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Economic Warfare

China's Financial Alternative to Military Reunification with Taiwan

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The People's Republic of China has made no secret of its intention to annex the island of Taiwan by 2049. Numerous military war games and academic papers have repeatedly explored

the military aspects of this annexation to use as templates for possible courses of action for China's campaign. However, while China's military might presents an obvious threat, Taiwan's economic vulnerability



to China poses a greater risk to its security than its military disadvantages. Although China possesses the military capabilities to defeat Taiwan, China's own cultural norms, its desire for international stability, and the possibility of its failure may hinder its primary course for reunification through military conflict. Instead, China will rely on economic disruption tactics to pressure Taiwan into acquiescing to its policy stances and reunifying with the mainland.

Using Economic Pressure

Rather than attempt a military campaign in Taiwan, China will attempt to first compel Taiwan capitulation by using economic strategies. China already possesses significant economic leverage over Taiwan; it could easily employ sanctions or market disruption, and the international community and Taiwan do not have the capabilities to defend the island against these actions.

Historically, Taiwan attempted to limit economic relations between the two countries in an effort to avoid economic overdependence on China. However, the opposite outcome occurred. In the span of a single generation, Taiwan's economy transformed from having almost no ties to mainland China to becoming

continue to deepen, Beijing's sheer economic size might result in "overwhelming and irresistible leverage" over the island.³

Taiwan currently finds itself incredibly economically vulnerable to China. China is the leading recipient of Taiwanese exports and foreign direct investment (FDI). Exports to China account for one-tenth of Taiwan's gross national product, and FDI flows to China comprise more than half of all of Taiwan's FDI.⁴ Hundreds of thousands of Taiwanese businesspeople also work on the mainland and commute between the two countries. Not only are the numbers of individuals working in China high, but the sectors to which the businesspeople belong are also strategically significant. Many of the Chinese-based workers belong to Taiwan's profitable information technology sector, as many of these companies have established factories within mainland China while keeping their main offices in Taiwan. These companies are both economically viable and politically influential, and many Taiwanese have expressed potential security concerns about their placement within China's borders.⁵ Regardless of the location of these facilities, the difficult truth remains that without China's role in Taiwan's economy, the overall economic health of the island would degrade.⁶

Mainland sanctions. A clear method for China to exert economic pressure against Taiwan exists in leveraging export and import sanctions. Sanctions offer a low-cost, low-risk way to signal dissatisfaction; they would increase the cost to Taiwan for ignoring China's wishes, and they would prove difficult to respond to in retaliation. Sanctions can also create a sizable degree of economic damage, encouraging political unrest within a country and possibly catalyzing a change in the country's leadership.⁷ Taiwan would suffer substantial economic disruption from a shutdown of Chinese imports from the island. A 2002 Deutsche Bank study concluded that given China's status as the leading importer of Taiwanese goods, if such a ban on imports occurred, "the impact on final demand in Taiwan could be worse than any of the previous regional or global recessions."⁸

Since 2002, Taiwan's dependence on China has only deepened. The number of imports to China has increased, and therefore, the potential economic repercussions of these sanctions have only worsened.

China would have great incentive to employ sanctions as a tool of economic manipulation; past studies on the

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incredibly dependent on Chinese trade and investment.¹ The desire to capitalize on China's economic rise and create similar economic improvements in Taiwan caused the economic relationship between China and Taiwan to become a matter of "asymmetric interdependence," which means that Taiwan depends more on China for a higher percentage and broader range of its economic activities than China depends on Taiwan.² As economic ties between the two countries

