Agents of Taiwan-China Unification?
The Political Roles of Taiwanese Business People in the Process of Cross-Strait Integration

ABSTRACT

The political roles of Taiwanese business people (taishang) in cross-strait relations have been increasingly noteworthy under Hu Jintao’s policy of “counting on the Taiwanese people.” But contrary to widely accepted allegations, this paper argues that attempts by China to use Taiwanese business people as a means to gain political leverage over Taiwan will probably not pan out as a successful strategy.

KEYWORDS: China, Taiwan, cross-strait integration, taishang

INTRODUCTION

Growing socioeconomic interaction and political antagonism make today’s cross-Taiwan Strait relations a very interesting case for an analysis of the nexus between economic and political integration. This relevance received a boost in the wake of Taiwan’s latest presidential elections in March 2008 and the change of government to the Kuomintang (Nationalist Party, KMT). The new administration of President Ma Ying-jeou is firmly dedicated to the promotion of increased interaction and economic integration across the Taiwan Strait, in the hope that this will lead to political rapprochement and, eventually, a peace agreement between Taipei and Beijing.1 So far, however,
current cross-strait relations must still be characterized as “political separation with economic integration.” According to most public opinion surveys conducted over the past decade, some 80% of all Taiwanese support, at least for the time being, the so-called cross-strait status quo: ongoing political separation across the Taiwan Strait. Those who support immediate unification amount to no more than 2%, on average.

At the same time, trilateral relations between Taiwan, the United States, and the People’s Republic of China (PRC) have remained rather stable over the years and were not, despite recurrent rumblings, seriously jeopardized by the pro-identity politics and nationalist agenda pursued by the second administration of former Taiwan President Chen Shui-bian (2004–08). After the latest elections for the Legislative Yuan and the presidency in January and March 2008, which brought the pro-unification “pan-blue” camp back to power, it is safe to say that (barring electoral reverses) for the foreseeable future, Taiwan’s China policy will remain stable and deviate little from the status quo. As a consequence, the strongest impact on relations is likely to stem from the dynamics of ongoing economic and social integration across the Taiwan Strait. In the long run, as generally expected, integration will

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3. The figures for those who support immediate unification, however, have risen slightly over the years and stood at 7.7% at the end of 2007. See the survey data regularly published by National Chengchi University’s Election Study Center, <http://esc.nccu.edu.tw/newchinese/data/tonduID.htm>; or by the government’s Mainland Affairs Council, <http://www.mac.gov.tw/english/index-e.htm>; see also Teh-Yu Huang and I-Chou Liu, “Contending Identities in Taiwan: Implications for Cross-Strait Relations,” Asian Survey 44:4 (July/August 2004), pp. 568–89.


probably alter the state of separation, though how and in what direction is anyone’s guess.\(^6\)

Given Taiwan’s growing trade dependence on the Chinese mainland and the attractiveness of China’s enormous market for Taiwanese entrepreneurs and investors, the PRC government is often purported to “use business to steer politics” (yishang weizheng) or to “use economics to promote unification” (yijing cutong). That is, the PRC is said to seek political leverage over Taiwan by making full use of the mainland’s economic clout.\(^7\) Taiwan in turn since the mid-1990s has promoted policy initiatives of “going south” (nanxiang zhengce) and “patience over haste” (jieji yongren), in an effort to dampen the effects of economics on politics.\(^8\) Over the years, it seems, Beijing and Taipei have failed to recognize the important consequences of ongoing cross-strait interaction for the relative political strength of the two sides. In light of this constellation, it can be assumed that China’s leaders indeed have been and are counting on the one million “Taiwanese compatriots” (taibao, Taiwanese who settle in China) and particularly the Taiwanese business people (taishang,}


6. For a detailed overview of the different opinions on future cross-strait integration, see Shu Keng, “Understanding the Political Consequences of People-to-People Relations across the Taiwan Strait: Toward an Analytical Framework,” Chinese History and Society, no. 32 (June 2007), pp. 63–80.


8. The “going south” policy was officially announced in 1993 in an effort by the KMT government to divert Taiwanese investments from China to Southeast Asia. The later “patience over haste” policy of 1996 was advocated by then-President Lee Teng-hui to slow down the capital flow from Taiwan to China and capped Taiwanese investment on the mainland to, at one point, 40% of a company’s total assets. For detailed overviews, see Lijun Sheng, China and Taiwan: Cross-strait Relations under Chen Shui-bian (New York: Zed Books, 2002); Richard C. Bush, Untying the Knot: Making Peace in the Taiwan Strait (Washington, D.C.: Brookings Institution, 2005); Murray Scott Tanner, Chinese Economic Coercion against Taiwan: A Tricky Weapon to Use (Santa Monica: RAND, 2007).
those who operate factories and companies, or more generally, do business in China) as key actors for their political agenda concerning Taiwan. But are the *taishang* really an asset for the PRC as it pursues its goal of national unification?

