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China-Taiwan Relations

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Introduction

Taiwan, home to twenty-three million people, is an island off the southern coast of China that has been governed independently from mainland China since 1949. The People's Republic of China (PRC) views the island as a province, while in Taiwan—a territory with its own democratically elected government—leading political voices have differing views on the island's status and relations with the mainland. Some observe the principle that there is "One China" comprising the island and the mainland, but in their eyes this is the Republic of China (ROC) based in Taipei; others advocate for a de jure independent Taiwan. China and Taiwan maintain a fragile relationship, which has improved during the past seven years but is periodically tested.

'One China' Principle

Beijing and Taipei sharply disagree on the island's status. The PRC asserts that there is only "One China" and that Taiwan is an inalienable part of it. Beijing says Taiwan is bound by an understanding reached in 1992 between representatives of the Chinese Communist Party (CCP) and the Kuomintang (KMT) political party then ruling Taiwan. Referred to as the [1992 Consensus](#), it states that there is only "one China," but with differing interpretations, allowing both Beijing and Taipei to agree that Taiwan belongs to China, while the two still disagree on which is China's legitimate governing body. The tacit agreement underlying the 1992 Consensus is that Taiwan will not seek independence. Taiwan's KMT accepts the consensus as a starting point for future negotiations with the CCP. However, the island's president, Tsai Ing-wen, leader of the Democratic Progressive Party (DPP), has refused to reference the 1992 Consensus when speaking about cross-strait relations. Tsai has emphasized that she seeks to [build trust](#) with the mainland through various channels of communication to ensure stability in cross-strait relations. Other leading voices of the governing DPP have rejected the very existence of the consensus, leaving open the option of a future independent Taiwan.

In 1979, the United States established formal diplomatic relations with Beijing by concluding a [joint communiqué](#) stating that "the United States of America acknowledges the Chinese position that there is but one China and Taiwan is part of China." At that time, U.S. President Jimmy Carter terminated diplomatic relations with the ROC government in Taiwan. But soon after, the U.S. Congress passed the [Taiwan Relations Act](#) (TRA), affirming important unofficial ties with the island. The new legislation replaced the previous bilateral defense treaty, offering a qualified commitment to the island's security and providing for the supply of necessary [defense articles and services](#)."

U.S. arms sales to Taiwan, totaling more than [\\$46 billion \(PDF\)](#) since 1990, have led to U.S.-China friction and an upsurge in bellicose rhetoric across the strait. Political transitions can also prompt tension between Beijing and Washington over Taiwan. For example, in December 2016, Taiwan's Tsai spoke with President-Elect Donald J. Trump [by telephone](#), the first between leaders of the two sides since 1979. Tsai later said the call did not signal a [policy shift](#) for Taiwan.

"Taiwan has a messy history of invasion, occupation, colonization, refuge, and intermarriage."—Salvatore Babones, University of Sydney

Rise of an Island

Ethnic Han Chinese settlers, primarily merchants, [began](#) to arrive in Taiwan in the seventeenth century. The island, now inhabited by a Han Chinese majority, many of whom identify as distinctly Taiwanese, is also home to indigenous peoples who account for around 2 percent of the population. "Taiwan has a [messy history](#) of invasion, occupation, colonization, refuge, and intermarriage," writes University of Sydney Professor Salvatore Babones. Annexed by the Qing dynasty in the

late 1600s, Taiwan was later ceded to Japan in 1895 by imperial China in accordance with a treaty that concluded the Sino-Japanese War. Japan governed it as a colony until 1945, when Japanese forces on the island were required to [surrender](#) to Chiang Kai-shek's ROC military forces.



The ROC, which had governed China for decades, fled to Taiwan after losing the civil war to the Communists in 1949. But Chiang insisted his government continued to represent all Chinese people both on the island and the mainland. Washington and most Western powers affirmed the KMT's stance by long refusing to recognize the Communist government in Beijing, a position most countries later reversed.

Washington's position began to shift under the Nixon administration. Back-channel diplomacy resulted in Washington's formal recognition of the PRC in 1979. The ROC lost its seat representing China at the United

Nations in 1971 to Beijing.

The KMT governed the island from 1949 to 1987 under martial law. Political dissent was harshly repressed and Taiwanese who had long inhabited the island before 1945 faced discrimination. Taiwan held its first free legislative elections in 1992 and presidential elections in 1996. The KMT and coalition partners have historically viewed Taiwan as a part of "One China" and do not support the island's independence. After 2000, the KMT often found itself in opposition to parties representing Taiwanese who had been on the island before 1949 and their descendants. Although riven with its own factionalism, the KMT retains deep ties to the island's business leaders and consistently calls for closer ties with Beijing. The party [lost its majority](#) in Taiwan's legislative body for the first time in the 2016 elections.