商品	買進	賣出	成交	漲跌	單量	商品	買進	賣出	成交	漲跌	單量	商品	買進	賣出	成交	漲跌	單量
三華芳	20.35	20.40	20.40s	▼0.50	13	中宇信	31.80	32.05	32.00s	▼0.40	3	晶豪科	38.70	38.75	38.70s	▼0.80	80
福懋	17.70	17.75	17.75s	▼0.45	45	永信	46.15	46.20	46.15s	▼1.00	21	台橡	16.05	16.10	16.10s	▼0.30	30
黑松	31.20	31.25	31.25s	▼0.40	147	承業	44.90	44.95	44.90s	▲0.75	133	永豐餘	13.65	13.70	13.65s	▼0.30	30
亞泥	32.15	32.20	32.20s	▼0.10	13	亞諾	78.0	78.3	78.3s	▼2.70	73	2325...	--	--	--	--	--
大洋	41.85	41.90	41.85s	▼0.05	427	台肥	56.7	56.8	56.8s	▼0.30	63	新光鋼	26.40	26.45	26.40s	▲0.40	40
元王	32.95	33.00	32.95s	▼1.05	13	康聯...	26.35	26.40	26.35s	0.00	2	允強	23.20	23.25	23.20s	▼0.10	10
東元	14.80	14.85	14.85s	▼0.15	50	喬山	64.5	64.6	64.5s	▼1.90	50	智厚	52.1	52.2	52.1s	▼0.80	80
遠東	28.50	28.60	28.60s	▲0.45	313	日馳	32.20	32.40	32.25s	▼0.45	105	厚華	17.20	17.25	17.25s	▼0.40	40
新新	29.80	29.90	29.80s	▼0.20	5	神隆	32.20	32.25	32.20s	▼0.60	64	新華	8.66	8.68	8.68s	▼0.13	13
達年	29.20	29.25	29.20s	▼0.80	2381	亞威	31.80	32.30	32.00s	▼0.10	2	竹統	11.90	11.95	11.90s	▼0.50	50
力得	50.9	51.0	50.9s	▼0.20	15	五鼎	26.25	26.35	26.25s	▼0.65	3	義隆	145.0	145.5	145.0s	▼6.00	60
	16.35	16.40	16.35s	▼0.20	3	堤維	22.70	22.85	22.70s	▼1.10	59	中辛	37.70	37.75	37.70s	▼0.40	40
	18.40	18.45	18.40s	▼0.35	10	生達	44.15	44.25	44.15s	▼1.30	54		59.0	59.1	59.0s	▼4.50	50
商品	買進	賣出	成交	漲跌	單量	臺灣加權指數(TWSE)	13:35:00	12304.04s	▼109.00	-0.88%	2658	商品	買進	賣出	成交	漲跌	單量
億光	32.70	32.80	32.70s	▼1.10	86	12570						晶豪科	5.65	15.70	15.70s	▼0.25	25
威強	48.70	48.95	48.95s	▼1.65	25	12530						台橡	3.95	24.00	23.95s	▼0.70	70
神基	42.20	42.25	42.20s	▼0.25	49	12470						永豐餘	6.50	16.55	16.55s	▼0.30	30
宇瞻	42.20	42.25	42.25s	▼1.25	14	12410						新光鋼	1.70	31.80	31.70s	▼1.25	25
冠西	28.50	28.60	28.60s	0.00	2	12350						厚華	2.80	42.85	42.80s	▼2.20	20
凌通	82.4	82.5	82.4s	▲3.70	513	12290						竹統	75.1	75.2	75.1s	▼1.10	10
凌通	30.35	30.50	30.35s	▼0.45	5	12230						義隆	5.05	29.10	29.05s	▼0.95	95
銘異	29.00	29.05	29.00s	▼0.60	235	5.00B						中辛	5.75	30.70	30.55s	▼0.35	35
銘創	51.0	51.1	51.0s	▼1.70	152							晶豪科	5.89	8.95	8.95s	▼0.33	33
銘南	13.90	14.00	13.90s	▼0.55	127							厚華	5.19	51.8s	51.8s	▼2.30	30
銘南	34.05	34.10	34.10s	▼1.50	1121							義隆	12.85	12.75s	12.75s	▼0.25	25
銘南	144.5	145.0	144.5s	▼5.00	223							中辛	9.71	9.65s	9.65s	▼0.32	32
銘南	40.75	40.80	40.75s	▼0.10	32							晶豪科	1.00	41.00s	41.00s	▼0.90	90
商品	買進	賣出	成交	漲跌	總量	商品	買進	賣出	成交	漲跌	總量	商品	買進	賣出	成交	漲跌	總量
文緯	41.75	41.80	41.80s	▼0.40	1679	航子	9.67	9.68	9.67s	▼0.16	1476	晶豪科	60	40.55s	40.55s	▼0.65	65
登科	32.50	32.75	32.50s	▼1.20	463	大華	10.20	10.25	10.25s	0.00	1386	台橡	1.5	254.0s	254.0s	▲5.50	50
華科	16.50	16.55	16.55s	▼0.30	515	華航	7.98	7.99	7.98s	▼0.03	9031	永豐餘	20	11.10s	11.10s	▼0.10	10
弘全	31.70	31.80	31.70s	▼1.25	488	金寶	9.78	9.79	9.79s	▼0.21	11415	新光鋼	45	29.35s	29.35s	▼0.45	45
弘全	20.40	20.45	20.40s	▼0.25	2038	建林	9.97	10.00	9.97s	▼0.18	985	厚華	55	11.55s	11.55s	0.00	50
弘全	15.25	15.30	15.25s	▼0.20	437	建林	11.05	11.10	11.05s	▼0.10	540	竹統	27.0	156.5s	156.5s	▼1.00	100
弘全	--	--	--	--	6.25	建林	6.25	6.26	6.25s	▼0.12	1616	義隆	47.60	45.00s	45.00s	▼2.00	200
弘全	44.40	44.50	44.50s	0.00	9561	建林	11.95	12.00	12.00s	▼0.30	1805	中辛	109.0	108.5s	108.5s	▼5.00	500
弘全	113.5	114.0	114.0s	▼2.00	1075	建林	17.05	17.10	17.10s	▼0.40	11001	厚華	10.45	10.40s	10.40s	▼0.05	50
弘全	33.00	33.05	33.00s	▼0.35	539	建林	6.88	6.89	6.89s	▼0.15	3846	中辛	29.35	29.30s	29.30s	▼0.70	70
弘全	69.3	69.6	69.3s	▼0.40	50	建林	9.95	9.96	9.95s	▼0.15	5444	厚華	21.10	20.85s	20.85s	▼0.35	35
弘全	169.0	170.0	169.0s	▼3.00	171	建林	6.36	6.52	6.36s	▼0.14	137	義隆	44.65	44.40s	44.40s	▲0.50	50
弘全	29.60	29.65	29.60s	▼0.55	6124	建林	12.90	13.00	13.10s	0.00	4	中辛	9.39	9.39s	9.39s	▼0.13	13