In this paper, we start from a typology of four different possible political roles of the *taishang* in cross-strait relations, namely, *taishang* as China's hostages, *taishang* as China's agents, *taishang* as Taiwan's buffer, and *taishang* as Taiwan's lobbyists. We will then demonstrate that the *taishang*'s political significance for both governments is limited at best, for reasons related to the political economy of cross-strait relations, the logic of Taiwan's political system, and the state of mind of Taiwanese business people.9 Our article starts, however, with a brief outline of the PRC government's Taiwan policy during the Jiang Zemin and Hu Jintao eras, in order to provide a more detailed explanation of its current rationale and how it addresses the *taishang*.

**TARGETING TAIWAN'S PEOPLE: CHINA’S TAIWAN POLICY IN THE HU JINTAO ERA**

The official beginning of the “Hu Jintao era” was marked by the Sixteenth Party Congress of the Chinese Communist Party (CCP), held in October 2002. Nonetheless, it was not until after the Fourth Plenum of the CCP’s Sixteenth Central Committee in September 2004 that Hu began to assert full control over the development of China’s policy toward Taiwan.10 Since the latter event, the practical effects of his “new thinking” on cross-strait relations have gradually become apparent.11 Taiwan's political observers often

9. The qualitative data used in this article stem from comprehensive field work conducted in the Pearl River Delta and the Shanghai-Kunshan metropolitan area between 2004 to 2008. All in all, we interviewed some 150 Taiwanese business people and company managers, members of their families, and high-ranking officials of the local Taiwan Affairs Offices. Some of our interviewing transcripts are available for downloading at <http://tai-shang.nccu.edu.tw>. The survey data quoted here mainly come from the Election Study Center of Taiwan’s National Chengchi University, available at <http://esc.nccu.edu.tw/newchinese/data/attitude.htm>.


11. The term “new thinking” draws from comments of Chinese scholars and commentators we have interviewed at various occasions. See also Eric Teo Chu Cheow, “President Hu’s Visit to the U.S.: The Taiwan Stake” (Japanese Institute of Global Communications, 2006), <http://www.glo-com.org/debates/20060421_cheow_president/index.html>, accessed October 1, 2008. For other
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call Hu’s Taiwan policy a “two-handed strategy” (liangshou celue), generally described by the expression “keep the firm hand sufficiently firm, and the soft hand sufficiently soft.”

It is quite clear that the “firm hand” aspects of this policy (e.g., the 2005 Anti-Secession Law) are defensive: they only aim at stabilizing the current situation. Greater challenges for Taiwan are posed by the “soft hand” aspects of China’s current Taiwan policy. Compared to the Jiang administration, President Hu Jintao and his team are more sophisticated and discriminating in applying such policies and have thereby evaded drawing a tough response from Taiwan.

Hu’s new strategy emerged from the limits of Jiang Zemin’s Taiwan policy, which can be divided into two periods. These were set apart by the “special state-to-state dispute” (liangguolun shijian) triggered by former Taiwan President Lee Teng-hui in mid-1999. In the earlier period, Jiang’s policy could be characterized by harsh “verbal attacks and military threats” (wengong wuhe), while in the later period, more emphasis was placed on “great-power relations” (daguo guanxi). These in effect applied indirect pressure by pushing the U.S. to restrain Taiwan. In assessing the utility of this approach, its defects were not hard to spot: although China could effectively deter Taiwan from pursuing independence, Beijing came no closer to its ultimate goal of unification. Instead, its military-backed pressure increased the divide across the Taiwan Strait, especially with a ruling Democratic People’s Party (DPP) administration in Taipei that legitimized its drive for independence by pointing to the dangerous exposure of Taiwan’s people to a deeply hostile China.


Figure 1 shows two key trends in Taiwanese public opinion during the Jiang Zemin years (approximately 1995–2004): the percentage of Taiwanese who were unwilling to unify with the mainland (i.e., those who did not approve of “immediate reunification” or of “maintaining the status quo while gradually moving toward reunification in the future”) steadily increased. In contrast, the percentage of those on the island identifying themselves solely as “Chinese” exhibited an equally tenacious downward trend. Obviously, under Jiang’s leadership cross-strait relations showed aggravating political separatism, calling into question his strategy of applying military-backed political pressure on Taiwan.

At the same time, however, Taiwan’s factual trade dependence on China steadily increased (see Figure 2), as did its mainland investments. Therefore, a modified approach to relations emerged as a logical accompaniment to these developments. Although the Hu Jintao era has left its mark by the promulgation of the Anti-Secession Law, this was and is certainly not the cornerstone of Hu’s Taiwan policy. For the current PRC government, the

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Figure 1. Public Opinion Survey Data—Support for Unification and Chinese Identity (1994–2007)

Source: Data Archives, Election Study Center, National Chengchi University.

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15. According to information given to us by mainland scholars, the Anti-Secession Law goes back to estimates from relevant mainland government organizations that the DPP would capture a majority in Taiwan’s 2004 year-end legislative elections, and was hastily drafted in an environment of considerable concern about Taiwanese moves toward independence. Although the DPP eventually did not win a majority in the Legislature, the basic conception of the law had already been developed and considerable intra-party support was generated for its promulgation.

