ANALYSIS OF THE RELATIONSHIP BETWEEN CHINA AND TAIWAN: AMBITIONS AND REALPOLITIK

Resume

The main ambition of this paper is to explain and analyze the difficult relations between China and Taiwan and its possible consequences for the regional and international security. The role of the United States is considered as a key actor. It permits to understand the strategies of the different actors due to the strong support given by Washington to Taiwan. The economic relations between the two neighbors are also interesting, to show how the topic is complex and sensitive. Our goal is to propose an analysis mentioning the ambitions of the different sides and their limits due to the realpolitik.

Keywords: China, Taiwan, the United States, Strategy, Security, Economy, tensions

* Contact: dusko.tomic@aue.ae
** eldar.saljic@aue.ae
*** mohamed.yattioui@aue.ae
INTRODUCTION

During the last few years, in addition to numerous neuralgic points in the world, it was also marked by the presence of a large number of Chinese combat aircraft and over a hundred overflights over the strait that divides the People’s Republic of China and Taiwan. The increasingly aggressive pressures of the official Beijing and the rise of tensions in this part of the world have thus led to the further deterioration of the already unfavorable security situation (Tirpak 2023).

With the re-election of President Tsai in 2020, relations between Taiwan and China have further deteriorated, but unlike some earlier times, Taipei has times had strong support embodied in the United States of America (Maizland 2023). The cooperation between Washington and Taipei enabled the island to receive assistance in the form of modern weapons and military equipment; on the one hand, while on the other hand, the USA gained an extremely important strategic position and a good foothold for monitoring and controlling Chinese activities. In September 2020, for the first time in decades, a meeting was held between the president of Taiwan and US officials, and in response to that, Beijing, in addition to a large number of criticisms at the time of the meeting, held a military exercise in the waters that separate mainland China from the islands. It was one of the first signs that, officially Beijing was no longer ready to compromise and did not want to give in, despite the support and aid that Taiwan receives from the US.

THE MULTIDIMENSIONAL THREATS

Although at first glance it seems that the eventual secession of Taiwan would solve a large number of problems and contribute to the reduction of tensions, the connection between these two territories is extremely strong, and its termination would inevitably lead to unpredictable consequences for the region. China and Taiwan have strong economic ties, which are the result of Taiwanese companies investing in Chinese factories. This is supported by the fact that the value of such investments reached a figure of almost 200 billion dollars between 1991 and 2021 (Taiwan.gov 2023), as well as the fact that almost a million Taiwanese live and work in the mentioned factories in China. For this reason, the Taiwanese worry that their economy is heavily dependent on China and that this further complicates an already unstable situation. In addition,
the very basis of the conflict comes from the fact that China considers Taiwan its province, while Taiwan wants independence and justifies it with its Constitution, the fact that it has a democratically elected government and an active military that numbers around 300,000 soldiers (BBC 2021).

Although despite the fact that Taiwan poses almost no security threat to China, Beijing has long wanted to use the island’s appropriation as a symbol of strong and legitimate rule. On the other hand, it is almost certain that no president in China would survive if he allowed a successful declaration of independence by Taiwan.

Nevertheless, what causes the biggest dilemmas and leads to numerous discussions in the public is the absence of a realistic prediction of the consequences of a potential invasion of Taiwan by China. This action could affect both the region and the entire world. As far as weapons are concerned, the main problem for Taiwan is Chinese long-range missiles, including the DF-21D, known in slang as “carrier killers”, but also potential supersonic weapons. With such an arsenal, it is believed that China can destroy almost all bases, airports and military installations on the island in just a few hours. Although China can hit and destroy Taiwanese targets with airstrikes, and to use naval and cyber-attacks to cut off Taiwan from the rest of the world, the question is whether Beijing is ready to launch an all-out amphibious assault on the island (Johnson 2017). According to certain estimates, such an operation would result in casualties on both sides, which calls into question the usefulness of such a move. Also, the uncertainty and unknown about what the US would do in that case and what their move would be, whether they would provide support to Taiwan, makes this scenario even more risky. Over the past year, heighten tensions in the region and bring China and Taiwan closer to a potential military conflict. This is supported by the fact that only at the beginning of October last year; more than 71 fighter planes violated Taiwan’s airspace which is a confirmation of Beijing’s effort to ensure its dominance on the island and ensure the long-awaited unification of the island (Arslan, Lee and Blanchard 2023).

