perceptions,” in *Across the Taiwan Strait*, ed. Zhao, 41-45.

60. Keum and Campbell, “Devouring Dragon and Escaping Tiger,” 72.

61. Gang Lin, “The Taiwan Dilemma in U.S.-PRC Relations,” in *Triangular Relations of Beijing-Taipei-Washington*, ed. Hua, 16-34.

62. Clough, *Cooperation or Conflict*, 138. “Jiang Ze Min: Wei Cu Jin Zu Guo Tong Yi Da Ye De Wan Cheng Er Ji Xu Fen Dou” *Xinhua*, January 30, 1995, last accessed December 15, 2011, http://news.xinhuanet.com/taiwan/2005-01/26/content_2510849.htm.

63. Hickey, “Beijing's Evolving Policy,” 56-58. Cheng-yi Lin and Wen-cheng Lin, “A Rising China and Hu Jintao's Taiwan Policy,” in *Rise of China: Beijing's Strategies and Implications for the Asia-Pacific*, eds. Hsin-Huang Michael Hsiao and Cheng-yi Lin (London: Routledge, 2009), 298-299.

3.2.2 The KMT

For the first few years following 1979, the government of the ROC, which was at the time synonymous with the KMT, officially maintained its principle of the “three no’s” towards the CCP – no contacts, no negotiations, and no compromise.⁶⁴ However, soon after, with Taiwan's democratization in the late 1980s, the KMT, no longer an authoritarian government able to resist public opinion, started to face two forces from within the island that it had to adopt to.⁶⁵

First, certain segments from the Taiwanese population began to call for the reciprocal opening of relations. This was the “Mainland Fever,” and it mainly came from two groups that formed a large portion of the KMT's constituent group – businessmen looking to profit from trade and veterans looking to return home to visit their families.⁶⁶ With Beijing's blessing, indirect trade between the two sides began to grow under the table,⁶⁷ and this, in conjunction with other social processes during this time, led to mounting domestic pressure for the opening of relations with China. Finally, in November of 1987, Chiang Ching-kuo had no choice but to permit civilian contact between the two sides, officially for the purpose of allowing Taiwanese residents to visit their relatives on the mainland.⁶⁸ The flood-gates to cross-Strait interaction opened. In 1991, Lee Teng-hui, Chiang's successor, pronounced the end of martial law. The CCP was no longer known as the “rebel group,” and Taiwanese people were free to travel to China.⁶⁹

At the same time, from the *benshengren*, the KMT faced a growing Taiwanese nationalism, that is, sentiment for Taiwanese independence from the mainland, different from the

64. Hickey, “Beijing's Evolving Policy,” 34-35.

65. Yu-Shan Wu, “Taiwan's Domestic Politics and Cross-Strait Relations,” *The China Journal* 53 (January 2005): 35-60.

66. *Ibid.*, 38.

67. Clough, *Reaching across the Taiwan Strait*, 41-43.

68. Ralph N. Clough, “Chiang Ching-kuo's Policies toward Mainland China and the Outside World,” in *Chiang Ching-Kuo's Leadership in the Development of the Republic of China on Taiwan*, ed. Shao-Chuan Leng (Lanham, MD: University Press of America, 1993), 133-62.

69. Su Chi, “Driving Forces behind Taipei's Mainland Policy,” in *Peace and Security across the Taiwan Strait*, ed. Steve Tsang (Hampshire: Palgrave MacMillan, 2004), 45-46.

Chinese nationalism that called for the retaking of the mainland under the banner of the ROC.⁷⁰ Through the 1990s, the population on the island increasingly identified itself as “Taiwanese” at the expense of their “Chinese” identity.⁷¹ This had obvious consequences for the party's stance towards unification. In response to this trend, which was in part its own doing, the KMT had to reposition itself as Taiwan's political party while, at the same time, maintaining its long-held position regarding unification with “China” so as to not lose its roots, its party unity, and its traditional constituency groups. As Wu Yu-shan argues, “democratization provides the institutional space for airing nativist messages and agitating for separatist goals. It also offers incentives for politicians to mobilize sub-ethnic emotions and to acquire support from specific identity groups in electoral competition.”⁷² The “1992 Consensus,” that there is “one China in accordance with each side's own interpretation,” the KMT's cross-Strait policy since the early 1990s, was developed against this need to reconcile the party's traditional identity and political realities in the changing political environment.

These developments set the path for the KMT's policies since. Save for Lee's pro-independence behaviour towards the end of his presidency, which was much more on his own terms than that of the party's,⁷³ this pragmatic take on the “one China principle” can be found in the platforms of KMT leaders such as Lien Chan, the KMT's presidential candidate for the 2000 elections; James Soong, the KMT-branched independent candidate for the same election; and Ma, the current president elected in 2008 and 2012.

70. Lowell Dittmer, “Taiwan and the Issue of National Identity,” *Asian Survey* 44, no. 4 (2004): 475-77.

71. Wu, “Taiwan's Domestic Politics,” 37.

72. *Ibid.*, 36.

73. Dafydd Fell, “Lessons of Defeat: A Comparison of Taiwanese Ruling Parties' Responses to Electoral Defeat,” *Asian Politics & Policy* 1, no. 4 (2009): 667.

3.2.3 The DPP

Much as the KMT was forced to reposition itself as a local political party in the wake of Taiwan's democratization, the DPP, with its roots in the democratic movement and its leaders a group of former political dissidents, was faced, in the early stages of its life, with the task of reinventing itself as a viable political alternative to the KMT.⁷⁴ While its underlying position, that there is “one China and one Taiwan,” was never in question, how it was to be translated into a politically feasible policy direction was a major point of contention within the party.⁷⁵

In 1988, two years after its formal establishment, the DPP passed the “417 Resolution,” which declared Taiwan's independence and sovereignty separate from China. Two years following that, it passed the “1007 Resolution” renouncing Taiwan's sovereignty over the Chinese mainland.⁷⁶ This period was the heyday of the DPP's radical pro-independence rhetoric. However, this was not a politically feasible plan. Beyond “mobilizing a set of passionately committed supporters,” this plan “did not serve the DPP well generally, for it scared away middle-of-the-road voters who loathed radical changes.”⁷⁷ Despite the population's growing Taiwanese identity, polls indicate that an overwhelming majority still preferred the maintenance of status quo in cross-Strait relations as opposed to its immediate resolution, regardless of whether it came in the form of unification or independence.⁷⁸ The electorate's preference forced the DPP to reassess its political aims. The DPP leaders, as T.Y. Wang argues, became troubled by “the inherent conflict between the party's main mission and the growing military threat from

74. For a detailed account of the DPP's cross-Strait policy from its birth until 1999, see T. Y. Wang, “One China, One Taiwan': An Analysis of the Democratic Progressive Party's China Policy,” *Journal of Asian and African Studies* 35, no. 1 (2000): 159-82.

75. *Ibid.*, 163-69.

76. *Ibid.*, 164.

77. Wu, “Taiwan's Domestic Politics,” 42.

78. Wang, “Democratic Progressive Party's China Policy,” 165-66.

across the Strait, which now cause[d] domestic and international concerns.”⁷⁹

Towards the latter half of the 1990s, in the same way the KMT's position shifted towards the middle of the unification/Chinese-independence/Taiwanese spectrum, the DPP's position became more moderate. In 1999, the party passed its “Resolution regarding Taiwan's Future,” recognizing the legitimacy of the ROC on the grounds that since Taiwan is already independent, there is no need for the party to declare it again.⁸⁰ This resolution was an extremely shrewd political move. While it still maintained the DPP's principle of Taiwan independence, it allowed the party to move away from its radical claims on a day-to-day basis; the job of the DPP was no longer pushing Taiwan towards independence, but rather the maintenance of its “independent status quo” – any changes to this “must be decided by all the residents of Taiwan by means of plebiscite.” In a way, the 1999 resolution brought back the DPP's emphasis on Taiwan's democracy, a theme featured prominently in its cross-Strait policy in the following decade. Although Chen Shui-bian's time in office took a highly pro-independence turn towards its end, the DPP's recent two campaigns, Frank Hsieh's in 2008 and Tsai Ing-wen's in 2012, have been run on much more moderate platforms in line with the party's 1999 resolution.⁸¹

79. Ibid., 165.

80. Democratic Progressive Party, “Resolution Regarding Taiwan's Future” (Party Resolution, 1999), last accessed December 15, 2011, <http://www.scribd.com/doc/50834676/Resolution-Regarding-Taiwan-s-Future1999>. Wu, “Taiwan's Domestic Politics,” 46.

81. For review of Chen's behaviour and Hsieh's campaign, see Yun-han Chu, “Taiwan in 2007: The Waiting Game,” *Asian Survey* 48, no. 1 (January/February 2008): 128-31. Alan D. Romberg, “Politicians Jockey for Position in Taiwan's 2007-2008 Elections, While Japan Jockeys for Position across the Strait,” *China Leadership Monitor* 20 (Winter 2007): 16-18. Alan D. Romberg, “Election 2008 and the Future of Cross-Strait Relations,” *China Leadership Monitor* 21 (Summer 2007): 7-8.

3.3 Independent Variables: Cross-Strait Policies of the KMT and the DPP

3.3.1 The KMT and DPP as Ruling and Opposition

On March 22 2008, Ma Ying-jeou, the KMT presidential candidate, was elected into office against the DPP's Frank Hsieh. In his press conference the following morning, Ma reiterated his campaign commitment to improving cross-Strait relations on the basis of the “1992 Consensus.”⁸² Under this consensus, Ma proposed, the two sides would practice “mutual non-denial,” that is, to shelve the sovereignty issue between the PRC and the ROC and instead work on practical aspects of cross-Strait relations in the interim. Two months later, in his inauguration speech, which, doubled as his first official bargaining offer to Beijing, Ma did two things.⁸³ With one hand, he extended an olive branch to begin negotiations on economic and cultural issues. He reaffirmed his willingness to take a pragmatic approach to cross-Strait dealings “under the principle of 'no unification, no independence and no use of force,’” and restated his commitment to adhere to the “one China principle” in accordance with the “1992 Consensus.” At the same time, Ma put forth his bargaining conditions on political issues. For example, while he acknowledged the possibility of a peace accord, something that is likely viewed by Beijing as an extremely significant step in the political side of eventual unification, and proposed a “diplomatic truce” on the issue of Taiwan's international space, he did so with a principled stance, tying the island's “dignity” in the international arena to the prospect of cross-Strait relations. In his words, “only when Taiwan is no longer being isolated in the international arena can cross-strait relations move forward with confidence.”