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Anti-Secession Law is only part of a broader Taiwan policy framework, the “last resort” if all other means to keep Taiwan within the limits of the one-China principle have been exhausted.

More important than the Anti-Secession Law in Hu Jintao’s approach are the “soft” initiatives to push forward cross-strait economic cooperation and integration. Research on this issue reveals that Taiwanese attitudes toward the mainland are influenced by two main factors (see Figure 3). The first represents a combination of two perspectives: the relationship between one’s felt “identity” and one’s position on the unification versus independence issue. The second factor is economic interest. Both factors seem to be highly interrelated: Anyone sticking to a pro-independence position tends to Chinese government’s viewpoint, the law would serve to stabilize the current situation (by explicitly warning Taiwan and the United States not to rattle the cross-strait status quo), satisfy domestic constituencies (especially hawks in the military), and directly address Taiwan’s domestic public opinion and convince it not to support the DPP’s dangerous policies. See Laurence Eyton, “Anti-Secession Law May Backfire in Taiwan,” *Asia Times*, December 25, 2004, <http://www.atimes.com/atimes/China/FL25Ad02.html>, accessed October 1, 2008.

highlight the disadvantages of economic interaction with China. At the same time, those who consider themselves to be losing in economic interaction with China tend to hold a pro-independence stance. However, those who support unification are inclined to see advantages in cross-strait economic cooperation; those who gain economically from it support more cross-strait integration and, arguably, unification.

This seems to give China some influence on Taiwanese identity: If the Chinese government offers economic incentives that benefit the Taiwanese, more people would arguably move toward pro-unification attitudes. Obviously, “Taiwanese” identity has gradually strengthened over the years: the portion of those islanders considering themselves to be “Taiwanese” (43.7%) or “both Chinese and Taiwanese” (44.5%) reached a combined total of 88% by the end of 2007. Such a development, according to the logic inherent in

Figure 3, suggests that China must offer more to the Taiwanese in economic terms while strengthening its interest-based appeals.\textsuperscript{19}

As a matter of fact, the key component of Hu Jintao’s Taiwan policy since he took over in 2002 is the provision of real or seemingly real economic benefits to the Taiwanese, thereby attempting to influence public opinion and, consequently, the Taiwan government’s approach to the mainland.\textsuperscript{20} Even during the Chen Shui-bian era, Hu’s Taiwan policy included offers such as loans reserved only for \textit{taishang}, direct charter flights across the Taiwan Strait, duty-free agricultural imports from Taiwan to the mainland, more-favorable terms for Taiwanese investment in China, relaxation of restrictions on Chinese tourism to Taiwan, more personal contacts in the realm of youth exchange and academic interaction, and so forth.

The Cross-Strait Economic and Trade Forum (CSETF) jointly organized by the KMT and CCP figured as a key component in Hu’s Taiwan policy when the DPP was in power. The third CSETF, held in Beijing in April 2007, was attended by some 500 business persons and officials from the CCP and KMT.\textsuperscript{21} Representatives from the two sides exchanged views on topics of common concern, including direct flights, education, and tourism.\textsuperscript{22} The Chinese government announced a package of 13 new policies to promote economic, trade, and cultural relations with Taiwan, most of them becoming effective in 2008.\textsuperscript{23} Under these new policies, Taiwanese

\textsuperscript{19} Based on survey data of the National Chengchi University’s Election Study Center, available at <http://esc.nccu.edu.tw/newchinese/data/t0nduID.htm>.


\textsuperscript{21} In April 2005, Lien Chan, in his capacity as KMT chairman, made a historic visit to the mainland and met with Hu Jintao, CCP general secretary, in Beijing. It marked the first executive-level talks between the CCP and KMT in 60 years. The two leaders met again in 2006, during the first cross-strait forum held in Beijing, and in April 2007. On April 11–12, 2008, Vincent Siew (Hsiao Wan-chang), the then vice-president-elect, met Hu Jintao during the Boao Economic Forum held on Hainan Island in what was heralded as the beginning of a new era of cross-strait talks by the international media. See, e.g., “Chinese President Hints at Improved Ties with Taiwan,” \textit{International Herald Tribune}, April 13, 2008.


shipping and road transport companies would be permitted to set up wholly owned companies or joint ventures on the mainland. Additional points included encouraging direct investment by Taiwanese enterprises in the construction and operation of ports and road projects on the mainland. Taiwanese students would be welcomed to study in civil aviation schools, and aircraft maintenance technicians would be invited to work on the mainland. Moreover, Taiwan’s universities could recruit students from the mainland, and China’s Ministry of Education would provide assistance to students willing to study in Taiwan. All of this remained largely rhetorical because the opposition KMT had to seek acknowledgement by the ruling DPP, which was more than unlikely at the time. However, it became clear that the basic principles of Hu Jintao’s Taiwan policy were designed to intensify cross-strait economic integration, or—in the DPP’s interpretation—to increase Taiwan’s economic dependency on the mainland. It can be safely assumed that this policy rationale has been reinforced after the KMT victory in May 2008.

