DOMESTIC VS. INTERNATIONAL DETERMINANTS OF FOREIGN POLICY: 

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Prepared for delivery at the 49th ISA Convention, San Francisco, CA, 2008

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Introduction

The linkage between domestic and international determinants of foreign policy has long been a widely debated topic in the field of international relations, and foreign policy analysis (FPA) in particular. Some scholars argue that domestic politics and foreign policy are two independent arenas of issues. Others believe that the two respective issues do not stop at the water’s edge. Foreign policy and domestic politics are interdependent and could spill over into each other. While both schools of scholars make some convincing arguments about their respective cases, it’s probably reasonable to expect that the degree of influence between domestic and international determinants of foreign policy is contingent on different foreign policy contexts. In some cases, international factors play a more important role, whereas in other cases, domestic reasons are more important.

In this chapter, I take a somewhat unique approach to examine the domestic vs. international determinants of foreign policy by looking at the empirical evidence for the case of China and Taiwan. Since the mid-1980s, the Republic of China (ROC or Taiwan) has gradually democratized.¹ The People’s Republic of China (PRC), however, is still a single party authoritarian state. Before the PRC and ROC split in 1949, the mainland and Taiwan had shared many historical and societal commonalities. For example, portions of the mainland Chinese and Chinese in Taiwan spoke a similar language and used the same Chinese characters. Many people on both sides shared similar views and practices on

¹ For example, in 1996, Lee Teng-hui became the first popularly elected president. In 2000, Chen Shui-bian became the first directly elected non-Kuomintang (KMT) president. Moreover, Taiwan’s democratization process continues in all aspects of the society.
history, culture and customs. Since 1949, however, both the mainland China and Taiwan have been able to maintain de facto independence in managing their respective political, economic, and cultural affairs. Taiwan has gone through both economic and political reforms in recent years. Particularly since it democratized, evidence clearly shows that democracy has brought tremendous changes to Taiwan. The PRC, on the other hand, has largely focused on its economic reform efforts since the late 1970s and early 1980s; and remained to be averse to any major political changes. In spite of the occasional tensions between the two, the mainland China and Taiwan remain closely linked in many ways, such as in areas of economic relations, cultural and technology exchanges, financial investments, just to name a few. The combination of historical linkages and the recent developments in the PRC and ROC have almost created a controlled environment for studying internal and external factors of foreign policy in a comparative sense.

Has Taiwan’s democratization and domestic politics influenced the decision making on cross-Strait relations? What is driving the cross-Strait decision making from both sides? Moreover, can the China-Taiwan case shed some light on the study of foreign policy analysis in general? In this chapter, I try to examine these questions by using event data in the Taiwan Strait. Findings suggest that, from China’s perspective, Taiwan’s domestic political changes do have significant influence on China’s decision making towards Taiwan. Although such changes may have been caused by Taiwan’s internal democratization, China is not directly reacting to Taiwan’s democratization per se; rather it is reacting to policy changes as a result of Taiwan’s internal democratic changes. Moreover, China’s policy towards

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2 The 1995 and 1996 Taiwan Missile Crisis is a good example of the tensions between the two sides.
Taiwan does not seem to be directly linked to China’s internal power politics. Rather, Taiwan’s policy toward China and Taiwan’s internal politics seem to be playing a more important role in determining China’s Taiwan policy. From Taiwan’s perspective, however, democratization has significantly influenced Taiwan’s behavior towards China. Cross-Strait decisions from both sides are significantly related to Taiwan’s internal relations. Therefore, for China’s Taiwan policy, evidence supports international or external determinants of foreign policy; whereas for Taiwan’s China policy, evidence supports domestic or internal determinants of foreign policy. A direct speculation is that regime type matters in what kind of factors matter more for states’ foreign policy. A large N, together with some in depth analysis, on more cases is needed in the future.

The chapter unfolds in the following sections. First, I provide a justification for treating China and Taiwan’s respective policies toward each other as foreign policies before a brief summary of the literature and the theoretical framework are introduced. Second, I discuss the historical background of Taiwan issue, which lays a foundation for the research problems I will later introduce. Third, based on empirical evidence, potential problems on cross-Strait decision making and research hypotheses are introduced. Fourth, I briefly discuss the dataset and statistical procedures I use to test the hypotheses. Finally, based on the statistical findings, I discuss the findings and make some policy recommendations.

Is It A Foreign Relation?

In this chapter, I take a foreign policy analysis approach to analyze the cross-Strait relations. An immediate question can be raised about whether the relations in the Taiwan
Strait are foreign relations. Therefore, a brief justification is necessary. The ROC was established in 1911 by the KMT in mainland China. In 1949, the KMT lost the civil war to the Chinese Communist Party (CCP). CCP Chairman Mao Zedong announced the establishment of the PRC on October 1, 1949. As a result, the Nationalist government fled to Taiwan. However, the Nationalist government continued to be the legal representative of China in the international community till 1971. In 1971, the United Nations (UN) passed “Resolution 2758” to replace the ROC with the PRC as the sole and legal representative in the UN. The ROC was expelled from the UN and all other international organizations that require statehood. The mainland argues that after China defeated Taiwan in the Chinese civil war, the Nationalist government ceased to exist. The ROC, however, claims the KMT government was moved to Taiwan temporarily after losing the civil war to the CCP (Hickey, 1997). As of now, only some 20 small countries\(^3\) officially recognize the ROC, while the majority of countries in the international community recognize the government of the PRC.