However, it seems as if we are getting closer to a military invasion because of the decades-long conflict, the aforementioned doubts about the potential outcome are a big obstacle for China to make such a move. First, the fear of an outbreak, that is, of an invasion turning into a nuclear conflict, means that China must carefully review all possible options and provide the best solution. On the other hand, Taipei fears that in the coming years, China could use its great influence on the Taiwanese economy
and win over the island’s population to ensure unification. Nevertheless, it is almost certain that as long as one side wants unification and the other wants independence, tensions will grow. Such an analysis would be one-sided; therefore, in the overall perspective of the relationship, the analysis of the relationship in the South China Sea must be observed, as well as the economic relationship between China and the USA, in this case the mentor of Taiwan.

The relevance of the relationship between China and Taiwan should be viewed from several dimensions. This complex approach takes into account several different starting points. One of those starting points is the attitude towards the South China Sea. The basis of the problem of the South China Sea begins with its complex geographical location and positioning between the coasts of ten Asian countries. Such a position, the economic and geostrategic importance of this sea resulted in numerous and frequent conflicts that broke out between coastal states since the middle of the 20th century. In addition, several researches conducted in the past years have shown that beneath this area lie rich deposits of oil and natural gas, which made the disputed region even more important. Especially in the relations between China, Vietnam, Malaysia, Brunei, Philippines and Taiwan.

The core of the mentioned problem is represented by the Spratly and Paracel coral islands, located almost in the very center of the sea. China, citing its historical right and the “nine-dash line”, claims control over about 90% of the South China Sea, despite the fact that the United Nations Convention on the Law of the Sea (which China does not respect), clearly defines the boundaries of the Territorial and Exclusive Economic Zone. According to the aforementioned Convention, China’s rights to these waters are much smaller, which was even confirmed by the Permanent Court of Arbitration in its final decision in 2016, ruling in the dispute with the Philippines that China has no historical rights to supremacy in this sea. Still, despite the exceptional importance of the said arbitration, China refused to participate in the process and accept the final opinion of the court (Jakhar 2021).

Still, this is not just about China. All the surrounding countries hoped that their control over these two island archipelagos would give them an economic monopoly in the region. Nevertheless, the problem is the aforementioned Convention, which guarantees the Territorial and Exclusive Economic Zone only to natural islands. Since the Spratly and Paracel Islands are considered only rocks and reefs, control over them
by a given state could only bring a Territorial Zone. That is why many states, in an attempt to change this situation, settled people on disputed islands trying to artificially create life and prove their legitimacy. Some of them went a step further and built large artificial islands out of rocks and reefs. Among them, China did the most, which in a relatively short period, not only expanded the existing reefs and islands under its control, but also began the adaptation and installation of military infrastructure. Other countries in the region realized the seriousness and intentions of the imperial Beijing, so they asked for help from the international community, which quickly spoke out on the matter.

**THE AMBIGUITY OF THE UNITED STATES IN THE CRISIS**

Although the most significant criticism of China’s claims came from Washington. The main reason for the American presence in this part of the world can be found in geostrategic and economic interests.\(^1\) If China, as the main economic rival of the USA, succeeds in realizing its pretensions at sea, it seems that it would be a big blow for the American government, whose goal is to deny Beijing the ability to dominate these waters and thus ensure a free and open maritime route. Therefore, Washington seeks to maintain trade ties in the region and stop China’s growing power, paying particular attention to strengthening defense ties with allies and partners in this part of the world. It is supported by the official statement of the US Department of Defense, in which the main goals are the protection of freedom of navigation for maritime vessels, which is recognized by the United Nations Convention on the Law of the Sea, deterring conflicts and coercion, and encouraging states to respect international law. True, the United States of America initially tried not to participate openly in these disputes, and their response was absent even after the arbitration verdict was passed in 2016 in favor of the Philippines (Hall 2017).

On the other side, it should remind that in 2011, the administration of Barack Obama introduced a new strategy in relations with Asia, called “Asia pivot strategy” (Lieberthal 2011). The main goal of that strategy was to position the USA as a leading power in that part of the world, and its implementation continued even during the term of office.

of Donald Trump. His administration intensified the pressure on China, which spread from the framework of the diplomatic and media struggle to other spheres. The United States has begun conducting freedom of navigation operations in these waters, increased its naval presence in the region and introduced targeted economic sanctions aimed at Chinese companies involved in the construction and militarization of artificial islands. Thus, during the Trump mandate, the USA sent an open and clear message to Beijing that they are not only interested, but also present in this part of the world. This was followed by regular sailings through the territorial zones that China considers its own, and even the performance of military exercises in disputed waters. China’s responses were sporadic, and there were several incidents, the most significant of which was when China fired warning shots after the arrival of the US Navy. Although disputes and quarrels between Beijing and Washington resemble a game of cat and mouse, it is clear that they are becoming more frequent and regular. Additionally, the coronavirus pandemic appears to have further stirred the already troubled waters of the South China Sea (Ford 2020).