In other words, Hu’s Taiwan policy combines two key elements: on the one hand, reducing military threats and refraining from offensive diplomacy to minimize Taiwanese resentment; on the other, strengthening economic interdependence to bolster China’s political leverage. Taiwanese business people are a primary target of Hu’s policy. The Chinese government is well aware that in Taiwan proper, the taisbang are suspected of falling prey to the PRC’s strategy to “use people to pressure officials, and use business to constrain the government” (yimin biguan, yishang weizheng)—a phrase that gained prominence in Taiwan under Chen Shui-bian. The expression referred to the Chinese government’s alleged attempts, both through trade and investment incentives and via political pressure, to use the taisbang as agents of its unification project.24 But to what extent do we have empirical evidence of such a strategy, and could it work? What other roles may Taiwan’s business people assume in order to abet specific political agendas in the cross-strait theater, and how realistic are these roles?

TABLE 1. A Typology of the Taishang’s Political Roles

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<th>China’s leverage over Taiwan</th>
<th>Passive Role</th>
<th>Active Role</th>
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<td>Taishang as China’s hostages</td>
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<th>Taiwan’s leverage over China</th>
<th>Taishang as Autonomous Actor</th>
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<td>Taishang as Taiwan’s buffer</td>
<td>Taishang as Taiwan’s lobbyists</td>
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Source: By the authors.

A TYPOLOGY OF TAISHANG POLITICAL ROLES

In order to discuss the taishang’s potential significance for cross-strait relations, we propose a typology that differentiates conceptually among four different political roles that Taiwanese business people may assume—actively or passively—depending on their location or operating base, the Chinese mainland or Taiwan (see Table 1). In two cases it is supposed that these roles are conducive to China’s influence over Taiwan, while in the other two cases they would benefit the Taiwan government:

1. Taishang as China’s hostages. If China threatens to cut off cross-strait economic ties, putting taishang business interests and assets in jeopardy and holding them as economic hostages, they may be used to force the Taiwan government into line.

2. Taishang as China’s agents. In order to counter China’s pressure and to secure their own economic interests, the taishang actively support and promote China’s Taiwan policy, thus acting as Beijing’s agents.

3. Taishang as Taiwan’s buffer. If the taishang are recognized by Beijing to be indispensable for the growth of China’s export economy, they may become a political buffer for Taiwan, thus helping the Taiwan government.

4. Taishang as Taiwan’s lobbyists. If the taishang can effectively use their own institutional channels—most notably the Taiwanese Business Associations (TBAs) to influence the Chinese government, they may become lobbyists for Taiwan.

In the remainder of this article, we will briefly discuss the scope and limits of each of these roles and their potential impact on the dynamics of cross-strait relations.

1. Taishang as China’s Hostages: Unfeasible Intimidation

Both the media and China scholars have repeatedly speculated in the past on the Chinese government’s inclination to exert pressure on its Taiwanese counterpart. One means is to cut off the taishang’s economic ties with their Taiwan bases or suppliers (in both Taiwan and the mainland), thereby deterring Taipei from declaring independence and bringing its officials back to the negotiating table. Threats based on the application of economic sanctions are real and credible, for the following three reasons. First, the economic linkages between China and Taiwan are asymmetrical: Taiwan is far more dependent on China than vice versa. Second, China has a much larger economy: its domestic market can easily absorb sudden impacts resulting from economic sanctions. Finally, China is still under authoritarian rule: domestic resistance caused by economic sanctions, whether political or social in nature, can be easily handled or suppressed. Seen from this perspective, Taiwan is not only more vulnerable to China than vice versa, but China has incentives to impose—or threaten to impose—economic sanctions against Taiwan.

Closer analysis, however, shows that a strategy of large-scale, state-to-state economic sanctions against Taiwan via the taishang would be difficult for the Chinese government to implement, if not practically impossible. Such sanctions would require a high degree of coordination, which is hard to achieve in the multi-layered Chinese bureaucratic system. Therefore, rather than a tactical weapon, sanctions should be regarded as a means of last resort, only to be implemented after a serious deterioration of cross-strait relations.


27. Note that during the most serious crises in the Taiwan Strait in recent years—namely in 1995/96 and 1999/2000—it was striking how quickly China’s leaders at the central and provincial levels stepped in to assure the Taiwanese business community that its mainland investments were safe. At no time was there any public talk about economic sanctions.
Even then, it would be very difficult for China to draw the line and start imposing economic sanctions—i.e., to determine exactly when these sanctions must be applied to deter Taiwan from declaring independence and promulgating a Taiwanese republic. As a result, Taiwan would have leeway to pursue a strategy of “salami slicing” to challenge China’s bottom line with a series of minor actions. However, comprehensive economic sanctions are still very unlikely in the case of a serious cross-strait crisis because that crisis could be handled more effectively by quick military action. In the case of a military escalation, Taiwan would probably appeal to the U.S. to lend its military support to deter China from taking the island. If this support was given, the “bargaining value” of economic sanctions would be zero. In sum, large-scale economic sanctions by China are too devastating for trivial disputes but too feeble under conditions of urgency. For the government in Taipei, they evoke the impression of a “toothless tiger.”