However, since 1949, both sides of the Taiwan Strait have been exercising de facto control of their respective sides. Each side has an effective government, active military, a fixed population and a firm territorial control. The two sides have been independent to each other on both domestic and international issues. Thus, the two sides have been two separate political entities to each other. Most decisions and policies across the Taiwan Strait are not coordinated or negotiated by the two sides together. Each side has its independent policy making process towards the other. It is for those reasons that I treat China and Taiwan as

\(^3\) As of June 1\(^{st}\), 2007, The Republic of Costa Rica officially terminated its diplomatic relationship with the Republic of China and established full diplomatic relationship with the People’s Republic of China, leaving only two dozen countries in Africa (5), Europe (1), Latin America (12), and Oceania (6) maintaining diplomatic relations with the ROC.
two independent actors. Thus, for the purpose of this chapter, cross-Strait relations are not considered as domestic or internal relations of a greater China. At least, the relationship can be referred to as “partial foreign policy”, because it involves at least one unrecognized state that effectively conducts independent external strategies (Hill, 2003).

Treating the cross-Strait relations as external ones allows me to conduct a two-level analysis: 1) cross-actor level, which refers to the directional relations between China and Taiwan; and 2) domestic level, which includes Taiwan’s domestic politics and those of China’s.

**Literature and Theory**

Hill (2003) argues that foreign policy is the hinge of domestic and international politics. Scholars perhaps agree that foreign policy serves as an intersection point of domestic and international politics. They do not agree, however, on which group of factors plays a more important role in determining countries’ foreign policies.

Some scholars argue that foreign policy is simply an extension of what goes on domestically within a country. Therefore, domestic factors play a determining role in shaping a country’s foreign policy. Rosenau (1966) suggests internal influences affect external behavior of a country. Hagan (1993: 5) states that “foreign policy makers (at least senior ones) must balance foreign policy concerns with their need to maximize domestic political support for their regime. When foreign policy considerations are inconsistent with

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4 Some argue the intersection point is the state. Others argue that although international and domestic politics intersect at the state level, the intersection point is human decision-makers. For a detailed discussion, see Hudson (2002).
the regime’s political situation at home, political leaders must adjust foreign policy to make it more compatible with those domestic realities.”

Research on U.S. president’s use of force overseas as a foreign policy tool is a good example to illustrate arguments that fall into the domestic-determinant school. For example, Ostrom and Job (1986) find that domestic, political factors are more influential on the president’s decision to use military force than characteristics of the international environment from 1949 through 1976. James and Oneal (1991) replicate Ostrom and Job’s 1986 finding and argue that domestic political factors remain most consequential in the president’s decision to use force. For example, a sagging economy, high inflation rate, high unemployment rate, and low political approval rating of the leadership can all be reasons to create incentives for U.S. presidents to use force overseas (Ostrom and Job, 1986; Levy, 1989; Russett, 1990; James and Oneal, 1991; DeRouen, 2000). This line of logic is commonly referred to as the diversionary logic, which views domestic factors as reasons for foreign policy outcomes. However, in the same study, James and Oneal (1991) use a new indicator, a measure of severity for ongoing international crises, and find that the indicator is associated significantly with use of force by the U.S. over the same period investigated by Ostrom and Job (1986). Although domestic political factors remain most consequential in the president’s decision to use force short of war, their new indicator of severity for ongoing international crises performs better than Ostrom and Job’s indicator for international environment, leading to some stronger evidence to indicate that perhaps international factors play a greater role in determining a country’s foreign policy than one would think.

This notion of international or external determinants of foreign policy leads to a
radically different category of scholarship. While scholars in this school acknowledge the importance of both international and domestic factors, they argue that international factors play a more important role. Take the coercive diplomacy and economic sanctions literature as an example. Drury (2000 and 2001) examines both the relations with the target country and U.S. domestic factors when deciding to impose economic sanctions and find that although domestic factors are important, their role is only marginal. Instead, the relations with the target have a much greater impact on the decision to deploy economic sanctions; therefore, economic sanctions as a form of coercive diplomacy (foreign policy behavior) are aimed at the target and determined by the relationship with the target; thus they are not driven by White House reaction to domestic demands for action.

This trend is even more so when system and global level actors are involved. The global factors shaping foreign policy include a global media system, global public opinion and the globalization of policy ideas and values promoted by Non-Governmental Organizations (NGOs) and other actors in the global civil society (Li and Lamy: 2007). The debate between the traditional realists and constructivists on what determines states’ foreign policy behaviors illustrates this point well. Traditional realist approach, as explained above, sees tangible interests as the focus of the debate. As a result, foreign policy, as an extension of domestic politics, must be linked to power politics and interests inside the state. Constructivists however focus more on external factors, particularly on value, morality and identity driven reasons, as the determinants of foreign policy than the result of the interplay of domestic political powers. For instance, Canada’s decision, partially led by Canadian Foreign Minister Lloyd Axworthy, to lead the 1997 Ottawa negotiation process to ban
anti-personnel mine eventually led to the formal signing of the *The Ottawa Convention –
Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of
Anti-Personnel Mines and on Their Destruction*. Such effort by Canada and Canada’s
subsequent foreign policies, as well as those of many other countries, cannot be simply
explained by domestic political interests. Instead, norms, values, and international
influences, including influences from advocacy networks that share such norms and values
played a more crucial role in shaping states’ foreign policies (Finnemore and Sikkink, 1998;
Keck and Sikkink, 1998; Rutherford, 2000).