effectiveness of sanctions indicate a likelihood of success given the economic relationship between the two countries. Historical case study analysis has demonstrated that sanctions are most successful when the economy of the “sender” country is at least ten times larger than that of the “target country.”⁹ In 2019, China’s gross domestic product was at least twenty times that of Taiwan’s.¹⁰ Building on the gross domestic product comparison, sanctions are also effective when the sender country accounts for a third of the trade of the target country.¹¹ In 2018, China accounted for nearly a third of Taiwan’s total trade.¹² These economic measures do not guarantee that Chinese sanctions would prove effective at changing Taiwanese policy, but they do provide significant comparisons to the conditions necessary in historical cases for sanctions to prove successful at causing political change.

Market disruption. The greatest threat to Taiwan’s economy is not as blatant as issuing sanctions against the island. Chinese officials recognize they can target and disrupt Taiwanese economic markets, including its stock market and its foreign exchanges; doing so would not be a new strategy for China.¹³ In 1996, China’s missile tests caused Taiwan’s stock market to plummet.¹⁴ While that instance was accidental, Beijing learned the impact its actions could cause in the Taiwan’s market. China has since

A woman walks past a screen 24 July 2020 that shows information and the index of the Taipei Stock Exchange. (Photo by Sam Yeh, Agence France-Presse)

intentionally repeated the effect. In 1995, when China used military exercises in the Taiwan Strait to respond to Taiwanese President Lee Teng-hui’s trip to Cornell University, Taiwan’s stock market fell almost 30 percent.¹⁵ Four years later, when Lee issued political statements that China viewed unfavorably, the market fell 13 percent, with the loss equaling one-sixth of Taiwan’s gross national product.¹⁶ On several occasions since these incidents, Beijing has indulged its ability to spur large drops in Taiwan’s stock and bond markets, and on occasion target specific industries or sectors that it felt challenged its national interests.¹⁷ As Taiwan continues to globalize its economy more, opening its markets to foreign capital translates to a flood of Chinese capital and greater Chinese interference in the Taiwanese economy. This has resulted in an increase in China’s capacity to suppress the Taiwanese market and erode investor confidence, which poses a significant threat to the country’s stability.¹⁸ While Taiwan could draw on its reserves to address disruption in the short term and in the midterm, it would

be unable to survive a prolonged effort to undermine investor confidence in its economy.¹⁹