At the same time, broad economic sanctions might also be too costly for China. Cutting trade and investment ties would greatly harm Taiwanese businesses on the mainland, as well as Taiwanese holdings in mainland and foreign enterprises. Moreover, the taishang would be left with little confidence that they could recover their investment in the short run; they would probably curtail or even end their financial operations in China. Investors from other parts of the world might follow suit. This would be detrimental for the mainland economy because—according to PRC official statistics—some 60% of China’s gross domestic product (GDP) stems from its international trade. Of China’s core industrial exports in the information technology (IT) sector, an estimated 70% are produced by foreign-invested enterprises, 70% of which are Taiwanese.

In 2003, six of China’s 20 largest foreign currency-generating export companies were Taiwanese-invested. Taiwan is already the second-largest investor

28. Such a scenario is well presented in Addison Craig, *Silicon Shield: Taiwan’s Protection against Chinese Attack* (Irving, Texas: Fusion Press, 2001). We were also told by many of our taishang respondents that leaving the mainland was not so difficult and unimaginable as an option as generally assumed by experts.


Moreover, some 35% of all reported investments on the mainland are in IT. An ever-increasing portion of Taiwan’s high-tech production and research and development (R&D) is being relocated to China. Taiwanese companies contribute significantly to the training of China’s engineering elite and high-tech designers. Furthermore, Taiwanese venture capitalists play a key role in pushing China’s technological development as they make permanent upgrades to its industrial structure.\footnote{See Douglas B. Fuller, “The Cross-Strait Economic Relationship’s Impact on Development in Taiwan and China,” Asian Survey 48:2 (March-April 2008), pp. 239–64. For a similar argument, see Tun-jen Cheng, “Doing Business with China: Taiwan’s Three Main Concerns,” in Cross-Strait Economic Ties: Agent of Change, or a Trojan Horse? pp. 12–18.}

Thus, if economic restrictions are put into place against Taiwan, the consequences for China’s overall development would be rather severe. Moreover, the central government could face substantial resistance from those provinces (e.g., Guangdong, Jiangsu, Fujian, and Shanghai) where Taiwanese investment has made a considerable contribution to local “economic miracles” and cadre careers. Although this resistance would ultimately be futile if a serious cross-strait crisis erupted and the central government moved decisively, its possibility complicates the use of large-scale economic and trade restrictions.

As a tactical means, China may alternatively take (or threaten) action against individual Taiwanese business people or companies, i.e., targeting the taishang with selective sanctions.\footnote{One common measure, for instance, is to order the custom authorities to check on taishang’s import-export activities or to call the tax authorities suggesting that they have a closer look at a Taiwanese company’s tax record. The most prominent example case so far is pro-DPP businessman Xu Wenlong, who is the owner of Chimei Group, one of the world’s largest manufacturers of liquid crystal display (LCD) monitors. He was forced to publicly denounce Taiwan independence in 2005 and later resigned from his position as chief executive of the company. The case is cited and carefully interpreted in Tse-Kang Leng, “State and Business in the Era of Globalization: The Case of Cross-Strait Linkages in the Computer Industry,” China Journal, no. 53 (January 2005), pp. 63–79.}

Such measures could be applied either to guard against “inopportune” political statements or actions by the taishang, or to induce them to pressure their government back in Taiwan to ease
cross-strait interaction and allow speedy integration. Threatening selected taishang with sanctions would severely limit their operative leeway on the mainland and might induce them to push their compatriots and their government to change attitudes and policies. Such agency could be quite powerful in the case of large Taiwanese companies or conglomerates doing business in China. Alternatively, China may attempt to attain the same goal by providing individual taishang with selective incentives and special treatment. For example, the Chinese government has full control over a couple of attractive “goodies,” say tax cuts or export licenses, all of those can be granted discriminately to foreign investors. As “economic animals,” the taishang abide by the profit-first principle and thus may likely be “bribed” into pro-Chinese action.

Our research, however, shows that these options remain hypothetical. Most taishang neither believe in their efficacy nor have they been systematic targets of such measures, for several reasons. Generally speaking, Chinese officials’ ability to strongarm support from Taiwanese business people by such means is directly related to the government’s overall capacity to intervene in the mainland economy. In recent years, as this economy has increasingly become marketized and globalized, the central state’s leverage to reward or punish individual economic actors for their political beliefs has dwindled. In addition, after China’s 2001 accession to the World Trade Organization (WTO), a more transparent business environment has been coalescing on the mainland. Any intervention stemming from political motives can hardly be hidden from international attention; such action would seriously undermine the Chinese claim that they are building up a market economy fueled purely by economic motives. Any selective treatment of the taishang, be it sanctions or incentives, would be seen as evidence of Chinese arbitrariness vis-à-vis economic actors in general, even if the government searched high and low for explanations to show that Taiwan is different.