To use the same domain of literature on presidential use of force, evidence suggests
that if one cannot be convinced that international factors can act independently from domestic
ones as determinants of foreign policy behaviors, international factors and domestic factor are
at least entangled with each other to some degree, therefore, endogenous to each other. To
be specific, the opposing view of the diversionary logic is the so called “rally ‘round the flag”
logic – a belief that, when a troubled leader pursues international diversionary activities, the
domestic public can be expected to rally around its leader against the outside adversary
(Mueller, 1973; Ostrom and Simon, 1985; Brody and Shapiro, 1989; Edwards and Gallup,
1990; Morgan and Bickers, 1992; James and Rioux, 1998). According to this logic,
domestic considerations are no longer the starting node of a foreign policy action; it is the
ending node instead. Leaders who pursue this kind of foreign policies essentially use the
relations and interactions with other countries, in many cases the use of force overseas, to
draw up their foreign policy plans, with the ultimate goal to influence their domestic politics.
For example, Morgan and Anderson (1999) find that as the support for the Prime Minister’s
party declined, the likelihood that Britain displayed, threatened, or actually used force significantly increased, with the hope that an aggressive behavior with other international actors overseas could create a sense of crisis and urgency in its foreign policy that would lead to some rally ‘round effect domestically. Another study finds that around the time of elections, Israel is more likely to be engaged in military actions with other countries to influence its domestic political outcomes (Barzilai and Russett, 1990).

Clearly, the debate between domestic and international determinants of foreign policy remains as an important one. Moreover, there are still spaces on each side to further explain and enhance their respective arguments. Existing research on this debate has a focus on western states. By examining the case of China-Taiwan, this chapter first adds significantly to the general understanding of foreign policy decision making through a non Western case. Second, by unpacking the level of analysis at the event level, the project challenges the traditional realist’s position, which conceives of the nation-state as a unitary actor where foreign policy decision-making goes through a “black box” and foreign and domestic policies are independent of each other (James, 1988; Putnam, 1988; Mastanduno, Lake and Ikenberry, 1989; James and Oneal, 1991; Morgan and Bickers, 1992; Miller 1995; Morgan and Anderson, 1999). Finally, by using event data, the project provides an opportunity to examine the case of China-Taiwan through an empirical prism. Empirical evidence alone may not be sufficient enough to provide foreign policy recommendations to bridge the gap between empirics and policy. But it serves as a starting point to link historical, normative, and empirical evidence to better explain China-Taiwan relations in specific, and foreign policy analysis in general.
In the next section, I briefly introduce the historical background in the China-Taiwan case in order to lay out the research hypotheses.

**Historical Background**

Several major events contributed to the formation of the current status of China-Taiwan. In spite of the respective economic developments in both the mainland and Taiwan, China today remains as a single party authoritarian system, whereas Taiwan is now largely recognized as a multiparty democracy. The separation of China and Taiwan since 1949 has allowed the two sides to adopt different political and economic systems and policies. Arguably, the separation subsequently allowed Taiwan to democratize.

People on different sides of the Taiwan Strait have different interpretations about the historical and current status of Taiwan. Nevertheless, both people in Taiwan and the mainland believe they share some similarities in their ancestry and civilization. After the KMT and the CCP jointly defeated the Japanese in 1945, China fell into the Civil War. With the liberation of Nanjing in 1949, the CCP’s victory became inevitable. Finally, on October 1, 1949 in Beijing, Mao Zedong declared the establishment of the PRC. The KMT fled to Taiwan to escape the defeat at the hands of the People’s Liberation Army (PLA). The CCP’s central government moved to Beijing, but the Nationalists claimed that the country’s government had moved temporarily to Taipei (Hickey and Li, 2002). At that time, neither one of the political entities recognized the other. Indeed, for almost 40 years, there was no official or public contact.

The mainland argues that Taiwan is historically and culturally part of China. Taiwan
is considered as a rebellious province, which needs to be reunited with the mainland. One scholar noted: “PRC authorities claim that, after the ROC government in Nanjing was ‘finally overthrown by the Chinese people’ in 1949, the PRC became the sole, legal government of all China (including Taiwan)” (Cited in Hickey, 1999).

Taipei, on the other hand, has a different interpretation about Taiwan’s status. Taiwan’s policy toward the mainland has experienced some major changes. After fleeing to Taiwan, Chiang Kai-shek firmly believed in “national recovery and national reconstruction” (Cooper, 1990: 30). Chiang Ching-kuo also believed that the “anti-Communist struggle will never cease until Communism is eliminated from Chinese territory and until the Chinese Communist regime has been destroyed” (Anonymous, 1979). In an interview, Fredrick Chien, the then Taiwan Foreign Minister, depicted the Chiang era’s perception toward the mainland as:

We took the same position as mainland China. We both said that there was only one China. We both said Taiwan was part of China. And we said only the Republic of China was the legitimate government of China and they said only the People’s Republic of China was the legitimate government of China… (Hickey, 1999)

So in the early years, Taiwan abided by the one China policy but had a different understanding of what the one China was. Later, the ROC “unilaterally renounced the use of force to unify China, no longer competes with Beijing to represent China in the international community, and now acknowledges that the PRC exercise ‘de facto authority’ over mainland China” (Hickey, 2001: 18).

In spite of the separation of China and Taiwan, the ROC and the PRC share similar philosophical believes and historical practices in democracy. It is true for both China and
Taiwan that “personal power, not the rule of law or the will of the people, determined how China was governed. Ruler after ruler drafted legal codes but never established the rule of law, nor was there any political theory developed to justify a polity organized by checks and balances with leaders and representatives elected by the people. The Legalists, a group of philosophers, tried to make law the basis for guiding rulers and citizens, but the political culture, the society, and the economy resisted” (Chao and Myers, 1998: 7). Nevertheless, throughout the last quarter of the 20th century, Taiwan took gradual steps to democratize. For the two sides of the Taiwan Strait, sharing the same societal, philosophical, historical, and cultural backgrounds, Taiwan’s democratization could be a crucial explaining variable to study the cross-Strait relations.