Alternative methods. Other methods of Chinese economic disruption exist, such as harassing Taiwanese businesspeople as they travel between the two countries. China could also freeze or seize the assets of Taiwanese companies and investors in mainland China in an attempt to pressure those individuals to call for policy change in Taiwan.²⁰ However, the success of these methods largely relies on an assumption that the Taiwanese government would alter its stance on reunification for the sake of a number of individuals. Even if China targets influential businesspeople from Taiwan, it is unlikely that this will be substantial enough to prompt such a drastic policy shift.²¹

Outside of targeting the movement of individuals, China could also disrupt aspects of Taiwan's economic infrastructure, including its IT systems, communications platforms, and transportation. While China continues to invest heavily in its offensive cyber capabilities and could conduct these endeavors, its primary course of economic coercion would not include such attacks. Taiwan's own cyber capabilities mean that China's attacks would not go unchallenged, and the dependence of the Communist Party of China on continued economic stability means that Beijing is unlikely to jeopardize its own economic performance from cyber counterattacks.²²

International Response

Economic actions would likely serve to isolate Taiwan internationally. Should China issue sanctions, manipulate

Taiwanese markets, or undertake other forms of economic coercion, Taiwan would call upon the international community to come to its defense. However, determining a response to such a situation would prove to be difficult for other countries. Mustering a military response to economic aggression is a possibility, but it would seem a mismatch to an economic offense and would likely

launch a prolonged military conflict with China. Similarly, other countries could implement their own sanctions against China, but they would do so at the risk of their own economies. If Taiwan should call for aid and no countries come to its assistance, or if other countries are unable to alleviate the economic situation, the island would find itself in a desperate position and would thus be more willing to negotiate with China to alleviate the economic strain.²³



(Graphic from Focus Taiwan, Central News Agency English News, <https://focustaiwan.tw/news/aip/201804180022.aspx>)

Statistical Overview of Taiwan-China Relations

Chinese Strategy

China's economic campaign against Taiwan is not a recent predicament. Rather, China has repeatedly demonstrated its desire to draw Taiwan closer to the mainland through economic ties and its ability to influence the Taiwanese economy. In 2010, China and Taiwan ratified their bilateral trade agreement, the Economic Cooperation Framework Agreement (ECFA).²⁴ Many individuals met the ECFA with skepticism and apprehension, with one analyst remarking, "The ECFA is not unification, far from it, but it steps in that direction economically."²⁵ The deal was economically and strategically significant for China. Not only did it further the ties between the two countries, but it also brought Taiwan to economic parity with other

Asian countries. At the same time, the deal did not elevate Taiwan's status so much so that Asian countries would seek their own trade agreements with Taiwan. In more blatant manipulation, in 2016, China's General Administration of Quality Supervision, Inspection, and Quarantine destroyed or returned 722 shipments of Taiwanese imports due to "political factors."²⁶

for a prolonged period of time without capitulating. Should further measures prove necessary, China could accept the risk and engage in cyberattacks against the Taiwanese economic infrastructure. It could also seize the Taiwanese economic assets located in the Chinese mainland, looking to cause major losses of capital for Taiwan's most significant corporations.



If market manipulation proved insufficient, China could escalate to issuing sanctions against Taiwan, restricting the imports China receives from the island.



Taiwanese companies operating in China have found themselves subject to random inspections and audits, with companies treated more favorably should they support China's political position.²⁷ From trade deals to business interference, these actions suggest that China has an ongoing continuous strategy already in place to slowly co-opt more of Taiwan through its economics.