Moreover, any such policy is further complicated by the divergence of interests between the central and sub-national governments. In practice, a program of selective rewards or punishments would be delegated to local governments, but officials in the localities follow their own policy rationale. To the extent that the central government aids in attracting new foreign

34. For an early argument of this kind, see Teh-sheng Chen, ed., Liang'an Zhengjing Hudong: Zhengce Jiedu yu Yunzuo Fenxi [Political and economic interaction across the Taiwan Strait: Interpreting policies and analyzing operations] (Taipei: Yongye, 1994).
investment through its incentive policies, local governments will certainly endorse and follow directives coming down from the center. However, even the implementation of a strategy of selective rewards must be communicated to and negotiated with local governments, a time-consuming process in which full-scale support is not guaranteed. This is all the more true if the central government intends to punish certain Taiwanese businesses. Local governments will carefully consider the degree to which Taiwanese investment has penetrated their local economies before they implement any directive from above. If the interests of the central government and the localities diverge, with the center insisting on sanctions, local governments may pursue a strategy of public accord and private dissension, where they appear to fall in line with central directives to clamp down, while in fact reassuring Taiwanese enterprises that they are safe.35

From a Taiwanese perspective, the taishang would certainly have a hard time if they were singled out for both punishment and privilege. Punishment is clearly hard enough, but privilege can be the proverbial wolf in sheep’s clothing, as those taishang who speak up for more pro-integration policies are usually the first to be blamed back home for political opportunism and selling out Taiwan. Since many of them still have businesses on the island, they cannot ignore such criticism. Their leeway to act on behalf of the Chinese government—or their own economic interests—is hence very small. Their actions are scrutinized by an attentive Taiwanese public and, as was the case during the recent eight years of DPP rule, a cautious Taiwanese government. Even if this situation stems from gradual change after the latest presidential elections and the advent of a KMT administration, most taishang prefer not to reveal their political viewpoints because they are closely monitored by the governments on both sides.

In China, Taiwanese business people usually take an opportunistic attitude toward the mainland authorities and do their best to avoid making any public political statements on cross-strait relations. They would hardly want to be identified as China’s agents, even if many of them do support further integration and would not, at least rhetorically, rule out unification. The best

35. This was indicated by most local cadres we interviewed in the Pearl River Delta and the greater Shanghai region. See also John Q. Tian, Government, Business, and the Politics of Interdependence and Conflict across the Taiwan Strait (New York: Palgrave Macmillan, 2006), pp. 122–50. The interest coalition between the taishang and China’s local governments, and the growing leeway of Taiwanese business people vis-à-vis the local cadre bureaucracy, is highlighted by the work of Chun-yi Lee, “When Private Capital Becomes a Security Asset: Challenging Conventional Government/Business Interaction,” East Asia 25 (June 2008), pp. 145–65.
that the Chinese government can thus achieve by implementing a selective strategy is to keep pro-DPP taishang at bay and create a climate of “no politics, all business” on the mainland. However, this does very little to help Beijing’s agenda in Taiwan proper.

To sum up, the taishang can hardly be taken as hostages by the Chinese government. Large-scale economic sanctions could only be applied as a measure of last resort in a severe crisis in the Taiwan Strait. A strategy of selective punishments or rewards, for its part, would need to overcome several tricky obstacles: the danger of eroding international and Taiwanese confidence in China’s ability to run a market economy; coordination with sub-national governments and cadre bureaucracies; ineffectual political organization of the taishang in Taiwan proper (see below); a Taiwan public widely skeptical about taishang loyalty to Taiwan; and finally, a voluntary reticence on the part of most mainland taishang, who wish to be left in peace to earn money and who thus refrain from any engagement in politics.36

2. Taishang as China’s Agents: Ineffective Courtship

Alternatively, Taiwanese business people are often thought of as China’s agents who, feeling vulnerable to Beijing’s pressure and eager to sustain their economic environment, opt for a proactive role vis-à-vis their own government in Taiwan to bring about more pro-Chinese policies. However, these taishang are impeded by their lack of strong interest representation. The reasons for this situation, notwithstanding the fact of existing TBAs in both Taiwan and China, are threefold. First, Taiwan’s mainland taishang have different enterprise backgrounds and economic interests and are dispersed throughout a huge territory.37 It is thus not easy for them to identify common interests and construct a shared identity, let alone to act in a concerted manner. Second, in the absence of proper official communication channels and strong organizations to lobby for their interests in Taiwan proper, most taishang can only resort to informal settings with politicians or official advisors to voice their concerns. Contrary to the common opinion that such


informal politics is an asset in the context of Chinese guanxi (useful connections), it has become clear over the years that the lack of more formal structures impedes the taishang from acting as a coherent interest group. At the same time, efficient advocacy of their policies vis-à-vis the Taiwan government becomes harder. This is especially true for the majority of Taiwanese business people from small- and medium-sized enterprises that predominate on the Chinese market.