Taiwan’s democratization went through a gradual process. In early 1949, the KMT realized that the CCP’s victory was inevitable. The First National Assembly of the ROC “deactivated” the constitution and transferred powers vested in the constitution to the president, who was also the KMT chairman, making Taiwan a single-party, authoritarian state (Chao and Myers, 1998: 11). On May 19, 1949 martial law was declared. It was not lifted until July 15, 1987. “Martial law gave the ROC the power not only to deal with communist subversion but also to suppress any indigenous political movement that appeared to threaten the government” (Chao and Myers, 1998: 9). Thus, under martial law, the KMT government had complete control over all aspects of the Taiwanese society.

Before Chiang Ching-kuo initiated the political reform, opposition parties were not allowed. The DPP was declared illegal when it was first founded. The KMT also monopolized “power within the government, the armed forces, and the police force… All
key officers in the various branches of the government, the military, and the police force are
districts between the party and the government blur” (Tien, 1989: 71). The KMT also illegally manipulated elections to stay in power, such as gathering intelligence information to prevent non-KMT candidates from winning, discouraging non-KMT candidate through public opinion surveys, and illegal voting behaviors (Chao and Myers, 2000: 30-31).

Even though the KMT firmly controlled the political system under martial law, democracy continued to grow. There are several reasons Taiwan demanded democracy. First, “from 1960 to 1970, Taiwan experienced unprecedented rapid economic growth and structural exchange” (Chao and Myers, 2000: 33). Second, the KMT leaders realized it would not be possible for them to recover the mainland soon. The mainland Chinese in Taiwan only constituted less than 15 percent of the island’s population. In order to win the support of the Taiwanese people and stay in power, the KMT could only do so if the elections became fair and democratic (Chao and Myers, 2000). Third, as time went on, the need for martial law lost credibility. People in Taiwan did not believe the KMT offered a credible defense of their party’s ban of opposition parties (Chao and Myers, 2000). Fourth, the regime was “willing to promote a limited democracy with the promise of eventually establishing full democracy when favorable conditions allowed” (Chao and Myers, 1998: 11). The KMT allowed local elections. The opposition also used elections to demonstrate support for change (Rigger, 1999). All the reasons added up and pressured the KMT to democratize.

In addition, Dangwai (opposition) candidates increased in the early 1980s. In 1986,
the main opposition group took a final step to organize the Democratic Progressive Party. In the meantime, Chiang Ching-kuo decided to establish “a 12-person committee that would be responsible for creating six subcommittees to study how political reform could be introduced” (Chao and Myers, 2000: 44).

The most significant incident in Taiwan’s democratization was the lifting of the martial law on July 15, 1987. The lifting of the martial law ended the military rule in Taiwan and removed most restrictions on civil rights. “With an opposition party contesting elections and martial law cast away, politics in Taiwan lost much of its authoritarian quality” (Rigger, 1999: 129-130). The environment became more conducive for democratization.

Taiwan continued to democratize during the Lee Teng-hui years. In March 1990, Lee was elected the president by the National Assembly. On March 23, 1996, Taiwan conducted its first direct presidential election in its history. Lee won 54% of the vote and became the first-ever democratically elected president in Chinese history.

After Lee won the election, he continued to promote democratic reforms. During the 2000 presidential election, the KMT split between Lee and Lien Chan. On March 18, 2000, Chen Shui-bian became the first directly elected non-KMT president of Taiwan. In 2004, Chen won his second term in office during the reelection. In many aspects, Taiwan has become a multiparty democracy.

The mainland China, however, is still a single-party authoritarian state. Although China has never renounced the use of force to take over Taiwan, China’s position on Taiwan

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5 Chen’s victory was significant in three respects: 1) It marked only the second time that the ROC had conducted a direct presidential election; 2) It was the first time that a candidate outside the ruling KMT had been elected president of the country; 3) It showed that the Taiwan electorate will not yield meekly to threats or intimidation from Beijing (Hickey and Li, 2002: 201-202).
has gone through several periods of change. Between 1949 and 1978, Beijing’s policy towards Taiwan was to “liberate Taiwan by force …wash Taiwan in blood” (Wu, 1994: 19). China conquered the minor offshore island of Tachen in 1955 and bombarded Quemoy in 1955 and 1958 in conjunction with its Taiwan policy during the early years.

After the death of Mao, China relaxed its stance on Taiwan and proposed peaceful reunification of China. However, China has never renounced the use of force to take the island. In 1979, China proposed the “Three Links” - direct transportation, postal services and trade, and “Four Exchanges” - academic, cultural, sports, and technological exchange proposals to promote cross-Strait exchanges.

To resolve the Hong Kong issue in early 1980s, Deng Xiaoping proposed the “one country, two systems” formula. Hong Kong and Macau returned to China in 1997 and 1999 respectively under the “one country, two systems” framework. The same framework has been offered to achieve China’s eventual unification with Taiwan.6

In 2000, China further relaxed its position on Taiwan. Vice Premier Qian Qichen, the then top Taiwan policy maker in the mainland, said in his remarks that Beijing had never insisted that one China meant the People’s Republic of China; the term “China” did not mean Taiwan nor did it mean the PRC (Klintworth, 2001: 51). A ranking PLA officer, Senior Colonel Zhu Chenghu, said in Canberra on July 7, 2000 that “the term ‘one China’ did not denote the PRC or, for that matter, Taiwan; and that if Taipei accepted the concept of one China in which Taiwan and the mainland could be equal parts, then everything was negotiable, including the name of a future China, the type of government, its structure, the

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6 Taiwan has always opposed the “one country, two systems” framework.
anthem, the flag, and even the location of the capital” (Klintworth, 2001: 52).