The KMT's chief rival, the DPP, was founded in 1986 and became legal in 1989 after a ban on opposition parties was dropped. The DPP has traditionally called for a de jure independent Taiwan as a separate political entity from China, and has become an outlet for the expression of Taiwanese identity. Chen Shui-bian was the first non-KMT politician to serve as president (2000–2008) and pushed for Taiwanese sovereignty. Shortly after his term, Chen was convicted and imprisoned on charges of embezzlement and accepting bribes (he is now on [medical parole](#)).

Beijing closely observes the island's elections. It has favored a steady deepening of ties with Taiwan, forging economic linkages that could ultimately become too costly for the island to sever, thus nudging it closer to unification. However, since the PRC's own leadership transition in 2012, President Xi Jinping has embraced a tougher, nationalistic stance toward all of the special regions it claims, including Hong Kong, Tibet, Xinjiang, and Taiwan alike. Taiwan's election of Tsai has brought closer scrutiny of cross-strait ties from Beijing and Xi has shown a willingness to use pressure to try to limit Tsai's ability to reset the island's relations with the mainland. For example, Beijing [suspended](#) a cross-strait communication mechanism with the main Taiwan liaison office in June 2016 because of Tsai's reluctance to adhere to the 1992 Consensus.

Meanwhile, Taiwanese leaders consider the reestablishment of formal diplomatic relations with major powers and international organizations essential if Taiwan is to survive separately from the Communist mainland. Only twenty-two countries maintain diplomatic ties with the island.

Military Situation

China has deployed [missiles along the Taiwan Strait](#) and continues to modernize the bulk of its military capabilities. "Preparing for potential conflict in the Taiwan Strait remains the focus and primary driver of China's military investment," says a 2015 U.S. Defense Department [report \(PDF\)](#). Although Beijing continues to seek progress with Taipei through the discussion of economic issues and high-level people-to-people exchanges, it has refused to renounce the use of force to resolve the dispute over the island's status. The PRC's introduction of the [2005 Anti-Secession Law](#), intended to strengthen Beijing's approach to "peaceful national reunification," included language stating that in the event secessionist forces seek independence, Beijing would "employ non-peaceful means" to protect its national sovereignty.

In response, Taiwan continues to purchase weapons, primarily from the United States. In December 2015, the United States [announced](#) a \$1.83 billion arms sale to Taiwan—the first in four years. Between 1979 and 2014, Taiwan ranked as the ninth largest recipient of arms globally. During the same period, the United States supplied more than three-quarters of Taiwan's imported weapons, according to the Stockholm International Peace Research Institute's [arms transfers database](#).

"Preparing for potential conflict in the Taiwan strait remains the focus and primary driver of China's military investment."—U.S. Defense Department

Taiwan's strategic security rests heavily on guarantees offered by the United States under the Taiwan Relations Act. Yet in recent years, security analysts have cited concern over the emerging military imbalance between Beijing and Taipei. "Given the pace of PLA(N) [People's Liberation Army Navy] modernization, the [gap in military capability \(PDF\)](#) between the mainland and Taiwan will continue to widen in China's favor over the coming years," writes the Congressional Research Services' naval affairs specialist Ronald O'Rourke. When former President Ma Ying-jeou's KMT government came to power in 2008, the ROC government committed to boosting military spending to 3 percent of GDP, up from 2.2 percent. However, Taiwan's \$10.4 billion [defense budget \(PDF\)](#) in 2014 was a mere 2 percent of GDP and represented 16.2 percent of the total budget, compared to 1994 levels of 3.8 percent and 24.3 percent, respectively.