In the absence of strong independent business associations in Taiwan that could influence domestic political discourse, the taishang’s only other means to affect politics is through the ballot box. However, the number who actually return to Taiwan to vote is not large. Let us assume for a moment that the entire calculated increase in passengers to Taiwan in the 10 days before the March 2004 presidential election reflects taishang returning to vote. The total was still less than 30,000. Because there is no way to monitor the actual voting behavior of this group, and given an estimated 20%–30% difference among the taishang in favor of pan-blue over pan-green positions, the tilt toward the pro-China camp amounts to 6,000 to 8,000 votes at most. Only in an exceptionally competitive election would this group have a decisive impact at the polls.

3. Taishang as Taiwan’s Buffer: Effective Stabilizer

As has been pointed out, the economic significance of the taishang for the mainland economy is beyond argument. In the long run, this can perhaps translate into real political leverage vis-à-vis the mainland authorities. This is

38. We were astonished how little thought our interviewees had given to the formation of new business associations in Taiwan to lobby for their interests—or to pushing the existing organizations there to take more account of their specific situation.


40. According to our estimates, this increase was no more than 30% over the normal levels of all cross-strait travelling in that year.

certainly true with respect to most sub-national governments that depend on *taishang* investments for local development, with economic success being decisive for cadres’ performance evaluation. Therefore, recent years have seen the evolution of a partnership, even a symbiotic relationship, between the *taishang* and local officials. From Shenzhen to Dongguan, from Kunshan to Suzhou, Wuxi, and Shanghai, Taiwanese business people form the cornerstone of coastal China’s economic success. In that sense, they are an important *linkage community* that could play a significant role in stabilizing cross-strait relations, especially if they are supported politically back home.

As much as the *taishang* were regarded with mistrust by the former DPP administration, which considered them as paving the way for unification and thus more of a nuisance than an asset in shaping cross-strait relations, this perspective is changing under the new KMT government, in power since May 2008. On various occasions, President Ma Ying-jeou has indicated his desire to work closely with the *taishang* and to do what he can to facilitate their mainland operations. These statements confirm Ma’s integration scheme, which aims at strengthening ties and may pursue the eventual establishment of a common market across the Taiwan Strait. Ma’s latest policy achievements affirm this claim. It seems at this point that proactive economic interaction and cautious integration, pushed by systematic and complementary policy measures, form the new official paradigm framing Taiwan’s mainland approach. This will help the *taishang* gain political leverage vis-à-vis China as they become less vulnerable to Chinese pressure and have a fallback position on their home turf. With this buttress, they may be more ready to actively influence China’s Taiwan policy. This would not only help Taiwan stand firm against China but also would likely drive cross-strait cooperation and understanding.

The basis of the leverage is, of course, first and foremost economic: the *taishang*’s large-scale investments, the absorption of Chinese surplus labor into


43. On June 13, 2008, negotiators on both sides of the Taiwan Strait, in their private capacities as representatives of two unofficial bodies, the Strait Exchange Foundation (SEF) and the Association for Relations across the Taiwan Strait (ARATS), signed two agreements on weekend cross-strait flights and on allowing more Chinese tourists to enter Taiwan, taking effect on July 4 and July 18, respectively. More landmark deals were signed during a five-day visit to Taiwan by ARATS Chairman Chen Yunlin on November 4, 2008, expanding direct transport and communication links between the mainland and Taiwan. See “Cross-strait Charter Flight Deal Inked,” *Taipei Times*, June 16, 2008; “Resisting China’s Charm Offensive,” *The Economist*, November 8, 2008.
their factories, the knowledge transfer involved in many of their high-tech undertakings, and the increasing globalization of their business activities. These have enhanced the value of Taiwanese entrepreneurship in modernizing the mainland economy. Although an exit from China will not be a first option for the taishang, they hold strong cards at the regional and local levels, where governments long for taishang investment. Certainly, decisions on the relocation of factories are mainly determined by economic analyses of costs and profits. With ever-growing competition for Taiwanese capital between China and some of its neighbors—most notably, Vietnam—as well as among various Chinese regions, provinces, and cities, the taishang’s bargaining potential is significant. Moreover, the Chinese government is eager to diversify Taiwanese investment to areas where development is most needed. At the same time, the taishang’s increasingly close relationships with local authorities allow the Taiwanese to build well-functioning interest networks that give them substantial influence in Chinese local politics. In the future, taishang may take over positions within village, township, and even county administrations in China: this is already being discussed on the mainland. With such a strategy, entire areas could be transformed according to taishang preferences, as is already very much the case in Kunshan County near Shanghai.

Indispensable for China’s further economic development, backed by a cooperative government in Taiwan, well organized and politically courageous both at home and on the mainland—there would be much to hope for the Taiwan government and much at stake for the Communist leadership in Beijing if such a Taiwanese business community were to rise and act strategically. However, at this point the taishang obviously lack any political agenda to become a force shaping cross-strait relations. This can be most clearly seen by the way the TBAs operate on the mainland.