Generally, the mainland has been very cautious in dealing with the DPP government since it took office. The mainland leadership seems to be more comfortable dealing with the pro-unification pan-blue coalition. For example, both the pro-unification KMT Party President Lien Chan and People First Party President James Soong have been able to visit the mainland and hold meetings with China’s top leaders.

While China and Taiwan maintain similarities in all aspects of their societies, democratization continues in Taiwan. Has democracy in Taiwan created substantial changes in Taiwan’s mainland policies? Subsequently, how will China react to these policy changes as a result of Taiwan’s continuous democratization? And what do these interactions mean for foreign policy analysis in general? The rest of the chapter will first identify the problems and then establish hypotheses for testing.

Problems and Hypotheses

Taiwan has democratized, while China remains a single-party authoritarian regime. During the period leading up to Taiwan’s democratization, cross-Strait relations have gone through several ups and downs. In 1992, the two sides agreed on the 1992 Consensus, achieving the best relationship ever since 1949. However, Lee Teng-hui’s visit to the U.S. followed by China’s missile threat in the Taiwan Strait, brought cross-Strait relations to a low

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7 In 1992, China and Taiwan reached the 1992 Consensus. The basic premise is that both sides accept the principle of “one China”. But what “one China” means is up to each side to interpret. The 1992 Consensus allowed the two sides to talk to each other about the Taiwan issue.

8 Lee Teng-hui visited the U.S. for his alma mater in 1995. Lee’s visit angered Beijing. Beijing ordered to suspend all talks with Taiwan and instructed the PLA to conduct missile tests in the Taiwan Strait.
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point. Talks between the two sides stopped. Beijing also threatened Taiwan during the 1996 and 2000 election demonstrating that military action could be possible if Taiwan declared independence. Beijing soon calmed down as Taiwan did not take any dramatic changes for its China policy.

Based on previous discussions, I speculate that Taiwan’s democratization has influenced Taiwan’s policy towards China. Subsequently, China is reacting to the policy changes as a result of Taiwan’s democracy. Drawing from these discussions, four hypotheses are proposed:

*Hypothesis I (H1)*: The more cooperative Taiwan’s internal relations are, the better China reacts to Taiwan.

*Hypothesis II (H2)*: The greater extent to which Taiwan democratizes, the more favorable reactions are from China.

*Hypothesis III (H3)*: The more cooperative Taiwan’s internal relations are, the worse Taiwan reacts to China.

*Hypothesis IV (H4)*: The more Taiwan democratizes, the less favorably it reacts to China.

*H1* attempts to test if Taiwan’s internal policy cohesiveness has any relationship with how China reacts to Taiwan. *H2* attempts to test if Taiwan’s democratization has any influence on China’s Taiwan policy making. *H3* attempts to find if there is any relationship between Taiwan’s internal policy cohesiveness and how it reacts to China. *H4* attempts to test if Taiwan’s democratization has any influence on its own decision making on China.

**Data**

To test the hypotheses, I conduct a time series analysis for a time period of 9 years
from 1991 – 2000\textsuperscript{9}. The level of analysis is daily events. Data are gathered from two major databases - Integrated Data for Events Analysis (IDEA)\textsuperscript{10} (Bond et al, 2001) and Polity IV Project\textsuperscript{11} (Marshall et al, 2000). IDEA dataset is used to obtain cross-Strait daily events; Polity dataset is used to obtain China’s and Taiwan’ respective democracy scores. All IDEA variables are nominal variables\textsuperscript{12}. I seek the help of the World Event/Interaction Survey (WEIS)\textsuperscript{13} dataset to assign numerical values to IDEA variables. A weighting scale developed by Goldstein (1992) based on WEIS is used. By applying the Goldstein scale, selected events in IDEA are converted into interval data (see Table 3 for examples).

To measure cross-Strait relations, four relation variables are created. The four relation variables are the relations between China-China, China-Taiwan, Taiwan-Taiwan and Taiwan-China.\textsuperscript{14} The four pairs are unidirectional. This allows me to distinguish the directional influence across the Taiwan Strait and within China and Taiwan. The four

\textsuperscript{9} The event dataset Integrated Data for Events Analysis (IDEA) covers the time period from 1991 to 2000. During this time period and according to the Polity IV project, Taiwan’s democracy score changed from “-1” to “9”, indicating a change from autocracy to democracy. Taiwan’s Polity score continued to increase after the 1996 and 2000 elections. The nine year period covers Taiwan under both autocracy and democracy, allowing me to examine whether Taiwan’s democratization process has any influence on its decision making towards China.

\textsuperscript{10} I used the Dong, Doug, Joe Bond, Churl Oh, J. Craig Jenkins and Charles Lewis Taylor, Integrated Data for Events Analysis (IDEA), November 21, 2001 version. Event data are usually generated by examining thousands of newspaper reports on the day-to-day interactions of nation-states and assigning each reported interaction a numerical score or a categorical code (Schrodt, 1995). For a detailed description of the IDEA dataset, please refer to their codebook at http://vranet.com/IDEA/.


\textsuperscript{12} Original IDEA database is in Microsoft Access format. Stata 7.0, StatTransfer 6 and Microsoft Excel are also used for data manipulations. All statistical analyses are conducted through Stata 7.0.

\textsuperscript{13} I used the McClelland, Charles, World Event/Interaction Survey, 1966-1978, ICPSR, version.