Should China wish to pursue economic actions against Taiwan, it would occur as an escalation of force, similar to a military campaign. The larger country will continue its low-effort measures while its own economic growth increases, ensuring increasing economic leverage over Taiwan. As this occurs, Taiwan will naturally drift closer to China due to its asymmetrical economic relationship. If deepening economic ties prove insufficient on their own, China will likely escalate its tactics to manipulate Taiwanese markets by issuing statements that cause Taiwan's stock market to fall. It would seek to cause a long-term downturn so that Taiwan's reserves would prove ineffective to address any ongoing crisis. While this effort would prove to be China's main tactic, the country could also engage in smaller harassment operations, affecting the travel of Taiwanese businesspeople and increasing bureaucratic pressures on Taiwanese businesses located in mainland China.

If market manipulation proved insufficient, China could escalate to issuing sanctions against Taiwan, restricting the imports China receives from the island. Between the ongoing effects to the market and the sanctions against the country, Taiwan's economy would not have the resources available to survive

At each of these stages, economic action is not exclusive. Historical analyses of economic disruption cases have found that the measures are effective when accompanied by "powerful military companion measures."²⁸ China could easily conduct patrols through or flyovers above the Taiwan Strait to provide additional pressure. It could also employ diplomatic means, reinforcing Taiwan's exclusion from the World Health Organization, UN conferences, and Interpol. China also courts countries that continue to diplomatically recognize Taiwan, offering financial aid to tempt countries into ending diplomatic relations with Taiwan.²⁹ While economic pressures would remain China's main course of action to influence Taiwan's political choices, they would not be the only strategy the country has employed to further isolate Taiwan internationally and render it susceptible to Chinese manipulations.

Taiwanese Resistance

China does not go unchallenged in this ongoing economic battle. Taiwan is not blindly walking into China's arms; the island is fully aware of China's ability for economic leverage and has sought to counter China's efforts. Taiwan possesses significant quantities of foreign exchange reserves and places strict controls on daily movements of its stock market to provide short-term financial stability. However, to resist Chinese efforts over the long term, Taiwan needs to obtain other sources of foreign investment, which has proven difficult.³⁰ In January 2017, Taiwan launched a "New Southbound Policy" to divert the island's exports to south and





Southeast Asia rather than China, but Chinese pressure on southeast Asian countries to limit interactions with Taiwan challenges the future success of the initiative.³¹ To diversify its economy, Taiwan could also consider joining one of the large regional trade agreements arising in the Pacific, namely the China-led Regional Economic Partnership or the Japanese-led Comprehensive and Progressive Agreement for Trans-Pacific Partnership. However, signing on to Regional Economic Partnership would require Taiwan to join as a province of China, which would not assist its effort to distance itself from the mainland. The other option available is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which is the successor to the U.S.-led Trans-Pacific Partnership. However, this trade agreement has yielded mixed results to its signatories, with some countries experiencing a significant increase in their trade flows and others seeing no change. With such a mixed record, signing on to this latter trade agreement would not guarantee Taiwan the diversity it needs in its economy to neutralize Chinese interference. The last option for Taiwan would be to enter into bilateral free trade agreements with other countries. Unfortunately,

Pro-Taiwan independence activists call for a referendum on a formal declaration of autonomy in front of the headquarters of the ruling Democratic Progressive Party 20 October 2018 during a demonstration in Taipei. Thousands of Taiwan independence campaigners took to the streets for a major rally that was a rebuke to Beijing and a challenge to the island's already embattled government. (Photo by Sam Yeh, Agence France-Presse)

given Taiwan's controversial political status, most countries would avoid a bilateral deal to avoid antagonizing China and jeopardizing their relationship. Even if Taiwan successfully negotiated bilateral free trade agreements, the relationships would simply provide it parity with other countries in the region.³² For Taiwan to become a competitor in the regional economy, it must develop its economic competitiveness. Unfortunately, Taiwan's strategy for improving its national competitiveness largely involves investments in its industrial sector in which it has agreed to "joint industrial cooperation" with China. Therefore, despite its efforts and desires otherwise, for Taiwan to maintain and improve its economic standing, it currently must rely on a close economic relationship with China.³³