Finally, other events and tensions in which China has been involved recently, such as the incidents with India and Taiwan, have certainly contributed to strengthening the positions of the United States of America and the course taken towards Beijing. Former US President Donald Trump will be remembered for many, perhaps not necessarily good but certainly impressive attitudes and actions. Among them, his attitude towards China stands out and ending the cooperation between American companies and Huawei is just one example (Gramer 2020). Therefore, it is not surprising that it was during his administration that the strategy in the conflict that took place between Washington and Beijing was tightened.

On January 20, 2021, there was a transition of power, and the new president of the United States of America became Joseph Biden, and one of the first questions that was asked was about what course his administration would take in the aforementioned dispute. After the departure of the Trump administration, the consequences of the coronavirus pandemic, the weakening of the economy and the recent raid on the Capitol, it is clear that President Biden will have to devote himself to some other things, before it is China’s turn. Therefore, it seems that the first place on the new president’s agenda will be the issue of internal politics. Nevertheless, this does not mean that global tensions will subside

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or that problems will be resolved and the status quo will change. For now, there is no sign of the US withdrawing from the disputed waters, but it is very likely that mutual provocations in this area will continue. Tensions will decrease or increase depending on how long it takes for the United States to remind China of its presence in the region.

On the other side, official Beijing will certainly not hesitate to respond in the same way to potential provocations. However, an open conflict in these waters would not suit either side, and retreat seems out of the question. So until solving this problem is on the agenda, tensions will continue at the same pace, which will undoubtedly affect smaller coastal states as well. Therefore, it is increasingly certain that the relations between the US and Vietnam will be further strengthened, as well as providing additional support to Taiwan. Washington needs an ally in these waters, and it seems that the new administration can provide just that.

On the other hand, if some diplomatic scandals can be expected from the Biden administration, this will not mention a reduction of the tensions with China and a resolution of the conflict at least for some time, although the possibility of taking the first step that could lead to negotiations should not be ruled out and diplomatic problem solving. We base our position on the fact that any economic decoupling of the West and China will certainly create losses, but in the capitals of the leading planetary powers, there is a growing belief that something far more valuable is gained: resistance, security, both for companies and for the state. Namely, the recognition of geopolitical competition as a new reality and the resulting “decoupling,” reflect the re-examination of national priorities and putting the interests of society represented through elected politicians ahead of the more traditional focus on the business elite.

**THE CENTRAL PLACE OF THE GLOBAL ECONOMY FOR ALL THE ACTORS**

This is certainly a negative tendency regarding the general well-being at the global level, as well as the standard of living of the average inhabitant of the planet, as indicated by numerous studies by reputable international institutions. We need to precise that the IMF suggests to the countries to embrace globalization. Especially considering that more than half of global companies have already reorganized their production in the last two years, and that as many as three quarters of them are
planning more “on shoring” and “re-shoring”, which will inevitably bring additional costs due to lower efficiency and higher prices. The assessment of the Economist Intelligence Unit (2023) is equally gloomy. Namely, a 100% increase in tariffs on all Chinese goods and services, along with a complete embargo on all technology and sectors related to national security, would reduce global GDP by 52.8 trillion dollars over the next 10 years (a cost equal to the “disappearance” of Japan from the global economy over a decade). The World Trade Organization has calculated that dividing the world into two trading blocs would reduce global GDP by 5%. The IMF, which focused on high-tech decoupling, estimated losses at 0.6%-3.9% of China’s and 0.4%-0.9% of US GDP (while total losses to the economy would the US could reach as much as 550 billion dollars per year). Alexander Sandkamp from the Kiel Institute showed that decoupling the EU from China would lead to a GDP loss of 0.8% in Europe and 0.9% in China (Glosserman 2023).

Over the decades, China has become critically important for European economies (German car manufacturers are a good example of this dependence), as evidenced by the strongly growing EU imports from that country. Recognizing all the risks of severing ties with Beijing, both Paris and Berlin are against decoupling with China, although they want to reduce dependence on it. In this context, the statement of the French President Emmanuel Macron (with which most officials of the European countries privately agree, and which caused anger in Washington) is indicative that the EU should avoid involvement in the American dispute with China (Stetter 2023). The attempt by Western leaders to “undo decades of globalization” is also complicated by the fact that Asian countries from Bangladesh and Indonesia to Malaysia and Thailand see China as central to their economic future.