\textsuperscript{14} Each relation variable is the sum of all weighed variables with the same relation pair. For example, the relation variable for China-China is the sum of all variables that measure China-China interactions. See codebook and dataset for details.
relation variables are also lagged by one day to create four lagged relation variables. The lag variables provide an overtime measurement of changes of the cross-Strait relations. The rationale is that an event initiated by China and targeted at Taiwan at any given time, for example, may not receive policy reactions from Taiwan until a later time. The lag variable allows the policy reaction lag captured in the statistical analysis.

(Table 1 about here)

Polity scores\textsuperscript{15} are used as a measurement for democratization. Taiwan’s Polity score changed several times from -1 in 1991 to 9 in 2000 (see Table 1 for details), indicating a change from autocracy to democracy.\textsuperscript{16}

Data Analyses

For this chapter, I use the Seemingly Unrelated Regression (SUR) to test the hypotheses. There are two main reasons that a dynamic model is used in this case. First, I expect two-level interactions between China and Taiwan, and within China and Taiwan, respectively. As a result, interactions in the Taiwan Strait are not sequential interactions, but simultaneous ones instead. Therefore, a dynamic model is more appropriate in this case. The second reason the SUR model is used is that I expect that errors in the two equations, which measure relations originated from China and targeted at Taiwan and vice versa, are correlated. By definition, a set of equations that has contemporaneous cross-equation error correlation is called a seemingly unrelated regression (SUR) system. At first look, the

\textsuperscript{15} For detailed description of the Polity score, see Marshall, Monty G., Keith Jaggers and Ted Robert Gurr (2000) Polity IV Project. Polity IV Dataset.

\textsuperscript{16} For China, the Polity score is a constant (-7), because China remained an authoritarian regime from 1991 to 2000.
equations seem unrelated, but the equations are related through the correlation in the errors (Kmenta, 1986). The correlation in the errors would not be a problem in the normal linear regression model, because all specification of the normal regression model is known. “If there exists some other piece of information that has not been taken into account, then the result concerning the properties of the least squares estimators can no longer be considered established. One such additional piece of information would be that the knowledge that the disturbance in the regression equation under consideration could be correlated with disturbance in some other regression equation” (Kmenta, 1986: 635-636). I, therefore, use the SUR to control these errors.

(Table 2 about here)

The SUR model (see Table 2), consists of two equations. In Equation 1, the China-Taiwan-relations variable is the dependent variable, with China being the initiator and Taiwan being the target of cross-Strait events. Five independent variables are included: Taiwan-China Relations, Taiwan’s Polity Score, Taiwan’s Internal Relations, Lagged China-Taiwan Relations, and Lagged China’s Internal Relations. Equation 1 attempts to establish a linkage between China’s actions toward Taiwan and the five independent variables listed above.

The overall $R^2$ of Equation 1 is 0.9322. This indicates that 93.22% of the variance is explained by the model. Three variables, Taiwan-China Relations, Taiwan’s Internal Relations and Lagged China-Taiwan Relations reach statistical significance. The coefficients of the three variables are all positive.

(Table 3 about here)
To be more precise, the statistical significance of the Taiwan-China Relations variable indicates several issues. First, China’s actions toward Taiwan are direct reactions to Taiwan’s actions or policies toward the mainland China. Second, the positive coefficient shows a positive direction of relations across the Taiwan Strait. The relations variable measures several event forms, including rhetorical threats and promises and actual actions from both sides (see Table 3 for examples of event forms and weighting scales). The value of the variable ranges from -10 to 10 - negative values indicating negative events and positive values indicating positive events. The result shows that the nicer Taiwan’s actions or policies toward China are, the better China react to Taiwan. On the other hand, the more provocative Taiwan is towards China, the more aggressively China reacts towards Taiwan.

To put it into perspective, the 1995 and 1996 missile crisis clearly demonstrates such a relationship exists. In 1995, President Lee Teng-hui visited the U.S. Even though he had declared his trip as private and unofficial, Beijing saw it as Taiwan’s pragmatic effort to rejoin the international community and a promotion of Taiwan independence. Lee’s visit to the U.S. was clearly seen, by the mainland leadership, as a provocative action to challenge the status quo in the Taiwan Strait. In reaction to Taiwan’s provocative call for international recognition, China test-fired “short-range ballistic missiles (M-9s) into the target area, 90 miles off the northern coast of Taiwan” (Kau, 2000: 241-258). And the missile tests were followed by “successive waves of large-scale military exercises along the Fujian coast throughout the summer months” (Kau, 2000: 241-258). Fearing Taiwan would declare independence after its first ever direct presidential election, and Lee Teng-hui’s remark about the cross-Strait relations being “special state-to-state” relations, Beijing authorized missile
tests again in 1996. The missile tests are “within 25 to 35 miles of the 2 principal northern and southern ports of Taiwan, Kaohsiung and Keelung” (Global Security: 2003), a week before the scheduled presidential election in Taiwan. The intense tensions in the Taiwan Strait prompted the U.S. to deploy its Seventh Fleet aircraft carrier battle groups USS Independence and USS Nimitz to the coastal waters of Taiwan to monitor the development (Kau, 2000). Whereas, when Taiwan produces positive and less aggressive policies toward China, China reacts favorably in return. For example, during Chen Shui-bian’s inaugural speech on May 20, 2000, he proclaimed the so called “Five No’s”¹⁷ to calm down Beijing. Beijing reacted positively. Chinese Vice Premier Qian Qichen said on September 29, 2000 that Beijing had never insisted that one China meant the People’s Republic of China; the term “China” did not mean Taiwan nor did it mean the PRC (Klintworth, 2001).