Observations show that while he has had to “tack according to particular situations,”

82. Alan D. Romberg, “After the Taiwan Election: Restoring Dialogue while Reserving Options,” *China Leadership Monitor* 25 (Summer 2008): 6-7.

83. For the full text of his speech, see Ma Ying-jeou, “Taiwan's Renaissance” (public statement, May 20, 2008), last accessed December 15, 2011, <http://www.chinapost.com.tw/taiwan/national/national-news/2008/05/21/157332/Full-text.htm>.

especially with regards to domestic politics, Ma and his administration have been consistent in adhering to the cross-Strait approach that was set out at the beginning of term.⁸⁴

On economic and cultural matters, once the general agreement to proceed with negotiations was reached, the reins were handed over to the SEF-ARATS apparatus. Understandable given that there are vested interests involved, substantive aspects of negotiations have not always been smooth. However, the existence of these negotiations have started to become institutionalized, with seven high-level meetings between Chiang Ping-kun, the chairman of the SEF, and Chen Yunlin, of the ARATS, since June of 2008.⁸⁵ These negotiations have yielded many cross-Strait agreements, the most significant of which is the FTA-styled Economic Cooperation Framework Agreement (ECFA) signed in June 2010.⁸⁶

On more touchy issues such as Taiwan's international space, Ma's administration has adhered to its "diplomatic truce," forgoing, beginning in 2008, Taiwan's traditional bid to obtain membership to the United Nations. Instead, it opted for gaining "meaningful participation" in the UN specialized agencies. Ma's position regarding cross-Strait relations and Taiwan's international space is clearly evident from this proposal. Expectedly, the proposal addresses the island as the "Republic of China (Taiwan)."⁸⁷ There is, however, no mention of its sovereignty.⁸⁸

84. Alan D. Romberg, "Ma at Mid-Term: Challenges for Cross-Strait Relations," *China Leadership Monitor* 33 (Summer 2010): 9-13.

85. Rich Chang, "Deal With China over Investments Needs More Time," *Taipei Times*, October 19, 2011, last accessed December 15, 2011, <http://www.taipeitimes.com/News/taiwan/archives/2011/10/19/2003516132>.

86. Mo Yan-chih, "SEF and ARATS Review Previous Talks in Taipei," *Taipei Times*, June 9, 2011, last accessed December 15, 2011, <http://www.taipeitimes.com/News/front/archives/2011/06/09/2003505318>. "Taiwan and China Sign Landmark Trade Agreement," *BBC*, June 29, 2010, last accessed December 15, 2011, <http://www.bbc.co.uk/news/10442557>.

87. Belize et al., "Request for the Inclusion of a Supplementary Item in the Agenda of the 63rd Session: Need to Examine the Fundamental Rights of the 23 Million People of The Republic of China (Taiwan) to Participate Meaningfully in the Activities of the United Nations Specialized Agencies: Letter Dated 14 August 2008 from the Representatives of Belize, Burkina Faso, El Salvador, The Gambia, Honduras, The Marshall Islands, Nauru, Nicaragua, Palau, Saint Kitts And Nevis, Saint Lucia, Saint Vincent And The Grenadines, Sao Tome And Principe, Solomon Islands, Swaziland And Tuvalu to the United Nations Addressed to the Secretary-General, (A/63/194)," (New York, NY: United Nations, August 22, 2008). UNBISNET.

88. Belize et al., "Request for the Inclusion of a Supplementary Item in the Agenda of the 61st Session: Question of the Representation and Participation of the 23 Million People of Taiwan in the United Nations: Letter

Most significantly, it includes a section, entitled “Taiwan’s international participation encourages cross-strait dialogue,” which practically addresses China, stating, “If the People’s Republic of China translates its goodwill into action by helping Taiwan participate meaningfully in the specialized agencies, it will create a more favourable atmosphere for cross-strait dialogue and opportunities for cooperation.”⁸⁹

During the first two years of Ma's first term, the “possible cross-strait peace accord” Ma mentioned in his inauguration speech did not receive much attention. The most salient instance of it came in May of 2009, when Ma discussed it with two Singaporean newspapers as well as Taiwan's China Television.⁹⁰ In the televised interview, Ma stated that he is not opposed to opening discussions with China on such matters if he is re-elected in 2012, but also said that such discussions will not necessarily occur. At the same time, he reaffirmed his 2008 campaign promise of the “three no's,” specifically the point that there will be no talks of unification with China during his time in office.

Immediately following its defeat in 2008, the DPP's policy on cross-Strait matters stagnated, and the party became highly reactive. Much of this had to do with division within its own ranks as Tsai Ing-wen was elected the DPP chair following the departures of two of the party's top leaders.⁹¹ While not inexperienced in cross-Strait matters, Tsai was a relative newcomer to the DPP, having only joined after 2000. Given that the DPP chair has traditionally been

Dated 10 August 2006 from the Representatives of Belize, Burkina Faso, El Salvador, The Gambia, Honduras, Malawi, The Marshall Islands, Nauru, Nicaragua, Palau, Saint Kitts and Nevis, Saint Vincent and The Grenadines, Sao Tome and Principe, Solomon Islands, Swaziland and Tuvalu to the United Nations Addressed to the Secretary-General, (A/61/194),” (New York, NY: United Nations, August 11, 2006). UNBISNET.

89. “(A/63/194),” 5-6.

90. Ko Shu-ling, “Ma Would Consider Peace Talks in 2012,” *Taipei Times*, May 12, 2009, last accessed December 15, 2011 <http://www.taipetimes.com/News/front/archives/2009/05/12/2003443382>. “No Strong Reaction to Ma's 'Political Dialogue' with Beijing,” *China Post*, May 11, 2009, last accessed December 15, 2011 <http://www.chinapost.com.tw/china/national-news/2009/05/11/207597/No-strong.htm>.

91. Fell, “Parties' Response to Electoral Defeat,” 673-75. Romberg, “After the Taiwan Election,” n. 13. Thomas B. Gold, “Taiwan in 2008: My Kingdom for a Horse,” *Asian Survey* 49, no. 1 (January/February 2009): 93.

a weak position that mediated amongst factions, and the fact that, at the time, Tsai was seen by many within the party as a “stopgap leader” to be replaced by a more senior member, she had little leeway in swaying the direction of party policies.⁹² As Alan Romberg argues, Tsai “did not feel free to stick to a more positive agenda she had frequently espoused rather than always carping at the government.”⁹³

While Tsai was constrained by factional politics, some of her statements during this period did reflect her inclination towards the moderate position that the party had developed towards the late 1990s. For example, at the party's briefing for foreign representatives in September of 2008, Tsai outlined her views towards Taiwan's sovereignty, stating that “we want to ensure that: (i) all options are open, with no foreclosure of any option; (ii) people on Taiwan have the right to make their own decisions; and (iii) decisions are to be made solely by people of Taiwan.”⁹⁴ The emphasis on the people's right to self determination is a direct echo of the 1999 resolution. In the same way it moved towards a much more moderate position in the 1990s upon realizing the political infeasibility of a radical pro-independence stance, the DPP started to shift towards its “democratic approach” in preparation for the next presidential elections.

In 2010, Tsai's hold over her position as DPP chair improved after the party's strong performances in a series of elections,⁹⁵ and she began to gain greater autonomy to assert her influence over the party's direction. At the same time, DPP politicians started to converge on

92. Fell, “Parties' Response to Electoral Defeat,” 676. “Leaked Cables Reveal DPP Infighting,” *China Post*, September 8, 2011, last accessed December 15, 2011, <http://www.chinapost.com.tw/taiwan/2011/09/08/315976/Leaked%2Dcables.htm>.

93. Alan D. Romberg, “Cross-Strait Relations: 'Ascend the Heights and Take a Long-term Perspective,’” *Chinese Leadership Monitor* 27 (Winter 2009): 13.

94. Tsai Ing-wen, “Policy Briefing Session for Diplomats and Foreign Representatives,” (statement at press conference, September 26, 2008), last accessed December 15, 2011, http://www.dpp.org.tw/upload/news/20080926164827_link.doc. In the official Chinese translation (available from the same link), “including independence” follows “with no foreclosure of any option.”

95. “KMT Wins Taipei, Xinbei, Taichung,” *China Post*, November 28, 2010, last accessed December 15, 2011, <http://www.chinapost.com.tw/taiwan/national/national-news/2010/11/28/281635/KMT-wins.htm>. Vincent Y. Chao, “2010 ELECTIONS: Eric Chu Fights off Tsai's Challenge for Sinbei City,” *Taipei Times*, November 28, 2010, last accessed December 15, 2011, <http://www.taipeitimes.com/News/front/archives/2010/11/28/2003489649>.

their cross-Strait positions as they started to recognize the importance of a coherent and unified approach to dealing with China. During this period, senior party members espoused a series of consensus as the basis for conducting cross-Strait relations against the KMT's "1992 Consensus,"⁹⁶ both the existence and validity of which the DPP rejects.⁹⁷ The specifics of their respective proposals differ, but the overarching principle is clear, that the future of cross-Strait relations must not be based on a consensus between two parties, the KMT and the CCP, but must to begin with a consensus of the Taiwanese people.

Meanwhile, the KMT continued to stress the advantage and necessity of the "1992 Consensus" to achieving a healthy working relationship with Beijing. During this period, these fundamentally different views began to shape into the central issue of debate for the 2012 presidential elections. The campaigns began in earnest in early to mid-2011, as presidential hopefuls declared their intention to run. With a little more than a year to go before election day in January 2012, members from the two camps began to float their respective policy proposals.