Military Overmatch

If China avoids a military conflict with Taiwan, it will not be because China is unprepared for battle. China has armed itself both with legal arguments for aggression and military capabilities for a campaign into Taiwan. To build its legal framework, China outlined in its 2005 Anti-Secession Law that should any secessionist forces seek independence, the People's Republic of China would "employ non-peaceful means" to protect its national sovereignty.³⁴ Reiterating this provision in 2019, President Xi Jinping extended this guarantee to allow the use of force to prevent "intervention by external forces" into Taiwan.³⁵ China views any attempt to attain independence as illegal, whether Taiwan attempts independence alone or with the assistance of a third party, and China's leaders periodically issue hawkish statements reminding the island of that fact.

More worrisome than the political language surrounding the Taiwan issue is the Chinese military development and investment that has occurred with the intention of arming the country in a future campaign against the island. Since the 1996 Taiwan Strait Crisis, China has placed significant weight behind reforming and modernizing its military. These efforts escalated further in 2012 when Xi championed creating a modern force in China that could lead its regional neighbors.³⁶ China is now second only to the United States in annual defense spending.³⁷ While not all of its military improvements are specifically for a future crisis with Taiwan, developments in the navy and air force suggest that China is looking to secure the transportation routes between it and Taiwan should it need to seize the country. China's navy has ballooned to become the world's largest naval force in total ship numbers. As of 2017, more than 70 percent of the fleet was new, compared to less than 50 percent in 2010.³⁸ The country has commissioned more nuclear submarines and looks to expand its operations from the near seas to greater distances from the mainland. China's air force has grown as well. In addition to increasing its size, the People's Liberation Army Air Force has copied many American designs to build advanced versions of stealth aircraft, unmanned aerial vehicles, airborne warning and control systems, and bombers.³⁹ China has also worked to develop its rocket force. Relative to the Taiwan issue, China has developed antiship ballistic missiles to target vessels in the Western Pacific, supporting its

anti-access/area denial strategy.⁴⁰ Regardless of the ultimate strategy it pursues, China is preparing for the military contingency of seizing Taiwan.

Rejecting Military Means

Even with its hawkish statements and military reforms, China will seek to avoid military reunification with Taiwan. A forced reunification conflicts with Chinese cultural norms, would disrupt the international order, and provides no guarantee of a Chinese victory.

Cultural norms. Despite its military growth, China's history has led to the rise of norms and traditions that incline to avoid outright military conflict. Since the Han dynasty (206 BCE–220 CE), Confucian ideas and values have informed Chinese interpersonal relationships, societal structures, individual behaviors, and work ethics.⁴¹ Confucianism emphasized virtuous behaviors, and its Five Constant Virtues include humanity, righteousness, propriety, wisdom, and faithfulness.⁴² With such deep roots in Chinese society, Confucianism also invariably influences the country's military strategic thought and international relations. Key within Confucianism is the preference for harmony over conflict and defense tactics over offensive ones.⁴³ These teachings became evident in Confucian idioms throughout Chinese history: "display virtue and do not flaunt the military instrument" and "emphasize civility, deemphasize martiality; stress virtue and downplay physical strength."⁴⁴

Chinese military scholars have also traced this influence to the writings of Sun Tzu, who advocated subduing the enemy without resorting to violent means.⁴⁵ Avid Chinese historians note the prevalence of walls and earthworks throughout the country's history, rather than vast expansions of its borders. These barriers are the manifestation of the need for self-protection and the use of defensive, rather than offensive, force.⁴⁶ While it began centuries ago, this Confucian influence is also prevalent in more recent observations on Chinese leaders. In his lauded work *On China*, Henry Kissinger noted the following:

Rarely did the Chinese statesmen risk the outcome of a conflict on a single all-or-nothing clash: elaborate multi-year maneuvers were closer to their style. Where Western tradition prized the decisive clash of forces emphasizing feats of heroism, the Chinese ideal stressed



subtlety, indirection, and the patient accumulation of relative disadvantage.⁴⁷

Confucian culture and traditions guided the Chinese statesmen with whom Kissinger interacted, and their avoidance of decisive acts of aggression stem from centuries of Chinese history that have created such a strategic culture.