Taiwan’s Internal Relations variable also reaches statistical significance. This means that the mainland China closely watches what goes on in Taiwan domestically. Taiwan’s internal politics could include its democratization process, judicial, legislative procedures and administrative politics and party politics, which would eventually contribute to Taiwan’s internal political structure and policies toward China. The result indicates that the more cooperative Taiwan’s internal action or policies are, the better China reacts to Taiwan. When Taiwan’s internal relations are cooperative, China tends to react to Taiwan more favorably. For instance, on August 4, 1992, Wang Daohang of the Association of Relations

¹⁷ Chen proclaimed that, as long as the PRC did not use military force against Taiwan: he will not declare Taiwan independent of China; he will not support changing the national title of the Republic of China; he will not push for the inclusion of Lee Teng-hui’s “state-to-state” description in the ROC Constitution; he will not promote an island-wide referendum on the island’s status and he will not abolish the National Reunification Council or the National Reunification Guidelines. See Hickey and Li (2002).
across the Taiwan Strait (ARATS) in the mainland invited his counterpart, Koo Chen-fu of the Straits Exchange Foundation (SEF) in Taiwan to exchange views on economic development and SEF-ARATS affairs and discuss related programs.\textsuperscript{18} China saw the internal stability in Taiwan at that time and the cooperative behaviors within the KMT as a vital environment to resume cross-Strait contacts. Wang and Koo eventually met in April of 1993 in Singapore. The \textit{Wang-Koo Talk} became the most productive and constructive contact ever across the Taiwan Strait during a relatively stable time in Taiwan.\textsuperscript{19}

The lagged China-Taiwan Relations variable also reaches statistical significance. It is an indication that China is listening to and watching carefully Taiwan’s behaviors and making consistent policy reactions to Taiwan.

It is interesting and must be noted that Taiwan’s Polity Score which measures Taiwan’s democratization does not register any statistical significance in this equation, nor does China’s internal relations variable reaches statistical significance. Recall, the discussion above that China is reacting to Taiwan’s internal power politics and the policies as a result of the internal power politics. It appears that China is not directly reacting to Taiwan’s internal democratization process per se. However, it is more interested in Taiwan’s China policies, perhaps as a result of the democratization process. With China still being an authoritarian state, this absolutely makes sense. A further investigation by including data from 2000 to 2006 could shed more light on this issue. Also, China’s internal relations

\textsuperscript{18} SEF and ARATS are the two semi-official organizations dealing with cross-Strait relations. So far, the most significant contacts across the Taiwan Strait have been made through the two organizations.

\textsuperscript{19} Wang-Koo Talk produced the following documents: 1. Agreement on the Use and Verification of Certificates of Authentication Across the Taiwan Straits. 2. The Agreement on Matters Concerning Inquiry and Compensation for [Lost] Registered Mail Across the Taiwan Straits. 3. Agreement on the System for Contacts and Meetings between SEF and ARATS. 4. Joint Agreement of the Koo-Wang Talks.
variable does not reach statistical significance. This is perhaps an indication that China’s Taiwan policy is more or less Taiwan driven. China does not consider much of its internal politics regarding the issue of Taiwan, but Taiwan’s specific behaviors instead. At least for the 1991-2000 period, China’s Taiwan policy is more reactive or defensive. From a general foreign policy analysis perspective, China’s Taiwan policy is more external-factor driven.

As it will become apparent later in the discussion, Taiwan’s decisions toward China are largely driven by a different type of factors. The scope of this research does not permit me to explain why. A speculation could be that regime types matter in foreign policy decisions. A large N study involving cross national studies could shed some more light on this issue.

Equation 2 has an overall $R^2$ of 0.1455. The dependent variable in this equation is Taiwan-China Relations. This equation has three independent variables: Taiwan’s Polity Score, China-Taiwan Relations and Taiwan’s Internal Relations. All three independent variables reach statistical significance.

Taiwan’s Polity Score is inversely related to Taiwan-China Relations, indicating the more Taiwan democratizes, the worse it treats China. During the presidential campaign in 1999, DPP candidate Chen Shui-bian actively promoted Taiwan independence. Direct presidential election is considered by many as one of the indicators of democratization as public officials are elected directly by the mass public. Polls show that the percentage of people who would like to declare independence from the mainland right away jumped from 4.2% to 14.3% in a short period of four month (see Figure 1). Chen reacted accordingly by promoting Taiwan independence from China. Such behavior is considered by the mainland as very provocative. China again threatened that it would use military force if necessary.
This perhaps in some way shows the power of democracy. As Taiwan continues to democratize, political processes based on which policies toward China are made have become increasingly more institution-and-procedure driven. Political leaders in Taiwan have less manipulative power than they did before and must act according to the wills of the public and political institutions, laws, etc. to develop their cross-Strait policies. Moreover, Taiwan’s continuous democratization effort could lead to further de-sinification (Lynch, 2006) and create more identity confusions (Kang, 2007). The DPP is probably likely to take advantage of Taiwan’s democratic status to gradually remove the forced sinification imposed under the KMT leadership by promoting a unique “Taiwanese” identity (Lynch, 2006). As the democratization process continues, Taiwan’s policies could become less favorable to its authoritarian neighbor north of the Strait.

China-Taiwan Relations is positively related to Taiwan-China Relations. The better or more favorably China treats Taiwan, the better Taiwan treats to China in return. By the same token, the worse China treats Taiwan, the less favorably Taiwan reacts to China. Figure 2 demonstrates that during the 1999 presidential campaign in Taiwan, in August for example, Beijing’s hostility toward both the ROC government and people in Taiwan increased from 63.6% to 83.5% and from 47.5% to 66.7% respectively. Taiwan reacted to China with greater promotion of independence (see Figure 2).