3.3.2 Ma's and Tsai's Respective Campaigns

Save for Ma's recent statements on a possible cross-Strait peace accord, to be discussed in more detail below, there has been no real surprise from the KMT camp. Ma's position towards cross-Strait relations remains largely the same as it has since his first campaign four years ago. In his bid for re-election, he has continued to reiterate his commitment to more peaceful relations

96. For Frank Hsieh's see Frank Hsieh, "Seeking an Overlapping Consensus," *Taipei Times*, January 19, 2011, last accessed December 15, 2011, <http://www.taipeitimes.com/News/editorials/archives/2011/01/19/2003493856>. For Annette Lu's see Ko Shu-ling, "Annette Lu Grills President over '1992 Consensus,'" *Taipei Times*, February 5, 2010, last accessed December 15, 2011, <http://www.taipeitimes.com.tw/News/taiwan/archives/2010/02/05/2003465237>. For Su Tseng-chang's see Vincent Y. Chao, "Su Proposes Consensus," *Taipei Times*, February 17, 2011, last accessed December 15, 2011, <http://www.taipeitimes.com/News/taiwan/archives/2011/02/17/2003496097>.

97. "DPP denies existence of '1992 consensus,'" *Taipei Times*, December 25, 2010, last accessed December 15, 2011, <http://www.taipeitimes.com/News/taiwan/archives/2010/12/25/2003491835>. One of the first instances it was rejected officially.

with China based on adherence to the “1992 Consensus” and his “no unification, no independence, no use of force” policy.⁹⁸ By most indicators, on cross-Strait matters, Ma's camp appears to be content playing the stability-and-continuity-through-established-trust card.

The exception to this is the topic of the cross-Strait peace accord that has received much attention recently. This issue, which was not salient during the first three quarters of Ma's term, surfaced in mid-October during Ma's unveiling of his “Golden Decade.”⁹⁹ As he told reporters, “under the conditions of a high level of consensus among Taiwan's people and sufficient trust between the two sides, we could consider a peace treaty with China in 10 years.” It is curious why Ma floated the idea as a part of his platform. One explanation could be that it is an election gambit. As Jens Kastner summarizes, “according to some critics, Ma's move was aimed at forcing his DPP opponent Tsai Ing-wen to reveal her stance on the issue of cross-strait relations – long regarded a major weakness – while at the same time marginalizing People First Party chairman James Soong, whose potential candidacy could split the KMT's voter base.”¹⁰⁰ However, it is also possible that the peace accord is something Ma truly believes in.

On the DPP front, Tsai faced a strong challenge from Su Tseng-chang for the party's nomination, but managed to secure her candidacy after a very close primary.¹⁰¹ On its general cross-Strait position, Tsai's campaign has focused on two issues. First, her camp has unequivocally rejected the KMT's cross-Strait policy on multiple instances, especially the “1992

98. Alan D. Romberg, “The 2012 Taiwan Election: Off and Running,” *China Leadership Monitor* 35 (Summer 2011):15-17. Ma Ying-jeou, “Da Pin Zai Si Nian, Tai Wan Geng Xiang Qian” (public statement, July 2, 2011), last accessed December 15, 2011, http://www.taiwanbravo.tw/2011/08/blog-post_2573.html. Ma Ying-jeou, “Jiu Zhi San Zhou Nian Xuan Yan” (public statement, May 5, 2011), last accessed December 15, 2011, http://www.taiwanbravo.tw/2011/08/blog-post_2267.html. Ma Ying-jeou, “Huang Jin Shi Nian, Guo Jia Yuan Jing” (Slide Presentation, October 17, 2011), last accessed December 15, 2011, <http://media.taiwanbravo.tw/gold10yrs/07.pdf>.

99. Jonathan Standing, “Taiwan President Considers Peace Treaty With China in 10 Years,” *Reuters*, October 17, 2011, last accessed December 15, 2011, <http://www.reuters.com/article/2011/10/17/idINIndia-59936220111017>.

100. Jens Kastner, “Taiwan's Ma Talks Peace But Gets an Earful,” *Asia Times Online*, October 27, 2011, last accessed December 15, 2011, <http://www.atimes.com/atimes/China/MJ27Ad01.html>.

101. Vincent Y. Chao, “DPP's Tsai to Run for President,” *Taipei Times*, April 28, 2011, last accessed December 15, 2011, <http://www.taipeitimes.com/News/front/archives/2011/04/28/2003501865>.

Consensus,” labelling it as a fabrication by the KMT.¹⁰² At the same time, while unveiling the cross-Strait sections of her “10-Year Policy Guidelines,” Tsai called for her version of a “Taiwan Consensus” that is to be based on a “democratic, non-partisan mechanism.” While she stated that the current majority consensus is to “maintain the status quo,” likely in order to demarcate her position from that of Ma's, she added that interpretations of status quo differs,¹⁰³ and that her stance is inline with the party's 1999 resolution, that Taiwan is an independent country.¹⁰⁴

Principled positions aside, Tsai's policy proposals have been quite moderate. First and foremost, Tsai has stressed the importance of China, albeit as just another neighbouring state, and continues to call for dialogue with Beijing provided that no political preconditions are required.¹⁰⁵ On cross-Strait agreements reached during Ma's term, whether formal or tacit, Tsai has been steadfast in her criticism. However, her primary claims are based on issues of severity and procedure, that is, she argues that negotiations under Ma were conducted overly hastily and under improper mechanisms. For example, Tsai's most recent position on ECFA is that she will review and reassess it if elected. She acknowledged that, “we have to deal with China. There is no question about it, but we can't come too close. It offers many opportunities, but at the same time, many risks.” She also criticized Ma for failing to refer the trade pact to the WTO, arguing that, “the pact must be made transparent internationally,” or else “it will have an impact on our other trade relationships.”¹⁰⁶ With regards to Ma's recent talk of the peace accord, Tsai labelled

102. “DPP denies existence of '1992 consensus.” Romberg, “The 2012 Taiwan Election,” 9-14.

103. Chris Wang, “Tsai Details DPP's Cross-Strait Policies,” *Taipei Times*, August 24, 2011, last accessed December 15, 2011, <http://www.taipeitimes.com/News/front/archives/2011/08/24/2003511508>.

104. James Lee, “DPP Chief Denies '92 Consensus,' Calls for New Mechanism,” *Central News Agency*, August 23, 2011, last accessed December 15, 2011, http://focustaiwan.tw/ShowNews/WebNews_Detail.aspx?Type=aIPL&ID=201108230021.

105. “DPP to Seek Dialogue with China: Party Head,” *China Post*, June 11, 2011, last accessed December 15, 2011, <http://www.chinapost.com.tw/taiwan/national/national-news/2011/06/11/305783/DPP-to.htm>. Vincent Y. Chao, “Tsai Reaffirms Willingness to Hold Talks with Beijing,” *Taipei Times*, June 21, 2011, last accessed December 15, 2011, <http://www.taipeitimes.com/News/front/archives/2011/06/21/2003506298>.

106. Vincent Y. Chao, “Tsai Promises to Reassess ECFA if Elected President,” *Taipei Times*, April 6, 2011, last accessed December 15, 2011, <http://www.taipeitimes.com/News/front/archives/2011/04/06/2003500024>.

the proposal as “irresponsible and impetuous.” She argues that, “China is not a democratic country to this day. We cannot afford to overlook the potential risks and instability [when signing a peace accord with China].” At the same press conference, however, she reaffirmed her willingness to conduct “political talks, without political preconditions.”¹⁰⁷

Since the beginning of Tsai's campaign, observers and critics alike have questioned exactly how her position translates to a concrete policy in dealing with Beijing.¹⁰⁸ What is most important is not whether she can detail how she wants to approach China, which she has since done with her “10-Year Policy Guideline,” but how to get Beijing to reciprocate. Indeed, with regards to the “Taiwan Consensus,” Tsai has yet to clarify how such a “democratic mechanism” translates to cross-Strait interaction, especially in light of Beijing's rejection of her offers. One way of understanding Tsai's approach is through that of Ma's last campaign four years ago. If Ma's proposal to Beijing has been to act pragmatically while shelving differences, then that of Tsai's can be viewed in the same way – the difference here is that whereas Ma asked to shelve the interpretation of “China,” Tsai is asking to put aside the more fundamental “one China” principle. Of course, by no reasonable assessment is this a minor difference.

3.4 Dependent Variable: Bargaining Outcomes based on Beijing's Response

How the difference in the “value” of our independent variable affects bargaining outcomes is examined for in this section. I begin by examining Beijing's response to the two sets of proposals to cross-Strait relations presented above. Based on this, I derive the likely outcomes to the bargaining process depending on which value, the KMT or the DPP, is inserted as our independent variable.

107. Chris Wang, “Peace Proposal Puts Taiwan at Risk: Tsai,” *Taipei Times*, October 20, 2011, last accessed December 15, 2011, <http://www.taipeitimes.com/News/front/archives/2011/10/20/2003516192>.