In a way, we are faced with a double paradox. First, instead of linking developing countries more closely with the West, “decoupling” usually makes these same economies (especially in Southeast Asia) economically more dependent on China. Second, the change in supply chains, whose intention is to reduce the West’s dependence on China, is in fact only apparent because now the countries to which the facilities have been transferred import the necessary components from China. A clear sign that “decoupling” with Asia is not happening is the growth of Chinese exports to ten Southeast Asian countries (ASEAN) of as much as 34% year-on-year in March 2023. Exports to India, whose factories depend on Chinese components and capital equipment, had
a similar pace, while its telecommunication companies predominantly use Chinese equipment. At the same time, exports to Brazil recorded a growth of 17%, doubling in the last three years. All this, together with China’s strongly growing exports to Russia, as well as to most African countries, reflects the growing presence of second-world economies in the supply chains of developing countries, which is due in large part to Beijing’s leadership in digital infrastructure. After nearly five years of open economic conflict, U.S.-China trade relations are beginning showing a general pattern of decoupling, even as broader globalization remains resilient (Goldman 2023).

On the other way, China’s “pivot” away from American exports began along with the introduction of tariffs in response to Trump’s trade war launched in 2018. Data for 2022 indicate that American exports are increasingly lagging behind foreign competitors in the Chinese market. The once large export of cars and airplanes (Boeing) has almost disappeared. Sales in the semiconductor sector fell, while exports of US services fell sharply during the pandemic and have yet to recover to previous levels. Although sales of US firms in the agrarian domain reached record values in 2022, worrying signs have emerged. Namely, a large part of the increase in exports of the agricultural sector is not the result of increased deliveries, but of higher prices associated with the growth of concerns about global food insecurity caused by the war between Russia and Ukraine (Bown and Wang, 2023).

Furthermore, Chinese buyers have diversified their imports towards other suppliers, while the US agricultural sector remains highly dependent on the Chinese market for its exports. If U.S. exports to China are viewed relative to their projected levels, assuming they grew at the same rate as China’s total imports in 2018-22, taking inflation into account, it shows that in 2022 U.S. exports to China in 2022 for 23% lower than the trend and that the gap could increase over time. Still, the “decoupling” has only just begun, and the ban on chip exports to China is its most significant emanation. Therefore, despite the talk of “de-risking” and “increasing the resilience” of supply chains, there are no clear signs of decoupling in sectors that do not incorporate high-tech (although the very announcements of deteriorating relations are influencing companies’ business decisions) (Bown and Wang 2023).

Western corporations are trying a “China+1” strategy, where they continue to make things in China, but also choose another manufacturing base (eg Malaysia) as a hedge. According to Kimura (2023), and based
on monthly data on international trade at the level of industrial branches as of the end of 2022, there are no clear signs of the separation of supply chains or drastic reorganization of production networks. When it comes to the exchange between Japan and China after the American targeting of Huawei in 2020, there has been a decline in Japanese exports to China. Namely, the analysis indicates a decrease in Japanese exports to China (especially components that intensively use semiconductors) by 3.3% in the period 2019-2022, with a visible “decoupling” when it comes to supply chains. Washington’s restrictive measures against Beijing, especially the ban on semiconductor exports to China from October 2022, will further disrupt supply chains in the semiconductor and supercomputer sectors.

However, globally, the decoupling of supply chains will only be partial, as evidenced by the fact that international production networks have remained active, as globalization has provided many private firms with enormous opportunities for profit. Although, given the political pressure, the expansion of trade controls seems inevitable; the “rest” of the economy outside of effective control could remain economically dynamic. In addition, Beijing from 2023 targets Western companies in the country more intensively. New sanctions were imposed on the American arms manufacturing companies Lockheed Martin and Raytheon. An investigation was launched on the American chip manufacturer Micron. A search was carried out at the American company Mintz (where part of the local staff was arrested), and the senior manager of the Japanese group Astellas Pharma was deprived of his liberty, while Deloitte will have to pay a record fine. China is currently considering restricting Western access to materials and technologies critical to the global automotive industry (like batteries), as well as restricting exports of key solar manufacturing technology (White and Inagaki 2023). The strategy is aimed at industries and companies that have no major potential to threaten China’s economic interests (Beijing refrains from actions against companies and industries that it considers important for the country’s economy).