Confucian influence does not completely remove the potential for war. However, to commit to military action, the use of force must be “unavoidable.”⁴⁸ According to Confucianism, “war should be taken only as a last resort, and only in a just cause. This generally means defensive war, but can also mean punitive war to stop the strong from bullying the weak.”⁴⁹

Chinese military history scholars have classified its recent military actions as righteous endeavors, particularly in the Korean War, the Sino-Indian war, and the Sino-Vietnamese War. In each of these cases, Chinese leaders defined their military involvement as just and strategically defensive to their core interests and national security.⁵⁰ Each war is a limited affair, with clearly defined political goals and often spatial or temporal restrictions.⁵¹ In this way, Chinese leadership have defined their military actions as righteous and defensive acts consistent with Confucian ideals.⁵²

Aware of how its development could appear threatening and contradictory to many of its Confucian values, Beijing has repeatedly committed itself to reiterating its peaceful intentions.⁵³ Col. Kenneth Johnson noted in a previous study on Chinese strategic culture that the country’s leaders have established the following principles governing their behavior in the world order:

- (1) the “five principles of peaceful coexistence,” which include mutual respect for each other’s territorial integrity and sovereignty, mutual nonaggression, mutual noninterference in each other’s internal affairs, equality and mutual benefit, and peaceful co-existence;
- (2) establishing a fair and reasonable political and economic world order;
- (3) no use of force or threat of the use of force in international relations;
- (4) all nations, big or small, strong or weak, rich or poor, are equal in international affairs; and

- (5) China should always side with developing countries, and it should never seek hegemony or superpower status.⁵⁴

In many of the defense white papers the country has published, it hedges its security developments by reemphasizing its commitment to avoid hegemony and military expansion.⁵⁵ These principles have also manifested in more recent discussions on China’s desire for a peaceful solution with Taiwan. In the country’s 2019 defense white paper, its leaders emphasized peace:

China adheres to the principles of “peaceful reunification,” and “one country, two systems,” promotes peaceful development of cross-Straits relations, and advances peaceful reunification of the country.⁵⁶

While the white paper discusses the catalyst for any military involvement, it takes care to stress the desire for peace first and to abundantly use peaceful language in the writing.⁵⁷ For China, military reunification remains the ultimate last resort, rather than its preferred strategy.

Challenge international stability. Military action against Taiwan would unquestionably disrupt the international order. Even though other countries typically cast China as a disruptive force, it has largely upheld international rules, laws, and norms. China has increased its funding to the United Nations and regularly contributes to peacekeeping operations. While it has pushed for reforms in these organizations, China largely abides by the frameworks of the International Monetary Fund, World Trade Organization, and G-20.⁵⁸ Taking military action against Taiwan would prove internationally politically unpopular and would jeopardize China’s standing in all of these institutions.

China’s leaders have also blatantly stressed their devotion to a stable world order. In his 2015 speech to the United Nations General Assembly, Xi noted that “[w]e cannot realize the Chinese dream without a peaceful international environment, a stable international order, and the understanding, support, and help from the rest of the world.”⁵⁹ Adding to this statement, Xi remarked at the 2017 19th Party Congress in Beijing that China would “continue its efforts to safeguard world peace, contribute to global development, and uphold international order.”⁶⁰ These two speeches stress the Chinese desire for continued stability and counterbalance the bellicose statements quoted earlier regarding military intervention.

While Taiwan is a “bottom line” for China, the latter country must ultimately maintain its international standing. In China’s 2013 defense white paper, Xi noted how it is necessary to both “safeguard stability and safeguard rights.”⁶¹ This remark was the first time that the country’s rights and interests received the same level of prioritization as the traditional directive to uphold stability.⁶² However, this new emphasis merely places the matters on more equal standing, which indicates that the country

it must confront the possibility of failure in a military campaign into Taiwan. Even with its recent and ongoing military improvements, there is no guarantee of a Chinese victory against Taiwan. China holds no illusions about the state of its military and notes its own need to continue modernization and restructuring. The country acknowledges in its own 2019 defense white paper that “the People’s Liberation Army (PLA) still lags far behind the world’s leading militaries.”⁶⁴ It struggles