Taiwan’s Internal Relations is inversely related to Taiwan-China Relations. The more internally unstable Taiwan is, the better it reacts to China. This perhaps can be
explained by Fravel’s (2005) diversionary peace theory, which argues that internal conflict often creates conditions for cooperation, producing a “diversionary peace” instead of war. During the 2000 presidential election, the fight between the KMT and DPP was intense. Taiwan’s internal relations were conflictual or unstable as their domestic political parties and policies were undergoing changes. In order to avoid any potential conflict with Beijing, after Chen Shui-bian won the election, he immediately proposed his conciliatory “Five No’s” in his inaugural speech to calm down Beijing. During the 1997 Asian Financial Crisis, the percentage of the public that favors an immediate declaration of independence was also at one of the lowest points (see Figure 1). Thus, in time of internal instability, Taiwan reacts to China more favorably.

DISCUSSION OF THE FINDINGS

The statistical analyses suggest several main findings. First, China responds favorably to Taiwan’s positive behaviors towards China, and vice versa. Whenever China and Taiwan show friendly signs towards each other, the other reacts similarly in return. This finding suggests cooperation across the Taiwan Strait is conducive to improving cross-Strait relations. Provocative behaviors from either side could lead to unfavorable results.

Second, China’s policy towards Taiwan is also determined by Taiwan’s internal relations. Mainland officials keep a close eye on Taiwan’s internal policy changes. These changes within Taiwan constitute an important part of China’s Taiwan policy. However, China is more or less only reacting to Taiwan’s policy changes instead of the democratization process which have produced these changes. Democracy does not seem to fly high in the
mainland. The authoritarian regime in Beijing could be a major barrier for future cross-Strait relations.

Third, Taiwan’s democratic change has shown signs of influence on its China policy. The more Taiwan democratizes, the more likely its government may be forced to produce policies that China does not like. This is an indication that Taiwan has become a more rule of law and institution based democracy. Leaders in Taiwan must listen to what the public wants and act according to procedural rules rather than human rules when dealing with China.

Fourth, there is a clear diversionary of peace phenomenon going on in Taiwan. The greater the degree of instability exists in Taiwan, the better Taiwan reacts to China. This suggests that Taiwan still relies heavily on its mainland neighbor to maintain economic, political and social stability on the island. This phenomenon also supports the risk choice theory set forth by Lamborn (1991). As Taiwan’s internal relations become more coercive, both Taiwan’s policy risk and its leaders’ political risk increase. In order to reduce these risks, the government of Taiwan tends to react more favorably to China to maintain stability. The interdependence of China and Taiwan (perhaps it is more about Taiwan’s dependence on China) clearly exists. The future of Taiwan is not simply a dichotomous option between independence and unification. It is much more complicated than that.

Finally, Taiwan and China do take the cross-Strait relations seriously. This is again evidenced by the statistical significance of the two independent variables which measure relations from Taiwan to China and relations from China to Taiwan. The two sides do react favorably to the other when the other side acts similarly. The statistical significance of these
two variables suggests that closer communications need to be established across the Taiwan Strait. As the interdependence of the two increases, the lack of direct communication only hinders the development across the Taiwan Strait.

CONCLUSION AND FUTURE RESEARCH

This chapter uses a quantitative approach to analyze the relations across the Taiwan Strait. Two databases, IDEA and POLITY, are used as the basis of statistical analyses. Findings suggest that cross-Strait relations are considered as important matters by both sides. Both sides react favorably to the other when the other side acts similarly. The mainland pays close attention to Taiwan’s internal development. Taiwan’s internal relations also affect its decision making towards China. These findings suggest there is a great need to further advance relations across the Taiwan Strait.

From a more general foreign policy analysis perspective, the tale tells that from China’s perspective, China’s policies toward Taiwan are largely driven by Taiwan’s internal politics and Taiwan’s China policies, displaying a pattern of external determinants of China’s foreign policy. From Taiwan’s perspective, however, there is strong evidence of domestic determinants of Taiwan’s foreign policies. Taiwan’s policy towards China is more likely to be determined by its domestic relations. The scope and research design of this chapter do not allow me to answer why such a difference exists. A speculation could be made however. Different regime types could be one of the causes here. A cross-national study, perhaps a combination of large N and in depth case studies, could shed more light on this issue.

One thing is clear however. Taiwan has become a democracy while China still
remains authoritarian. Days when decisions were made by top elites are long gone in Taiwan. Top island officials do take domestic politics, including public reactions, seriously when making policy changes towards the mainland. China can no longer ignore the fact that Taiwan is now a democracy. If Taiwan favors independence internally, it may be more difficult for the mainland to influence Taiwan’s China policy, because decisions are no longer solely made by Taiwan’s elites.

As I conclude this section, IDEA has just made available an updated dataset which includes new event data from 2000 to 2006. A re-run of the same analysis will certainly include the 2004 Taiwan election during which the partisan fight between the KMT and DPP became more intensified. An updated version of the chapter in the near future will certainly shed more light on the Taiwan issue. Of course, pure empirical evidence may not be sufficient to produce valuable policy recommendation. In the next stage, detailed case studies and historical analysis will also be included as complementary tools to help either validate or invalidate the arguments made in this chapter.

Finally, results in the chapter also show evidence supportive of the diversionary peace theory, which is in direct conflict with the diversionary use of force theory. The China-Taiwan case could also serve as a new investigating point to further explore the diversionary theory literature.
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Table 2: Seemingly Unrelated Regression

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Figure 1: Unification or Independence

Figure 2: Beijing’s Hostility Toward ROC

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