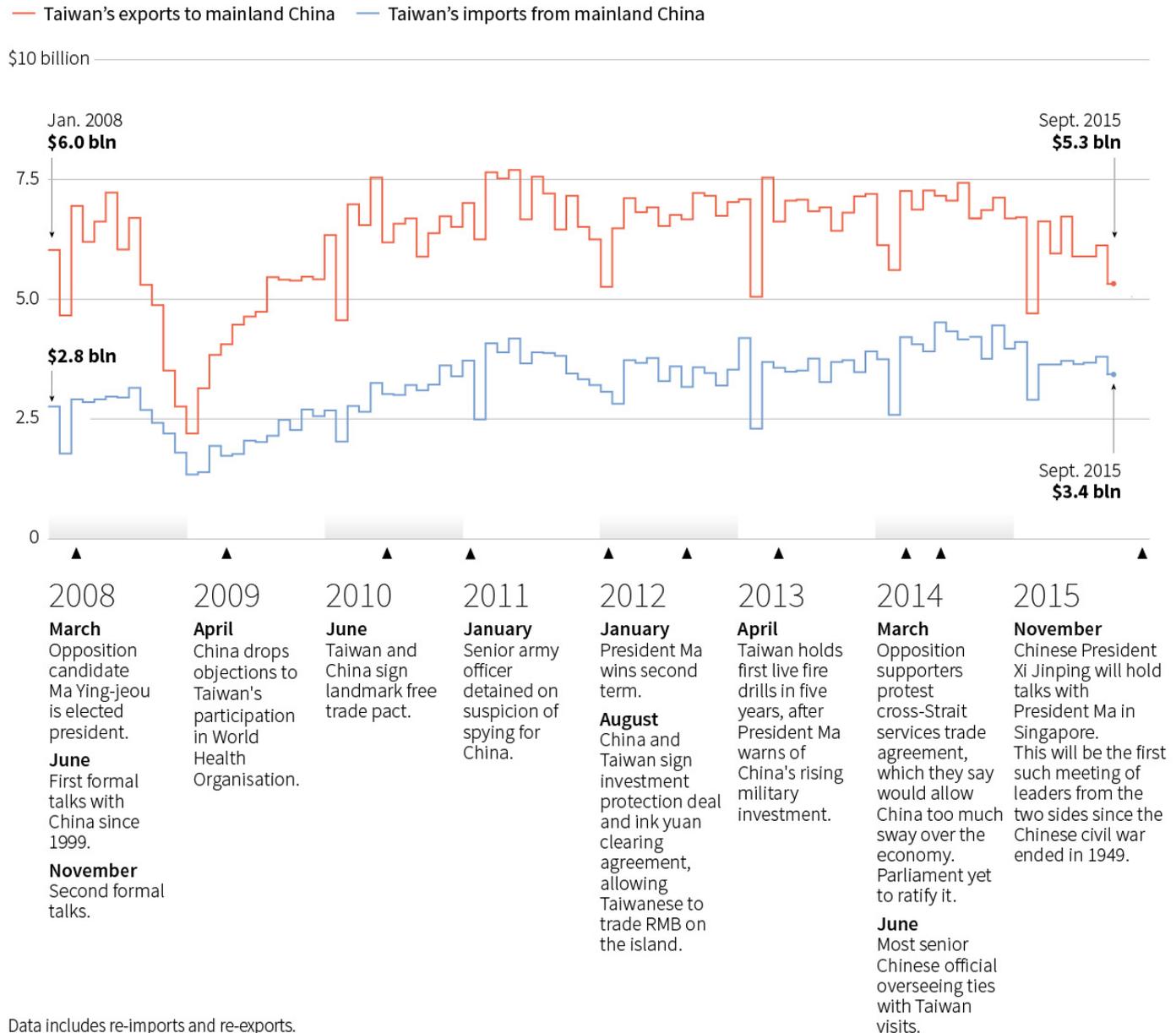
Economic Rapprochement

Taiwan began investing in China after reform policies were implemented by PRC leader Deng Xiaoping in the late 1970s. Despite intermittent friction, the cross-strait economic relationship has blossomed. China entered the World Trade Organization in 2001 and, within a month, Taiwan entered as "[Chinese Taipei](#)." The island holds member, observer, or other status in more than [forty organizations \(PDF\)](#), such as the Asian Development Bank, APEC, OECD committees, the International Civil Aviation Organization, and regional fishery organizations. Beijing said in November 2015 that it would [welcome](#) Taiwan's membership in the Chinese-led Asian Infrastructure Investment Bank "under the appropriate name."

Bilateral trade between China and Taiwan in 2014 reached [\\$198.31 billion](#), up from [\\$8 billion in 1991 \(PDF\)](#). China is Taiwan's largest trading partner, accounting for almost [30 percent](#) of the island's total trade (including the mainland, Hong Kong, and Macao), according to Taiwan's bureau of foreign trade. Likewise, Taiwan ranked seventh among China's [top ten trading partners](#) in 2015. Over ninety-three thousand Taiwanese businesses have [invested](#) in the mainland since 1988. Reciprocal mainland investment in Taiwan is on the [rise](#) but increasing at a slower rate. China and Taiwan have also agreed to allow banks, insurers, and other financial service providers to work in both markets. In 2015, the number of [direct flights](#) between China and Taiwan hit just under nine hundred per week, up from 270 in 2009. More than 9.4 million people traveled across the strait in 2014, and in September 2015 Taiwan upped its daily quota of mainland visitors from four thousand to five thousand.