Related to global finance, Wall Street remains bullish on China. A new wave of investment already began in 2020 after Beijing had lifted restrictions on foreign ownership of local funds in 2020. (Goldman Sachs, JP Morgan, Citigroup, Morgan Stanley and others have invested more than $75 billion in China’s financial markets, while Blackrock, a giant American investment company, announced the establishment of a billion-dollar mutual fund, becoming the first foreign firm to be approved for such a wholly foreign-owned fund in China). Given Bloomberg’s estimates
offshore companies in tax havens are concealing an additional $1.4 trillion in FDI in China (three times more than official figures), it is clear that business is preventing faster decoupling. Yet, eco-systems that include semiconductors, artificial intelligence, supercomputers, biotechnology, quantum science, continue to separate with the intensification of technonationalist competition, or hybrid conflict, between Washington and Beijing. The result is an increasing fragmentation of the global technology sector. The U.S. embargo on semiconductor exports has already separated supply chains between U.S. and most Chinese technology companies. These include Huawei and ZTE (telecommunications); SMIC and YMTC (semiconductors); DJI (drones); Dahua, Megwii, SenseTime and HikVision (artificial intelligence, surveillance software, hardware). A looming problem is with dual-use products, where comprehensive export controls and sanctions by Washington could prevent many US firms from doing much of their business operations in China. Such a development could disable the operation of entire business sectors, including medical and pharmaceutical activities, mining, energy, agriculture and ecological (clean) technologies (Capri 2023).

Currently, Washington is in the process of introducing new controls for investment in China. A split was also detected in the domain of scientific research and the creation of separate national databases (as a result, the artificial intelligence of China and the West “learn” from their databases). FDI is subject to more intense controls, which will force private companies to separate operations into Chinese and non-Chinese divisions with “firewalls” that prevent the mixing of capital, people and ideas. While the US initiated the decoupling, China becomes an accomplice. Stanford University’s DigiChina project details Beijing’s vigorous imposition of trade controls, restrictions on data handling and cross-border data flows and encryption, supply chain security reviews, financial decoupling, travel and visa restrictions, website and app bans (and general efforts to reduce dependence on foreign countries) (Xiao and Dong, 2022). After all, China has long prioritized autonomy in science and technology, and the promotion of national champions was a pillar of its economic policy long before the trade war. Nevertheless, politics is conducted at the level of states, and the main role in determining the state of the world economy and planetary peace is played by the great powers.
CONCLUSION

To the extent that the US and China cannot agree, the issue of Taiwan will be interesting for the US, which has traditionally avoided providing such explicit security guarantees to Taiwan, with which it no longer has a mutual defense agreement. Instead, Washington maintains a policy of “strategic vagueness” about how far it is willing to go (Kuo, 2023).

The Taiwan Relations Act of 1979, which governs U.S. relations with the island, does not require the U.S. to intervene militarily in the event of a Chinese invasion, but mandates that Taiwan be provided with the resources to defend itself and prevent any unilateral changes to its status from side of Beijing. Former Taiwanese President Ma Ying-Jeou confirmed it (Kuo, 2023).

The European Union is looking for an appropriate way to position itself towards the People’s Republic of China. On the one hand, close trade ties and Europe’s dependence on Chinese raw materials characterize relations. On the other hand, there is a regular split when some European politicians accuse China of violating human rights. That is why it is said in Brussels that China is both a partner and a competitor and a systemic rival (Altmeyer, 2020). Trade with China certainly carries risks for the economic or national security of EU member states. As an example, the so-called “dual-use goods”, those that can be used for both civil and military purposes, as well as investments in China, and transfer of technology and knowledge. Therefore, Taiwan, after all the perturbations of the 20th century, enters a new cycle of tension, again caused by the convergence of external political factors. Beijing clearly still hopes for a peaceful reunification.

The return of Hong Kong and Macau to Chinese jurisdiction at the closure of the nineties of the last century strengthened Beijing’s faith in the possibility of a diplomatic return of the islands. Even so, Beijing realizes time is running out.
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Мохамед Бадин Ел Јатиуи
Амерички универзитет у Емиратима, Дубаи

АНАЛИЗА ОДНОСА КИНЕ И ТАЈВАНА: АМБИЦИЈЕ И РЕАЛПОЛИТИКА

Сажетак

Основни циљ овог рада је да објасни и анализира оптерећене односе Кине и Тајвана, као и могуће последице по регионалну и међународну безбедност. Улога Сједињених Држава се сматра кључном. Захваљујући томе се може схватити стратегија различитих актера у контексту снажне подршке коју Вашингтон пружа Тајвану. Занимљиви су и економски односи Кине и Тајвана, који указују на сложеност и осетљивост теме. Наш циљ је да пружимо анализу која би обухватала амбиције различитих страна, али и њихова ограничења услед присуства реалполитике.

Кључне речи: Кина, Тајван, САД, стратегија, безбедност, економија, тензије