A one Yuan banknote was issued by the Federal Reserve Bank of China, a Japanese puppet government bank that printed paper money during the years 1938–1945. A portrait of Confucius is featured with an image of the Temple of Confucius, which is located in Shandong Province. Confucius, who lived from 551 BCE to 479 BCE, was one of China’s most important and enduring philosophers. His teachings have shaped the moral foundation of Chinese society and government for more than two thousand years and continue to deeply influence Chinese society, despite occasional official efforts to stamp out his influence. (Image courtesy of PrimalTek, <http://primaltek.com/chinesepapermoney.html>)

may tolerate more risk for the sake of pursuing what it asserts is its rights. The primacy given to safeguarding stability and the fact that Xi did not elevate safeguarding rights higher than maintaining stability both reinforce that Chinese leadership will not pursue the Taiwan issue to the extent that it would challenge the international stability China requires for continued economic growth.⁶³ Therefore, no matter the importance that Taiwan may hold for China, Beijing ultimately favors a stable international order over military action.

Possibility of failure. If China minimizes its cultural norms and desire for international stability, then

to recruit and train a sufficient number of personnel to man its ranks, and China’s limited involvement in ongoing conflicts means that the majority of its service members lack combat experience. The country itself has not mobilized for war since a brief altercation in the late 1980s, and many of the processes to mobilize remain undeveloped and untested.⁶⁵ While the Chinese military may possess an advantage in technology and equipment, it does not have the dominance over Taiwan as its size and capabilities would otherwise suggest.

The potential for the United States to involve itself in supporting Taiwan further complicates the

outcome of a future Taiwan campaign. China has no guarantee that the United States will not send its own manpower and equipment to aid Taiwan in its struggle. Even the possibility that the United States could participate remains a significant deterrent for China. While China has improved its own military relative to other Asian powers, it does not have the strength necessary to defeat the United States. Continued Chinese military improvements, particularly in anti-access capabilities, do improve its standing relative to the United States, but any gains against the Americans in Taiwan would prove costly. At best, China would experience a pyrrhic victory against the United States—seizing and occupying the island but suffering heavy casualties in the process. At worst, China would find its military power degraded in the fight against the United States and lose both the campaign and its international standing.⁶⁶

A Different Outcome

This article is predicated upon the assumption that the overall status quo of the China-Taiwan relationship will remain. Should Taiwan undertake a drastic independence push or should another country push for independence on its behalf, Xi has already clearly stated China will make a military response. In the country's 2019 defense white paper, China remarked it "will never allow the secession of any part of its territory by anyone, any organization or any political party by any means at any time."⁶⁷ This chain of "any's" is stronger language than the country used in previous defense papers. Xi reaffirmed this commitment by stating that China would "resolutely defeat anyone attempting to separate Taiwan from China."⁶⁸ Therefore,

should Taiwan continue as it has with political language supporting separation but no clear military efforts, China will seek a longer and subtler economic approach to reunification. However, if the island nation pursues military action or should an outside party conduct military effort on its behalf, China will forsake its economic strategy to and employ its military capabilities to annex Taiwan.

Similarly, Beijing would likely abandon an economic strategy should its economic leverage over Taiwan diminish or its 2049 goal approach with no headway. Currently, Beijing has the ability to conduct the "elaborate multi-year maneuvers" Kissinger noted as its specialty. However, if 2049 nears and Taiwan is no closer to unification through economic means, China can be expected to reevaluate its strategy and consider a final military solution.

Conclusion

While China certainly has the current capability to conduct a military expedition against Taiwan, cultural norms that avoid conflict where possible, desire for international stability, and lack of a guaranteed military success all render a forceful annexation unlikely. Instead, Beijing can be expected to use its economic leverage over Taiwan to disrupt markets and implement sanctions in an effort to compel the island to acquiesce for the sake of its economic survival. Therefore, as China watchers continue to monitor the country for signs of any threat to Taiwan's sovereignty, they must remain aware of the likelihood that the main initial attack will not come from the sea or air but rather through indirect financial means. ■

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