108. Romberg, “The 2012 Taiwan Election,” 13-14.

3.4.1 Beijing's Response to the KMT and the DPP

Since coming to power, Hu has engaged in several notable instances of cross-Strait bargaining. First, after the passage of the “Anti-Secession Law” in 2005 drew ire both internationally and in Taiwan, Hu sent meeting invitations to Lien Chan and James Soong, leaders of the pan-blue camp. In their separate meetings, the three political heavy-weights issued joint communiques signifying their intention to curb trends leading towards Taiwan's independence.¹⁰⁹ Second, in April 2008, following Ma's victory, Hu met with vice president-elect Vincent Siew at the Boao Economic Forum in China. During the meeting that was later said to be of “great positive significance,” Hu described Ma's election as a “historic opportunity [for the improvement of cross-Strait relations].”¹¹⁰ Third, during his speech commemorating the 30th anniversary of the 1979 “Letter to Taiwan Compatriots,” after reiterating the CCP's unwavering commitment to the “one China” principle as the foundation for cross-Strait relations, Hu put forth a six-point proposition “that in tone and nuance suggested possible future flexibility in implementation.” As Romberg argues, “Since it was clear that the two sides were not going to come to a common understanding on the meaning of 'one China,' his proposal focused instead on developing a common understanding on *how to safeguard the 'one China' framework* – with “one China” itself necessarily left undefined.”¹¹¹

Aside from Hu's remarks, more substantive aspects of Beijing's Taiwan policy are evident through statements from its various government agencies in response to developments in cross-Strait interaction, as well as to policies floated by the two Taiwanese parties. For example, after ECFA was signed, a Chinese Ministry of Commerce spokesperson claimed that cross-Strait

109. Lin and Lin, “Hu Jintao's Taiwan Policy,” 296.

110. Romberg, “After the Taiwan Election,” 12.

111. Alan D. Romberg, “Cross-Strait Relations: First the Easy, now the Hard,” *China Leadership Monitor* 28 (Spring 2009): 3-4. (Emphasis original.)

economic relations had entered into a stage of “institutionalized cooperation,” and that the agreement fosters “institutional assurances for the gradual normalization of the cross-Strait economic ties,” and “further liberalization of relations in the future.”¹¹²

Beyond economics, the framework agreement also gave rise to questions concerning Taiwan's international space. As the Ma administration had domestically maintained throughout the negotiation process, ECFA's signature would subsequently facilitate FTAs being reached with other countries. Implicit to this, of course, is that the administration was relying on Beijing to acquiesce on an issue that touches upon the “one China” principle. On this matter, Taiwan Affairs Office (TAO) director Wang Yi acknowledged the political sensitivities surrounding this issue, and stated that he expects China's diplomatic allies to adhere to the “one China” principle. However, he went on to offer that, if peaceful cross-Strait relations continue to be maintained, “pragmatic” and “appropriate” solutions could be found.¹¹³

The even more difficult issues of the peace accord Ma floated recently has been met with caution. In the first official response from Beijing, which came a few days after Ma's proposal, Chen Yunlin recognized that “the signing of a peace accord is a common aspiration of both sides of the Taiwan Strait,” but added that “we still have to put the economy first, and politics later.”¹¹⁴ In a statement a week after, TAO spokesperson Yang Yi went further, stating that a peace accord is part of the “inevitable future” of cross-Strait relations.¹¹⁵

As demonstrated, the primary difference between the KMT's and the DPP's converging

112. Romberg, “Setting the Stage for 2012,” 3.

113. *Ibid.*, 5-6.

114. “Top Negotiator Comments on Ma's Peace Pact,” *China Post*, October 20, 2010, last accessed December 15, 2011, <http://www.chinapost.com.tw/taiwan/2011/10/20/320418/Top%2Dnegotiator.htm>.

115. Jianxing Chen and Binhua Chen, “Guo Tai Ban: Shang Qian He Ping Xie Yi Shi Liang An Guan Xi He Ping Fa Zhan De Bi Ran Qian Jing,” *Xinhua*, October 26, 2011, last accessed December 15, 2011, http://news.xinhuanet.com/2011-10/26/c_111125539.htm. Ben Blanchard, Sally Huang, and Jonathan Standing, “China Welcomes Taiwan President's Peace Proposal,” *Reuters*, October 26, 2011, last accessed December 15, 2011, <http://www.reuters.com/article/2011/10/26/us-china-taiwan-idUSTRE79P1K42011026>.

China policy is their acceptance or rejection of the “one China” principle. On this fundamental issue, Beijing has made very clear on multiple instances that the cross-Strait rapport established in the past three years will not continue unless whoever is elected commits to maintaining relations under a “one China framework.”¹¹⁶ As Wang Yi states in July 2011, “the recognition of [the “1992 Consensus”] became an important precondition to the resumption of consultation between the ARATS and the SEF... [I]f this precondition is removed and this consensus is rejected, it is unthinkable for the ARATS and the SEF to continue their consultation on an equal footing...”¹¹⁷ Following Tsai's reiterated rejection of the consensus less than a month later, a TAO spokesperson responded, “[Tsai's] policies are unrealistic, and are what the mainland can not accept... [I]t will make cross-Straits negotiations impossible to continue, and cross-Straits relations will once again become turbulent and unrestful.”¹¹⁸

3.4.2 Bargaining Outcomes: Policies, Principles, and Negotiation Channels

As noted above, there has been a great degree of convergence between the KMT's and the DPP's respective positions on a broad range of policy issues since the Taiwan's democratization in the late-1980s. This is especially evident in matters that can, in principle, be separated from political issues. Concerns over ECFA, perhaps to date the most ambitious agreement concluded under the SEF-ARATS apparatus, suggests that this remains the case in the present.

116. Vincent Y. Chao, “Beijing Says '1992 Consensus' is an 'Objective Truth,’” *Taipei Times*, January 13, 2011, last accessed December 15, 2011, <http://www.taipeitimes.com/News/taiwan/archives/2011/01/13/2003493381>. Sofia Wu, “Talk of the Day -- Beijing's Political Warnings to Taiwan,” *Central News Agency*, January 14, 2011, last accessed December 15, 2011, http://focustaiwan.tw/ShowNews/WebNews_Detail.aspx?ID=201101140014&Type=aTOD. “Beijing Reiterates Importance of '1992 Consensus,’” *China Post*, May 8, 2011, last accessed December 15, 2011, <http://www.chinapost.com.tw/taiwan/china-taiwan-relations/2011/05/08/301549/Beijing-reiterates.htm>. “1992 Consensus Needed: Beijing Official,” *China Post*, July 29, 2011, last accessed December 15, 2011, <http://www.chinapost.com.tw/taiwan/china-taiwan-relations/2011/07/29/311500/1992-consensus.htm>.

117. Cited in Romberg, “The 2012 Taiwan Election,” 22-23.

118. “DPP Leader's Policy Guidelines Unacceptable,” *Xinhua*, August 24, 2011, last accessed December 15, 2011, http://www.chinadaily.com.cn/china/2011-08/24/content_13184493.htm.

At first blush, it would appear that the KMT and the DPP are completely divided on this issue. During the peak of ECFA's political salience from late-2009 throughout 2010, the two parties went through a highly antagonistic process in both the public arena and the legislature,¹¹⁹ and while Tsai has since backed-off from her original plan to fight ECFA through various means,¹²⁰ she still maintains that she would reassess it if elected next year.¹²¹ However, Tsai's position with regards to the economic aspect of the agreement is closer to Ma's than her overall tone would indicate. More than once, Tsai has stated that she is not opposed to closer economic ties with China, as long as agreements are pursued in moderation with regards to their time frame and their emphasis relative to that for ties with other international bodies.¹²² Furthermore, a large part of her charge against ECFA is not based on economic issues, but is rather due to fears of Chinese economic statecraft as it concern Taiwan's sovereignty.¹²³

At the present, it is unclear exactly what kind of cross-Strait economic policy the concepts outlined in Tsai's "10-Year Policy Guidelines" translates to, but regardless of what comes to be proposed, there is no way it should, purely economically speaking, warrant the absolute denial that has already come from Beijing, especially considering that, in response to the KMT's proposal, Beijing was willing to go as far as "concede benefits," for the "simple reason" that "Taiwan compatriots are our brothers."¹²⁴ The fruits on Tsai's "olive branch" may not be as sweet as those offered by Ma, but the complete contrast in Beijing's reaction speaks to the importance of non-economic factors to cross-Strait interaction.

119. Romberg, "Ma at Mid-Term," 1-5.

120. Romberg, "Setting the Stage for 2012," 7-8.

121. Chao, "Tsai Promises to Reassess ECFA."

122. Paul Mozur, Jenny W. Hsu, and Aries Poon, "Taiwan's Tsai Stresses Slower Track for China Ties," *Wall Street Journal*, September 2, 2011, last accessed December 15, 2011, <http://online.wsj.com/article/SB10001424053111903895904576544401732534060.html>.

123. Romberg, "Setting the Stage for 2012," n. 8.

124. "Mainland Willing to Sacrifice Some Interests in Economic Pact with Taiwan: Wen," *Xinhua English*, February 27, 2010, last accessed December 15, 2011, http://news.xinhuanet.com/english2010/china/2010-02/27/c_13190718.htm.

Indeed, as has always been the case, the issue of “one China” is the main sticking point in cross-Strait relations. It is clear that the two sides, regardless of who holds office in Taipei, have overlapping interests that can be obtained through cooperation – if they can agree to the basis of cooperation. Since 2008, through Ma's tactic of agreeing-to-disagree based on the “1992 Consensus,” and Beijing's minor but significant relaxation of its stringent interpretation of “one China,” the two sides have reached a working agreement to reap these gains. The primary product of this is the SEF-ARATS bargaining apparatus under which negotiations “on an equal footing” are possible. The KMT and the CCP also have a history of inter-party cooperation to draw on, with the KMT-CCP Forum as one of many examples of this. However, access through this channel is based on the existence of the current “consensus” between the two parties as well.

In contrast, while the DPP's policy proposals are in many ways similar to that of the KMT's, there does not appear to be the possibility of a mutually-accepted basis for interaction between the DPP and the government in Beijing. Both sides have repeatedly stated their “willingness to talk,” but their respective conditions – that there be no preconditions and that there is one China – make formal negotiations an impossibility; there is no overlap between their bottom-lines. It would appear that the difference between accepting and rejecting the “1992 Consensus” is the line between cooperation and non-cooperation from the Beijing government.

It might be argued that cross-Strait developments can still occur even if the governments do not directly interact with each other through an official negotiation apparatus. From the way the Chen Shui-bian administration established the “mini-three links,” we see that unilateral implementation of policy can be an effective method of driving cross-Strait relations. Recently, in May 2011, Joseph Wu, the Mainland Affairs Council (MAC) chair under Chen, suggested that cross-Strait dialogue under Tsai would likely follow the “Macau model” Chen used, that is, on a

direct industry-to-industry basis, bypassing the need for the SEF-ARATS negotiation apparatus.¹²⁵ Although the DPP had downplayed Wu's remarks, observers believe it is the inevitable form of cross-Strait “negotiations” had Tsai come to power.