Taiwan-China trade

Since 2008, Taiwan's China-friendly President Ma Ying-jeou has signed a series of landmark trade and economic agreements with Beijing, but both sides have showed little desire for political dialogues.



Staff, C. Inton, 04/11/2015

REUTERS

President Ma (2008–2016) signed more than twenty pacts with the PRC, including the 2010 [Economic Cooperation Framework Agreement \(ECFA\) \(PDF\)](#), a cross-strait agreement to lift barriers to trade. Large Taiwanese corporations reap the majority of the benefits from stronger commercial ties with the mainland while average Taiwan residents' concerns over economic security mount. (Taiwan's economy grew only [0.85 percent](#) and youth unemployment was [almost 13 percent](#) in 2015, and [property prices](#) are soaring.) Many residents also believe that Ma brought Taipei closer to Beijing without transparency and against the will of the Taiwanese people. Ma attended a historic meeting with China's Xi in November 2015, the first between cross-strait political leaders, but Ma's approval ratings hovered near record lows in his last two years in power. KMT electoral losses in November 2014 and 2016 were widely interpreted as dissatisfaction with Ma's China warming policies.

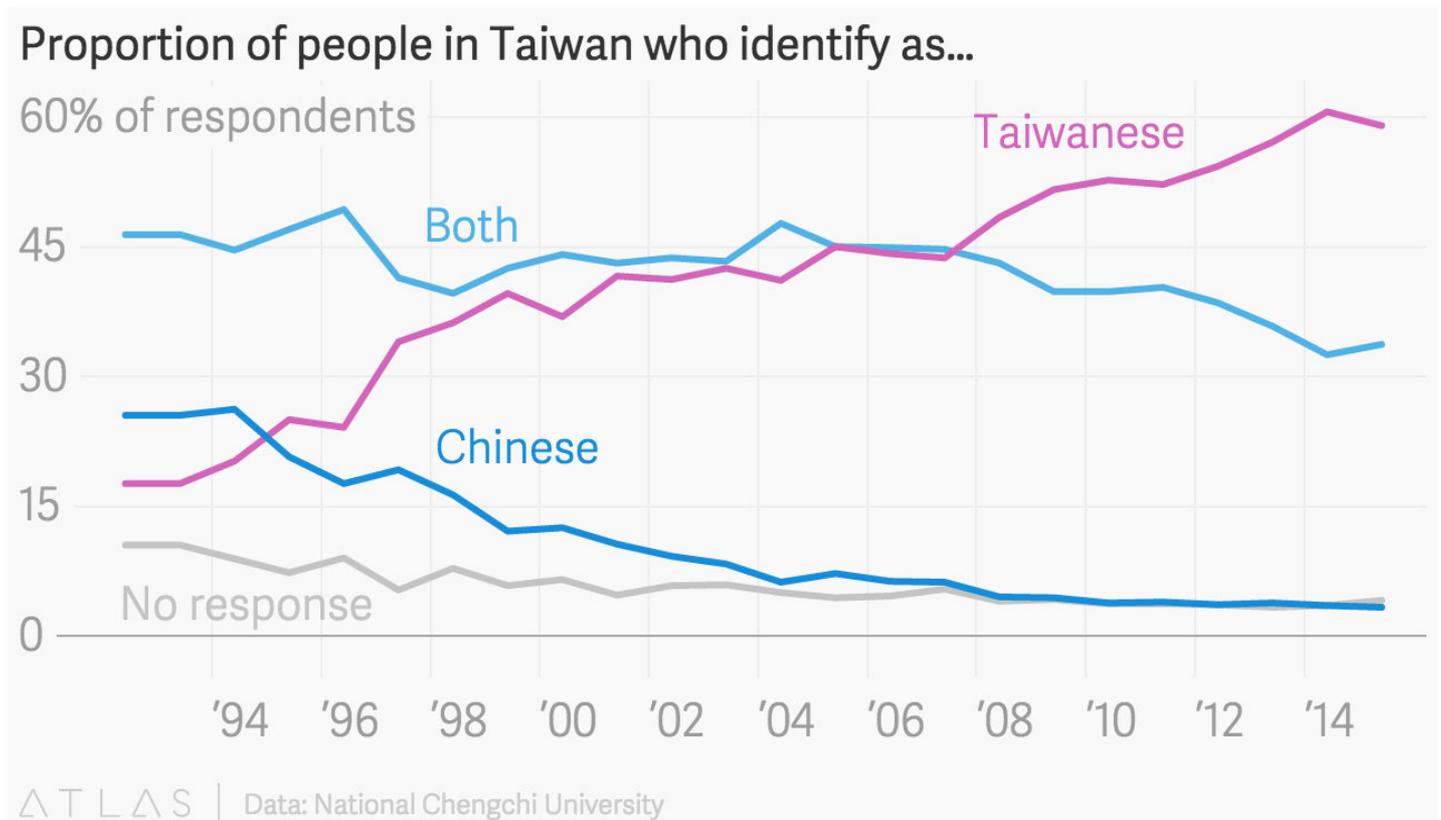
Economically, Taiwan has sought to diversify its commercial partnerships to avoid outright dependence on the mainland. In addition to ECFA, Taiwan has [signed](#) a handful of other free-trade pacts, including a deal with [New Zealand](#) in 2013—Taiwan's first with a developed economy. The government in Taipei will likely further expand other economic