However, Tsai faced a context different from what Chen faced. Unlike Chen, who came to office following an equally independence-inclined predecessor, Tsai, had she been elected, would have been starkly contrasted to four amicable years of Ma's adherence to the “1992 Consensus.” In the lead-up to the elections, while Beijing did not formally endorse a candidate, that they prefer Ma is quite apparent.¹²⁶ In fact, the TAO openly questioned Tsai's credibility with regards to her calls for more amicable relations.¹²⁷ This is, without question, an attempt to sway the upcoming election, but it also signals that, after four years of dealing with Ma and the KMT, Beijing had reconsidered its stance with regards to forming pragmatic relationships with both political parties in Taiwan. Beijing might be inclined to punish the DPP for its relatively hawkish stance by waiting out its time in office without allowing any advancement in relations.

3.5 Analysis: Do Subsystemic Variables Significantly Affect Bargaining Outcomes?

Right away, two simple observations can be made from the analysis above. First, there are clear differences between the KMT and the DPP with regards to how they prefer to deal with “China.” Second, there is, at the same time, clear convergence between the two party's respective cross-Strait policies. The question we seek to answer requires us to go beyond this. For the same

125. Vincent Y. Chao, “DPP Downplays Joseph Wu Remarks,” *Taipei Times*, May 6, 2011, last accessed December 15, 2011, <http://www.taipeitimes.com/News/taiwan/archives/2011/05/06/2003502543>.

126. Dafydd Fell, “Election Season Returns to Taiwan: Prospects for Taiwan's National Elections in 2012,” *Brookings Northeast Asia Commentary* 47 (March 2011), last accessed December 15, 2011, http://www.brookings.edu/opinions/2011/0307_taiwan_election_fell.aspx. Romberg, “Setting the Stage for 2012,” 13-14. Romberg, “The 2012 Taiwan Election,” 18-20.

127. “China Questions DPP's Position on Cross-Strait Affairs,” *China Post*, September 30, 2011, last accessed December 15, 2011, <http://www.chinapost.com.tw/taiwan/china-taiwan-relations/2010/09/30/274494/China-questions.htm>.

reason that Moravcsik's claim is not substantiated by the fact that there are differences in domestic preferences, neither is Waltz's by the fact that policy proposals converge despite these differences. We already know of these trends from our examination of the literature. Instead, what we want to find out is the net result of these two opposing forces. While it is true that convergence in foreign policy demonstrates the homogenizing power of systemic level structural forces, it does not answer our question of whether this force is strong enough such that variations in the value of domestic-level variables can be held as constant in our examination. In order to make a conclusion either way, we must determine whether there are identifiable differences in bargaining outcomes given discrepant domestic inputs.

The evidence from our empirical examination suggests that a purely systemic approach is insufficient because there are significant differences in bargaining outcomes when different values are entered as the independent variable. Even though there are strong tendencies for the KMT and the DPP to converge due to systemic-level factors,¹²⁸ Beijing's responses, and, by extension, cross-Strait bargaining outcomes, are still likely to differ based on which party holds office in Taipei. There are three interrelated reasons for the difference in Beijing's response.

First, similarity does not equate to interchangeability. As similar as they may be in substance, there is after all a major difference between the KMT's and the DPP's general positions – the adherence, rhetorical or otherwise, to the “one China” principle. This difference not only affects Beijing's willingness to conduct dialogue, but extends to the practical issue of the two sides being unable to agree upon a basis for negotiation. Furthermore, even if we hold the political parties in Taiwan as equals in terms of their formal ability to negotiate with Beijing, that is, assuming that the the DPP and Beijing can bypass their lack of a mutually-accepted bargaining apparatus, there still remains actual differences in their substantive policy positions.

128. Wang, “Democratic Progressive Party's China Policy,” 172-75.

Second, Beijing's current unwillingness to deal with the DPP may be entrenched in deep-seated political memories. Consider what happened in their interactions with the two Taiwanese presidents prior to Ma. Lee Teng-hui's and Chen Shui-bian's respective cross-Strait positions took on a similar trajectory, from initial moderation to outright pro-independence. This has been attributed to both electoral politics as well as personal agenda, but, whatever the case, it is not unreasonable the leaders in Beijing are triggered of these memories when dealing with an independence-affiliated candidate, no matter how conciliatory and pragmatic that candidate's stated policies are. As Suisheng Zhao argues, "the most important legacy of the Lee Teng-hui era to the cross-Strait relationship is the deep distrust and suspicion of Beijing's leaders over intentions of Taiwan's leaders because Beijing's leaders believed that their failure [of national reunification] was due to the betrayal of Lee Teng-hui in the past decade."¹²⁹ Chen's increasingly pro-independence position during his term only exacerbated their distrust. Tsai's background is likely to evoke familiar feelings for the Beijing leadership. Tsai has prior connections to both Lee's and Chen's cross-Strait policies. First, she is generally cited as one of the chief intellectuals behind Lee's "special state-to-state" statement, which has been shown to contain a great degree of similarity with the DPP's 1999 "Resolution regarding Taiwan's Future."¹³⁰ Then, under Chen, she served as the MAC chair and then as the vice premier in Su Tseng-chang's cabinet. Given all this, it would perhaps be more surprising if Beijing did not view Tsai through the same lens they have come to adopt for other pro-independence leaders.

Third, in a bargaining situation, the difference between the positions of one side's potential bargaining representatives is perceived by the other side not only in absolute terms, but also in relative terms. To Beijing, even if the KMT and the DPP are indeed proposing very

129. Suisheng Zhao, "Reunification Strategy: Beijing versus Lee Teng-hui," in *Assessing the Lee Teng-hui Legacy in Taiwan's Politics: Democratic Consolidation and External Relations*, eds. Bruce J. Dickson and Chien-min Chao (Armonk, NY: M. E. Sharpe, 2002), 234.

130. Su, "Driving Forces," 47-49.

similar things, the KMT's is better, if only slightly. The perception of proposals in relative terms, means that, regardless of how close policy proposals converge, one potential representative will always be considered the dove and the other the hawk. Thus, while the KMT's and the DPP's positions converge over time, Beijing will always prefer the former over the latter. Given this, if Beijing has removed the self-imposed time frame for the resolution of the cross-Strait issue, which observations of Hu Jintao's behaviour indicates is the case, then its bargaining behaviour will vary drastically depending on who is in power in Taipei. Without the pressure of a schedule, Beijing can be patient and wait for the better offer. This means rejecting all offers from the relatively hawkish DPP, and dealing only when the dovish KMT is in power.

Because international bargaining is an interaction between at least two sides, simply determining the likely range of bargaining proposal from side A is insufficient for understanding outcomes. To side B, one end of the range will always be relatively more desirable than the other end, thereby affecting how it conducts its bargaining towards potentially very similar proposals.

Chapter 4: Empirical Examination – Integration Test

4.1 Introduction

Having now determined that both the systemic level and the subsystemic levels need to be examined in order to understand the cross-Strait bargain, what remains is the integration test.

Integral to this discussion is the notion of intent. Bargaining theory is concerned with strategic behaviour. Just as statesmen attempt to improve their bargaining position through military upgrades and economic growth, they do so by utilizing their domestic constraints. As such, more than examine for processes and outcomes, a portion of the chapter is centred around demonstrating intent. I begin by examining whether the statesmen engaged in the cross-Strait bargain are aware of the possibilities afforded by domestic constraints. I then examine the bargaining process and current outcomes to three issues, the ballistic missiles deployed along China's coastline, Taiwan's international space, and the ECFA.

4.2 Statesmen's Understanding of the Interactive Logic in Bargaining

The first step to demonstrating intentionality of strategic action is establishing that the actors possess knowledge of the supposed strategic implications of such actions. Their knowledge is to be inferred from remarks made by themselves or by their advisers.

Tsai demonstrated her knowledge of the interactive logic when she engaged Ma in a televised debate over ECFA on April 25 2010. In her opening statement, Tsai questioned, amongst other issues, what she argued were Ma's attempts at bypassing Taiwan's democratic processes in signing and ratifying the agreement. Nested in her statement is the following.

ECFA is not just a domestic issue. It is a bargain between the two sides of the Taiwan Strait. It therefore involves the necessary strategic concerns of bargaining. The president continues to announce our intention to sign the agreement – 'as soon as possible; we must do it.' *This is a major taboo in bargaining. Doing so effectively renounces our future and our bargaining chips*

*to China, and leaves us with nothing to expect from ensuing negotiations.*¹³¹

That Tsai framed her criticism of Ma's manoeuvring to create slack – which, at the time of the debate, include attempts to reduce the public visibility of the negotiation process and the refusal to ratify ECFA through referendum – in terms of relative bargaining power instead of purely as an appeal to democratic institutions indicates that she is aware of the potential of parlaying domestic constraints into concessions from the international counterpart.

On the KMT side, knowledge of the interactive logic can be inferred from a talk Ho Szu-yin, who from 2008 to 2010 served as the National Security Council's deputy secretary-general responsible for foreign affairs, delivered at the University of British Columbia on January 11 2011.¹³² Recounting his time as a cross-Strait negotiator, Ho revealed an instance of informal bargaining between him and a Chinese counterpart over Taiwan's international space. During a meeting, the Chinese diplomat proposed to Ho a trade that would result in China's allowing Taiwan to participate in international organizations in return for Taiwan's surrendering of five diplomatic allies. According to Ho, his response to his counterpart was that if the number of Taiwan's allies drops to below twenty-three, the society in Taiwan will force the government to go back to the old way under the DPP – “This is not what you want.”

As discussed in the previous chapter, one of the significant changes to cross-Strait relations that came under the Ma administration with regards to Taiwan's international space is how the two sides have seemed to tacitly agree upon the “diplomatic truce” that Ma proposed during his inauguration speech. Aside from Taiwan's participation in the World Health Assembly (WHA) that supposedly came through Chinese concession in response to Taiwan forgoing its

131. Tsai Ing-wen, (opening statement given at the ECFA debate, April 25, 2010), 5, last accessed December 15, 2011, <http://info.gio.gov.tw/public/Data/051316274571.pdf>. (Translated by me. Emphasis added.)

132. Szu-yin Ho, (presentation given at the University of British Columbia, Vancouver, BC, January 11, 2011).

UN-bid,¹³³ the truce also includes the understanding that the two sides would refrain from attempts to encroach each others' diplomatic allies through the “check book diplomacy” rampant during Chen Shui-bian's time in office, effectively putting a freeze on the number Taiwan's diplomatic allies at twenty-three. In Taiwan, the maintenance of this number, continually contrasted against the net loss of six under Chen, has been viewed as a significant indicator of the success of Ma's truce.¹³⁴

The domestic sensitivity over this number formed the basis of Ho's response. As an illustration of synergistic bargaining, Ho's story is at best anecdotal evidence. However, as evidence of knowledge, it clearly demonstrates that Ho, a significant negotiator on Taipei's side, is well-aware of the bargaining power afforded by tied-hands.

In the examination that follows, based on the evidence here suggesting that the negotiators in the cross-Strait bargain are knowledgeable about bargaining theory, negotiation statements that appear to follow the logic of bargaining is assumed to be strategic.

4.3 Bargaining Instances

4.3.1 Chinese Ballistic Missiles Aimed at Taiwan

Of the items on the cross-Strait agenda, the issue of China's deployment of over 1,500 missiles aimed at Taiwan is the one that has most often seen the KMT's open attempts at synergistic negotiations. It is also the issue on which the KMT has most evidently failed at obtaining significant concessions.

Since elected to office, Ma and his administration have continually called upon Beijing to

133. Jacques deLisle, “Taiwan in the World Health Assembly: A Victory, With Limits,” *Brookings Northeast Asia Commentary* 29 (May 2009), last accessed December 15, 2011, http://www.brookings.edu/opinions/2009/05_taiwan_delisle.aspx.

134. Shih Hsiu-chuan, “‘Diplomatic Truce’ Splits Academics,” *Taipei Times*, October 16, 2008, last accessed December 15, 2011, <http://www.taipeitimes.com/News/taiwan/archives/2008/10/16/2003426062>.

remove the missiles deployed along the Chinese coastline.¹³⁵ In many of these instances, the “Taiwanese people” has been invoked.¹³⁶ Most recently, Ma said during an interview with BBC Chinese, “Beijing should be very well aware of the feelings of the Taiwanese people... [which is that], 'you claim that you will treat us well, yet you continue to point your missiles at us; how is this treating us well?'”¹³⁷

Beijing's most common response is that the removal of missiles is possible if Taipei agrees to negotiations under the “one China principle.”¹³⁸ Given the enormity of stakes in the missile issue, this has been understood to mean Beijing's pure, unqualified version of “one China” as opposed to Ma's “1992 Consensus,” and has thus been met with rejection.¹³⁹ Other responses include the statement by retired PLA general Li Jijun, that the missiles, despite aimed at the island, are not intended for the “Taiwanese people,” but for “Taiwanese secessionists forces” and foreign attempts to interfere in the Taiwan Strait.¹⁴⁰ This was not well received in Taiwan. Substantively, Beijing has done nothing to the benefit of the KMT. In fact, reports show that deployment of missiles continue to increase both in number and quality.¹⁴¹ While it was

135. Cheng-yi Lin, “Actions More Important than Words,” *Taipei Times*, June 16, 2008, last accessed December 15, 2011, <http://www.taipeitimes.com/News/editorials/archives/2008/06/16/2003414830>.

136. Phil Smith and Lee Chyen Yee, “President Ma Urges China to Scrap Missiles,” *China Post*, October 20, 2009, last accessed December 15, 2011, <http://www.chinapost.com.tw/taiwan/china-taiwan-relations/2009/10/20/229285/President-Ma.htm>. “Ma Wants Unconditional Missile Removal,” *China Post*, August 3, 2010, last accessed December 15, 2011, <http://www.chinapost.com.tw/taiwan/china-taiwan-relations/2010/08/03/267114/Ma-wants.htm>. “Taiwanese Feel Threatened by China Missiles: Minister,” *China Post*, July 31, 2011, last accessed December 15, 2011, <http://www.chinapost.com.tw/taiwan/national/national-news/2011/07/31/311751/Taiwanese-feel.htm>.

137. Ma Ying-jeou, interviewed by Li Wen, *BBC Chinese*, November 25, 2011, last accessed December 15, 2011, http://www.bbc.co.uk/zhongwen/simp/chinese_news/2011/11/111125_interview_mayingjiu.shtml. (Translated by me.)

138. “China Missile-Removal Offer Goes Unanswered,” *China Post*, July 31, 2010, last accessed December 15, 2011, <http://www.chinapost.com.tw/taiwan/china-taiwan-relations/2010/07/31/266855/China-missile-removal.htm>.

139. “Taiwan Rejects Beijing Plan for Missile Talks,” *China Post*, August 1, 2010, last accessed December 15, 2011, <http://www.chinapost.com.tw/taiwan/china-taiwan-relations/2010/08/01/266911/Taiwan-rejects.htm>.

140. “Li Ji Jun: Cheng Ren 'Yi Zhong' Qiang Guo Yong Bing Wu Shi Wan,” *BBC Chinese*, November 11, 2009, last accessed December 15, 2011, http://www.bbc.co.uk/zhongwen/trad/china/2009/11/091115_twchina_retired_generals.shtml.

141. Ralph Jennings, “China Increases Missiles Pointed at Taiwan to 1,500,” *Taipei Times*, February 15, 2009, last accessed December 15, 2011, <http://www.taipeitimes.com/News/front/archives/2009/02/15/2003436194>.

speculated earlier during Ma's term that Beijing might redeploy a portion of the missiles in response to Ma as a sign of goodwill in order to guarantee his reelection, the elections in Taiwan passed without any move from Beijing on this matter.¹⁴² Concessions on Beijing's part would have been a prime example of successful synergistic bargaining in the form of “COG collusion.”

4.3.2 Taiwan's International Space and Political Status

Disagreements between Beijing and Taipei over Taiwan's international space – participation in international organizations and diplomatic relations with other countries – are due to issues concerning Taiwan's political status. If Taiwan is, as Beijing claims, a part of the PRC, then its involvement in institutions that require statehood is rightfully questioned. However, if it is the independent ROC that the majority of Taiwanese people believe it to be, then it should have the freedom to participate in the international community as it wishes. Since the early 1980s, the outcome between these two opposing claims has been in China's favour. Successful bargaining on Taiwan's part would be the reversal of this trend, or, to a lesser extent, prevention of it from becoming further exacerbated. On this issue, Ho Szu-yin's account above, while anecdotal, is representative of the interaction between Taipei and Beijing.

As discussed, Ma's approach to dealing with international space has been to shelve the issue of Taiwan's political status through the “in accordance to each side's own interpretation” qualifier in the “1992 Consensus.” Doing so has allowed his administration to cooperate with Beijing based on its adherence to “one China,” while preserving its domestic legitimacy by emphasizing to his constituents at home that this “China” is the Republic of China.¹⁴³

Rich Chang, “China Aims New Missile Types at Taiwan, NSB Says,” *Taipei Times*, March 17, 2011, last accessed December 15, 2011, <http://www.taipeitimes.com/News/front/archives/2011/03/17/2003498376>.

142. Annie Huang, “Taiwan Leader Says China May Dismantle Missiles,” *China Post*, May 19, 2010, last accessed December 15, 2011, <http://www.chinapost.com.tw/taiwan/china-taiwan-relations/2010/05/19/257224/Taiwan-leader.htm>.

143. Romberg, “Ma at Mid-Term,” 10-11.

Beijing's continued acquiescence to this qualified version of the "one China principle" can, in part, be attributed to interactive logic. Since coming to office, Ma has linked the status quo, "as Taiwan's mainstream public holds it," to his "three no's" policy of no unification, no independence, and no use of military force, which he claims to be his electoral mandate.¹⁴⁴ Based on this, he has been able to justify to Beijing the necessity of the interpretation qualifier. Notably, it was observed that towards the end of 2010 Beijing had felt the need to obtain from Ma a redefinition of the "1992 Consensus" closer to its terms, but backed down from exerting pressure because it was perceived to have put Ma vulnerable to attacks on his legitimacy from the DPP.¹⁴⁵

On more specific issues concerning Taiwan's international space, whether there have been gains based on interactive bargaining is more ambiguous. Issues possible to be explained as Chinese concessions are the maintenance of Taiwan's twenty-three diplomatic allies (attributable to tied-hand bargaining), and Taiwan's invitation to participate in the WHA under observer status (attributable to "COG collusion").¹⁴⁶ Yet, success is limited, and, as many have claimed, has come at a steep price.¹⁴⁷

4.3.3 The Economic Cooperation Framework Agreement (ECFA)

The ECFA, signed on June 29 2010 and ratified in the Taiwanese legislature on August 17 of the same year,¹⁴⁸ remains to date the most significant formal agreement between China and

144. Ko Shu-ling, "Future is up to the People, Ma Aide Says," *Taipei Times*, June 18, 2009, last accessed December 15, 2011, <http://www.taipeitimes.com/News/front/archives/2009/06/18/2003446470>.

145. Romberg, "Setting the Stage for 2012," 12-14.

146. Shih Hsiu-chuan, "Taiwan to Attend WHA," *Taipei Times*, April 1, 2011, last accessed December 15, 2011, <http://www.taipeitimes.com/News/taiwan/archives/2011/04/01/2003499642>.

147. Romberg, "Ma at Mid-Term," 11-12; Romberg, "The 2012 Taiwan Election," 4-8. deLisle, "Taiwan in the World Health Assembly." Cheng-yi Lin, "Wai Jiao Xiu Bing, Qian Zai Fu Mian Xiao Ying Nan Ji: Ma Zheng Fu Guo Jia An Quan Jian Shi," *Taiwan Think Tank* 6 (April 2010): 34-38, last accessed December 15, 2011, http://www.taiwanthinktank.org/page/chinese_attachment_5/1426/201004s.pdf.

148. Shih Hsiu-chuan and Vincent Y. Chao, "ECFA Receives Legislative Approval," *Taipei Times*, August 18, 2010, last accessed December 15, 2011, <http://www.taipeitimes.com/News/front/archives/2010/08/18/2003480686>.