partnerships: investments by Taiwanese firms in Southeast Asia's six largest economies have **doubled** over the past five years, reaching more than \$13 billion between 2011 and 2015.

Rise of Taiwanese Identity

The backlash against the ruling KMT in exit polls after the 2016 elections raises further questions about societal views over ties with Beijing. Scholars cite the **228 Incident**, a Taiwanese uprising against the KMT-led ROC that was violently suppressed in 1947, as the root of a strong ethnic Taiwanese identity that sowed the seeds for democratization.

Generations of **democratic practices (PDF)** seem to have bound together the Taiwanese people and polity. Though most people across the Taiwan Strait speak Mandarin as their first language, more than a century of separation has led a growing number of Taiwanese to feel they deserve the right to continue a separate existence. Nearly 60 percent of the island's residents regard themselves as exclusively Taiwanese, according to a **2015 survey** conducted by the National Chengchi University. Comparatively, 33.7 percent identify as both Taiwanese and Chinese, down from 47.7 percent in 2004, while only 4.1 percent consider themselves only Chinese, a figure that has dwindled since its peak at 26.2 percent in 1994.



Quartz

“The **political awakening** of youth in Taiwan was driven as much by practical frustrations as by political ideals,” wrote freelance writer Anna Beth Keim in a January 2016 post for the Asia Society. **Frustrations** over financial insecurity and economic inequality, as well as dissatisfaction with Taiwan's political factions, have given birth to a groundswell of domestic political activity—largely referred to as Taiwan's “**third force**.”

Meanwhile, China's Xi has emphasized the need for Taiwan to adhere to the “One China” principle. He referred to Taiwan's independence forces as being “the **biggest hindrance** for the peaceful development of the cross-strait ties [and the] biggest threat of the cross-strait stability.” China-based experts say that the election of pro-independence leaders in Taiwan may shift Beijing's top security concern from territorial disputes in the East and South China Seas to defending territorial integrity across the Taiwan Strait. In March 2016, after Tsai's election, Xi reiterated that China “will **resolutely contain** the separatist path of any form of Taiwan independence.”

Though Taiwan's main political parties diverge on how best to manage the island's relationship with Beijing, experts caution that both Beijing and Taipei must both take responsibility for avoiding a crisis. “A **peaceful cross-strait relationship (PDF)** is central to the stability and prosperity of the Asia-Pacific region and therefore is of vital importance to the United States,” said Bonnie S. Glaser, senior advisor for Asia at the Center for Strategic and

International Studies, in a February 2016 statement before a subcommittee of the U.S. House Foreign Affairs Committee. Amid uncertainty surrounding the incoming U.S. administration's policy priorities in Asia, any recalibration of Washington's position vis-à-vis Taipei could trigger tensions across the delicate triangle of ties between the United States, China, and Taiwan.

Additional Resources

This [2016 U.S. Department of Defense report \(PDF\)](#) to Congress analyzes China's military and security developments.

In this 2016 [interview](#), CFR's Jerome A. Cohen writes that Taiwan's new government will face the challenge of deciding whether to make further progress in cross-strait ties and not destabilize regional security.

The [Taiwan Relations Act](#) of 1979 outlines the basis for U.S. ties with the island.

Taiwanese President Tsai Ing-wen outlines her vision for the island in a June 2015 [speech \(PDF\)](#) at the Center for Strategic and International Studies.

Expert Salvatore Babones breaks down the shifting political trends in Taiwan in this 2016 [Foreign Affairs article](#).

This 2014 Congressional Research Service [report \(PDF\)](#) presents an overview of the U.S.-Taiwan relationship.

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