Taiwan. As Tsai correctly charged during the ECFA debate, the Ma administration had attempted to create domestic slack since proposing the pact to China. It has done so in two ways. First, the Ma administration attempted to obviate the dissatisfaction of the Taiwanese public likely to result from a transparent negotiation process which publicizes the expected gains and losses of the agreement. During the early stages of negotiations, information regarding ECFA, especially concerning the likely disadvantaged groups, was kept out of the public purview. Furthermore, now that the general framework agreement has been signed and ratified, the more substantive negotiations are being conducted through the ECFA-mandated “Cross-Strait Economic Cooperation Committee.”¹⁴⁹ Its specialized nature facilitates the KMT's likely desire for these negotiations to be perceived as being technical ones that the public should not be bothered with. Second, the Ma administration facilitated ECFA's ratification by submitting it to the less rigorous review process. Given the ambiguous nature of the legal relationship between the Mainland and Taiwan, the proper mechanism for the ratification of agreements is up to debate. The DPP and the Taiwan Solidarity Union, another member of the pan-green alliance, called for ECFA's review through referendum, but Ma argued that such a process is unnecessary as the agreement is purely economic in nature and does not concern Taiwan's sovereignty.¹⁵⁰ Because both of the bids submitted by the pan-green for a referendum on ECFA were denied by the Referendum Review Committee,¹⁵¹ ECFA was ratified in the legislature where the KMT holds majority.¹⁵²

Beijing, on its part, made all the right statements to woo the Taiwanese public. Both Hu Jintao and Wen Jiabao made sure to convey on separate occasions Beijing's willingness to

149. “ECFA 'Cross-strait Economic Cooperation Committee' and TIFA 'Trade And Investment Committee' Both Serve as Platforms for Equal Negotiations,” *Mainland Affairs Council*, June 15, 2010, last accessed December 15, 2011, <http://www.mac.gov.tw/ct.asp?xItem=85686&ctNode=5921&mp=3>.

150. Ko Shu-ling, “No Referendum is Needed on ECFA proposal: Ma,” *Taipei Times*, May 20, 2009, last accessed December 15, 2011, <http://taipeitimes.com/News/front/archives/2009/05/20/2003444073>.

151. Alan D. Romberg, “All Economics Is Political: ECFA Front and Center,” *China Leadership Monitor* 32 (Spring 2010): 5.

152. “ECFA Receives Legislative Approval.”

“concede benefits” and “try [its] best in everything that will benefit the Taiwan compatriots.”¹⁵³ TAO director Wang Yi, as well, in an interview with a Taiwanese newspaper, promised concessions with regards to the items on the initial tariff reductions list.¹⁵⁴ Furthermore, as noted in the previous chapter, even when the economic issue, considered to be an easier issue to discuss, extended to the more sensitive political concern of Taiwan's international space, specifically with regards to the potential for Taiwan to sign FTAs with other countries, Beijing offered that “pragmatic” and “appropriate” solutions could be found.¹⁵⁵ Since the signature of ECFA, Taiwan has begun to engage various other countries in exploratory FTA talks. While it is generally unclear how much of this is the result of ECFA and Beijing's acquiescence, in at least one case, the proposed FTA between Taiwan and Singapore, Beijing's position was understood to be a significant factor to its possibility.¹⁵⁶

The observed behaviour from Taipei and Beijing, that is, the KMT attempting to untie its hands instead of using constraints as bargaining power, and Beijing making concessions despite this, can be explained in two ways. First, it could be the case that the two governments, both in favour of the deal, were facing substantial domestic constraints from Taiwan such that they felt threatened that the agreement might not be ratified. Indeed, the resistance ECFA was facing from the DPP was not taken lightly as there was always the possibility that the DPP, which was already inciting street protests and calling for referendums, would seek to legally nullify ECFA, made easier by Article 16 of the agreement which allows for its unilateral termination,¹⁵⁷ if

153. “Mainland Willing to Sacrifice Some Interests in Economic Pact with Taiwan: Wen.” Romberg, “All Economics Is Political,” 2.

154. Romberg, “All Economics Is Political,” 3.

155. Romberg, “Setting the Stage for 2012,” 5-6.

156. Ralph Jennings, “Taiwan, Singapore to Pursue Trade Pact,” *Reuters*, August 5, 2010, last accessed December 15, 2011, <http://in.reuters.com/article/2010/08/05/idINIndia-50639920100805>. “Taiwan-Singapore FTA Hinges on Cross-Strait Ties,” *China Post*, May 9, 2008, last accessed December 15, 2011, <http://www.chinapost.com.tw/taiwan/business/2008/05/09/155579/Taiwan-Singapore-FTA.htm>.

157. “Cross-Straits Economic Cooperation Framework Agreement,” (signed between the SEF (Taiwan) and ARATS (China), June 29, 2010), last accessed December 15, 2011, <http://www.ecfa.org.tw/EcfaAttachment/ECFADoc/ECFA.pdf>.

elected in 2012. Second, the KMT could have been acting on its more “internationalist” position regarding trade with China, independent of what Beijing was conceding. Irrespective of the KMT's behaviour, domestic constraints in Taiwan led to concessions from Beijing.

4.4 Analysis: Is There Evidence of Interactive Bargaining Behaviour?

Three issues in the overall cross-Strait bargain – one security, one political, and one economic – were examined in the preceding section. Evidence of the interactive bargaining logic was found in all three cases.

More than once, the Taipei government openly invoked the “feelings of the Taiwanese people” in attempts to obtain concessions in the international bargain from Beijing. This was the case for the removal of the ballistic missiles deployed along China's coastline, and for Taiwan's increased autonomy to participate in the international community. In the ECFA negotiations, the Ma administration was observed to have attempted to create domestic slack instead of using the constraints created by the DPP as a bargaining chip. As discussed in chapter two, it must be ascertained in such cases whether this behaviour is ascribable to the bargaining context, (i.e. the negotiator was facing constraints such that an agreement could not have been reached without creation of slack,) or to the negotiator's internal preferences. Exactly what motivated the KMT's decision to untie its hands is indeterminable from our examination, but, given the context, the former explanation is not unlikely.

Evidence of intentional synergistic bargaining, however, does not mean that all such attempts were successful. In fact, as the two-level theorists found, despite attempts to achieve synergy, successful cases in which concessions were obtained are rare. Of the bargaining instances examined, by far the most conclusive evidence of failed synergistic bargaining was in

the case of the removal of ballistic missiles. Not only was there no freeze in the deployment and upgrade of missiles, the Ma administration failed to obtain rhetorical concessions from Beijing even in the lead-up to the 2012 elections. Results are inconclusive with regards to Taiwan's political status and international space, but signs point to a limited degree of success. In the general bargain over Taiwan's political status, Ma has continued to secure Beijing's acquiescence towards his use of the "1992 Consensus," the qualified version of "one China," as the basis for cross-Strait cooperation. However, Beijing's concessions on more specific aspects of Taiwan's international space, such as its participation in international organizations, has been limited to a very small number of cases. Finally, the ECFA negotiations demonstrate the clearest instance in which domestic constraints led to concessions at the international level. To ensure the ratification of ECFA, Beijing went as far as to make marginally-political concessions on its position regarding Taiwan's direct pursuit of FTAs with other countries.

The empirical evidence presented in this chapter supports Moravcsik's claim that integration between systemic and subsystemic levels must be based on the interactive approach. Together, they demonstrate the importance of the interactive logic in the cross-Strait bargain.

Finally, by this point in the examination, it has been observed in more than one instance that synergy between levels lead to international concessions despite the lack of intentional bargaining. The most illustrative example is the overwhelming evidence presented in the preceding chapter regarding the fact that Beijing prefers the KMT's reelection. As discussed, in order to ensure that the KMT stays in office, Beijing has been more lenient towards Ma than it has been towards Tsai, much more than warranted by the substantive differences between the two parties' respective cross-Strait policy proposals. In fact, many of Beijing's concessions examined in this chapter can be understood in this broader context.

While it is highly unlikely that there is actually intentional “COG collusion” between Ma and Beijing given the severity of the consequence of the matter, there certainly has been the effective manifestation of this owing to Beijing's preference for the KMT over the DPP. Corroborating the earlier discussion based on McGillivray and Smith's examination of agent-specific punishment and economic sanctions, we see that because there is the existence of a hawk (DPP), the dove (KMT) becomes more valuable, and the bargaining opponent (Beijing) shows signs of catering to the dove, or punishing the hawk, in order to ensure that the party more preferable to itself remains in office.

Chapter 5: Discussion and Conclusion

The cross-Strait bargain between China and Taiwan is one in which there are a multitude of factors in play at many levels. A sound understanding of the cross-Strait bargain – for the purpose of explaining, predicting, and potentially shaping it – requires a methodological approach to this levels of analysis puzzle. Robert Putnam's two-level game has received endorsement from many cross-Strait scholars as the most fitting. Yet, a review of the literature shows that scholars who approach the cross-Strait bargain through the two-level game tend to make the unexamined assumption that the domestic level needs to be incorporated in a specific way as justification for their chosen methodological approach. Most often, they do not return post-examination to assess this initial assumption. As such, despite the two-level game's apparent applicability to the cross-Strait bargain, we cannot be sure whether it is indeed the approach with the highest relative utility.

With this in mind, I sought to determine what the relevant levels of analysis to the cross-Strait bargain are, and, if there are more than one, how to integrate them. Proceeding from the two-level game as a springboard to my examination, I derived two working hypotheses from Andrew Moravcsik's introduction to *Double-Edged Diplomacy*, the edited volume that grew out of the two-level research programme and examined them against the most recent iteration of the cross-Strait bargain. In order to answer the “how” question with more nuance, I also reviewed two sets of works that grew from Putnam's original article. In the following paragraphs, I briefly summarize my findings from the empirical examination. Then, by way of conclusion, I discuss them in terms of the two sets of literature reviewed.

My examination in chapter three demonstrates first the power of structural forces at the systemic levels. When domestic parties with widely divergent preferences converge to such a

great extent on their policy, there is no denying that systemic variables greatly affect state behaviour. While a purely systemic examination cannot very well account for sudden changes in domestic variables – such as my hypothetical substitution of political parties – it is more useful when accounting for longer-run outcomes, evident from the constancy of the parties' policies save for large-scale changes at critical junctures. If current trends continue without a resolution being reached, the cross-Strait policies of the KMT and the DPP may converge even further, and the negative historical memories Beijing holds towards the DPP may come to be forgotten.

Ultimately, however, the examination illustrates the necessity to include domestic-level variables, most significantly the bargaining agent's party affiliation, in studies concerned with cross-Strait bargaining outcomes in any time frame shorter than the longest of the long runs. The evidence clearly demonstrates that leaders in Beijing act differently according to whether the KMT or the DPP is in office as Taiwan's international bargaining agent. A variety of factors can be used to explain their behaviour, but regardless, they are all factors unaccountable from the systemic level alone. The selection test suggests that a purely systemic approach does an imperfect but adequate job at *explaining* historical outcomes in the cross-Strait bargain. It is less useful when predicting, however, as we seek to predict in order to react to and shape outcomes – both presumably with more immediate results in mind.

Chapter four demonstrates that the cross-Strait context is one in which variables interact across levels according to the interactive logic, in such a way that domestic constraints can be, under certain conditions, a form of power in the international bargain. Evidence of the interactive logic was present in all three bargaining instances. In two of them, the issues of removing the Chinese missiles aimed at Taiwan, and Taiwan's international standing, the KMT clearly attempted to obtain concessions from Beijing by conveying the state of its domestic constraints. These attempts were met with mixed results. In the other, the negotiations over ECFA, Beijing

made small but significant concessions when the economic issue came to be linked to politics.

Beyond these immediately apparent conclusions, it is clear that many questions remain, especially with regards to the “how” question – we know that interaction is present, but in what way? What conditions are conducive to successful synergistic bargaining and why? What do we need to know to potentially shape outcomes?

The review of the literature that grew out of Putnam's two-level game shows that some scholars point to the dovishness of the bargaining agent – that he is seen as a friend who is more cooperative than other domestic groups, whether they be other potential bargaining agents or the domestic constituency – as an important factor to successful synergistic bargaining. Generally speaking, evidence from my examination supports this relationship. One of the most prominent findings from chapter three is the difference between the ways Beijing conducted affairs with the KMT and the DPP. With the primary variable between the two Taiwanese parties being their relative dovishness, both real and perceived, the KMT obtained a certain degree of concessions from Beijing on two of the three issues examined, while the DPP was denied even negotiation opportunities. On the issue of missile-removal, for which no visible concessions were made, the context suggests that Beijing is close to its bottom-line such that there was no way concessions could be made regardless of the benefits “agreement” and “ratification” would bring. Credible threat as a casual mechanism for the relationship between dovishness and ability to obtain concessions, however, was not demonstrated either way. There was nothing to suggest how Beijing perceived Ma's claims of involuntary defection with regards to his relative dovishness.

The review also demonstrated how differences in a negotiator's dovishness affect perceived payoffs to a bargain, and in turn the negotiator's willingness to keep his hands tied entering a bargain. Scholars argue that while domestic constraints can lead to concessions from

the other side, the resulting agreement can fall farther from a dovish negotiator's ideal outcome than it would otherwise. In these instances, because overly strong constraints can be overly-protector for a dovish negotiator, we should expect that he would rather untie his hands prior to arriving at the international table. I argue that this is not universally applicable. There are cases in which the ideal points of all actors on the same side invariably rests on the most “hawkish” point of the spectrum, and dovishness is measured by willingness to concede. In these cases, no domestic constraint is too hawkish unless it precludes ratification. Findings from the cross-Strait context suggests that this difference does exist, as Ma attempted to obtain concessions on missile-removal and Taiwan's international space, while untying his hands from domestic constraints when it came to economic negotiations.

That doves benefit because opponents seek opportunities to punish hawks to influence the agent-selection process was clearly evident from Beijing's behaviour. While it never openly endorsed the KMT in the lead-up to the elections, various high-ranking Beijing officials questioned Tsai's credibility, and openly discussed the importance of the “1992 Consensus” to successful cross-Strait cooperation. Article 16 of ECFA, the unilateral termination clause, was a source of concern for the for the Taiwanese public, with many worried that Beijing will exercise this clause if the DPP is elected to office.¹⁵⁸ This has certainly had an effect on the agent-selection process in Taiwan. Most saliently, for example, on the eve of the 2012 elections, Chairwoman Cher Wang of HTC Corp., Taiwan's largest mobile phone manufacturer, openly endorsed the “1992 Consensus,” citing it as the reason HTC was able to penetrate the Chinese market.¹⁵⁹ While most polls had already predicted Ma to win, it is widely speculated that Wang's

158. “ECFA Termination Clause a “Safety Valve,” MAC Says,” *China Post*, June 30, 2010, last accessed March 9, 2012, <http://www.chinapost.com.tw/taiwan/national/national-news/2010/06/30/262701/ECFA-termination.htm>.

159. Chris Wang, “Councilor's Call for HTC Boycott Draws a Mixed Response,” *Taipei Times*, January 19, 2012, last accessed March 9, 2012, <http://www.taipetimes.com/News/taiwan/archives/2012/01/19/2003523591>. Shih Hsiu-chuan, “Analysis: No Full Democracy, Academics Say,” *Taipei Times*, January 30, 2012, last accessed

comments contributed to the unexpectedly large margin between Ma and Tsai.¹⁶⁰

Similar to Schoppa's findings with regards to “participation expansion” and “alternative specification,” my examination of Beijing's agent-specific punishment of the DPP demonstrates that successful attempts by Beijing to manipulate the Taiwanese domestic preferences depend upon the existence of shared interests within the Taiwanese population. As noted above, since failing in 2000 to deter the Taiwanese public from electing Chen, and having potentially aided his election in the process, Beijing has become much more careful with attempting to manipulate the Taiwanese preferences. Instead of active threats, verbal or military, at election time, Beijing has learned to rely on the ongoing process of economic integration between China and Taiwan, coupled with preferential treatment to the KMT, to mobilize China-friendly economic interests into the successful manipulation of domestic preferences. In the terms of the earlier discussion on economic sanctions, Beijing has successfully institutionalized agent-specific punishments as a mechanism for influencing the selection of foreign agents. Compared with Zhu Rongji's attempts to manipulate the Taiwanese elections through direct threat in 2000, the results of the 2012 elections demonstrate that it is much more effective to manipulate the aggregate domestic preferences by mobilizing previously uninvolved segments within the society over a long period of time than by changing the individual preferences through easily-perceivable attempts.

Turning at last to the question of shaping bargaining outcomes, my findings suggest a clear course of action for Beijing. Given that its preferences inferred from its behaviour remain constant, it makes sense for Beijing to continue its agent-specific punishment towards the DPP. Following what is expected from the interactive logic, the strategy has thus far successfully mobilized certain segments of the Taiwanese society with interests in-line with that of its own.

March 9, 2012, <http://www.taipeitimes.com/News/taiwan/archives/2012/01/30/2003524236/2>.

160. Alan D. Romberg, “After the Taiwan Elections: Planning for the Future,” *China Leadership Monitor* 37 (Spring 2012): 2-3.

Because many of those mobilized, such as HTC's Cher Wang, hold significant sway within Taiwan due to their economic clout and what they represent as Taiwan's most successful entrepreneurs – Taiwan's economic livelihood – their preference mobilized and made-known is likely to have considerable effects on the domestic aggregate preference in Taiwan. Of course, even now that it primarily operates in the economic realm instead of the political, Beijing has to remain cognizant of the dangers of over-punishing the DPP such that the KMT comes to be labelled as “COG as traitor.”

The fact that the KMT has been able to successfully parlay the existence of the DPP into concessions suggests that Beijing would benefit from the creation of its own “DPP” as a form of domestic constraint. The outcomes of the missile-removal bargain corroborates this notion, and suggests that the People's Liberation Army is a prime candidate to represent such constraints.

The options that Taipei faces are much more complex, especially given that both the KMT and the DPP are viable bargaining agents with potential of being elected to office. This, coupled with Beijing's ongoing agent-specific punishment, presents an interesting dynamic. As discussed above, a reason doves are able to successfully obtain concessions from his counterpart through synergistic bargaining is because the counterpart is likely to punish the hawk. In other words, doves only gain because there are hawks. If the DPP does not exist, or if it has no chance of being elected, Beijing would have no interest in influencing the agent-selection process in Taiwan – the dovish KMT would be elected anyway. We see that following Lee Teng-hui and Chen Shui-bian's terms, Beijing relaxed its conditions when dealing the the KMT beyond what it was willing to offer to Lee and Chen. Given this, we are presented with the situation in which the KMT is the better agent when it comes to gaining concessions from Beijing, but cannot do so unless the DPP spends regular time in office, or has a least a credible chance to do so.

As McGillivray and Smith note, situations such as these – when principals prefer that their agent defects from cooperation, but, to gain from resumed cooperation, will promptly remove him from office when he does – presents the opportunity for collusion. “If citizens promised to compensate a leader for the [loss] of office if the leader defected on their behalf, then the citizens could both have their cake and eat it.”¹⁶¹ They argue that this is impossible because there exists a commitment problem for citizens to compensate the former leaders, and because the other nation would refuse to cooperate knowing that they will be cheated. However, the cross-Strait context demonstrates the possibility of this type of “domestic inter-party collusion.” First, the DPP’s compensation comes from the possibility of winning the next election, as the influence of Beijing’s agent-specific punishment on agent-selection is not absolute – indeed, in the face of Beijing’s punishments, the DPP has largely been willing to continue its “defect” strategy. Second, Beijing has thus far remained willing to be “cheated,” as, to it, this is still better than the alternative. My findings here suggest that it is neither the KMT nor the DPP that is able to obtain the best position for Taiwan *vis-à-vis* China, but rather the combination of their respective dovishness and hawkishness that best accomplishes this. Domestic inter-party “collusion” at the expense of Beijing, then, is effectively maintained through a balanced electoral process in Taiwan. This allows the parties to understand the roles they play in the bargain with Beijing, and suggests that over-convergence to the centre, especially by the DPP, reduces this advantage that Taipei holds over Beijing.

161. McGillivray and Smith, “The Impact of Leadership Turnover,” 817, fn. 21.

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