4. Taishang as Taiwan’s Lobbyists: Unrealistic Expectations—for the Time Being

As we have pointed out, political caution is paramount for all taishang doing business in China. However, the rise of TBAs in China—completed in some sense by the establishment of a Beijing-based “National Association of Taiwan Investment Enterprises on the Mainland” (Taiqilian) in April 2007—poses several questions. To what extent can and do TBAs exert influence

44. See Lee Chun-yi, “When Private Capital Becomes a Security Asset.”
45. Information obtained from local government officials in Dongguan and Kunshan.
on the Chinese government? Do TBAs provide a channel for the Taiwan
government to influence China’s cross-strait policy? Could the TBAs even
assume the role of autonomous actors, bridging both sides and contributing
to political dialogue and peace?46

Most of the available yet scant empirical research, including our own,
points at very low degrees of TBA organizational autonomy.47 As a matter of
fact, TBAs are deeply penetrated by local Chinese governments. The local
Taiwan Affairs bureaus (taiban) usually provide them with office space and
administrative personnel. Taiban staff occupy the position of secretary-
general or vice chairman of TBA; give special treatment to the TBA’s president
and other leading figures; and generally speaking, maintain very close rela-
tions with the taishang community so that taiban are the first to be informed
if any problem comes up. Through this symbiosis, the TBAs usually define
themselves as transmitters of Taiwan’s current mainland policy, in order to
avoid any misunderstanding that could jeopardize the taishang’s operations.
In that sense, the associations do to some extent help ease potential tensions
in the Taiwan Strait. Yet, on the whole, the TBAs keep a low public profile,
restrict themselves to providing a service platform for their members, and,
most importantly, focus on perpetuating smooth relations between the taishang
and the mainland authorities.48

It has been hypothesized above that after the accession of a new KMT
administration, the mainland TBAs may become more active and aware
of their potential role in the future, in a nod of agreement between the

46. Since 1990, when the first TBA was founded in Beijing, some 100 TBAs have been estab-
lished at different administrative levels nationwide up to now. With some 20,000 members, these
associations cover roughly one-third of Taiwanese enterprises on the Chinese mainland. See <http://
english.cri.cn/2946/2006/11/15/176@163114.htm>, accessed October 1, 2008.
47. Rui-hwa Lin, Bu Wangluo Daihuilai: Taishang Canyu Taizi Qye Xiehui zhi Dongli Fenxi
[Bringing the networks back in: Analyzing the motivations of joining Taiwanese business associa-
tions] (Master’s Thesis, Graduate Institute of East Asian Studies, National Chengchi University,
Taipei, 2004); see also Keng and Lin, “Zhidu huanjing yu xiehui xiaoneng.” For a more optimistic
stance, see David C. Schak, “The Taiwanese Business Association in the People’s Republic of China,”
in Civil Society in Asia, eds. David C. Schak and Wayne Hudson (Burlington, Vt.: Ashgate, 2002),
tern and Evolution of the Relationship between Taiwanese Business and Chinese Local Govern-
ment: Case Studies of the Cities of Tianjin, Kunshan, and Dongguan,” American Journal of Chinese
48. Consequently, TBAs have been rather hesitant in inviting the Taiwanese government to
participate in their activities. At the same time, they received little attention in Taiwan during the
last years as trade relations between Taiwan and China were looked upon with much suspicion by
the DPP government.
governments on both sides and the taishang. However, this would not give the associations more organizational autonomy: to begin with, such autonomy is non-existent in present-day China. Many of our interviewees whose companies were TBA members were unenthusiastic about their respective TBA’s ability to influence official policies. Still, TBAs were considered important in resolving specific problems of Taiwanese business people and in erecting and maintaining informal networks of communication and mutual assistance. TBAs are certainly significant to small and medium enterprises, especially in labor intensive industries, which struggle to resolve problems posed by customs authorities and an ever-changing legal environment. Nonetheless, the same TBAs are rather irrelevant to large Taiwanese companies with their own access to powerful political decision-makers in their locality, or to those enterprises in the service sector with solid economic positions that usually do not need a TBA at all.

Given these structural constraints on the taishang’s maneuvering space, they can hardly be conceived of as a mainland based “lobby” for Taiwan. TBAs are much better grasped as part of a special manifestation of Chinese corporatism—a fact that reflects both the nature of the Chinese political system and the present caution of the taishang not to stir things up. Nevertheless, the possibility of stronger, more politically aware TBAs in the future may be sustained as China’s political system opens up and more leeway is granted to interest groups. At the same time, the recent amelioration of Sino-Taiwanese relations might encourage TBAs on the mainland to speak up more often and perhaps to secure more space for eye-to-eye negotiations with the Chinese government. In the end, TBAs are not comparable to domestic Chinese interest groups, which are closely monitored by a state that wants first and foremost to use them for better policy implementation. The TBAs represent a huge group of business people China needs, and they may soon enjoy close relations with a KMT government back in Taiwan that China wants to lure into its orbit by a spirit of cooperation, mutual advantage, and trust. Therefore, they may become important political tools for Beijing’s Taiwan policy in the future and lobbying them may pay off. This also explains why more recently, they have been offered special services and some privileges, though largely under the table, by Taiwan Affairs Offices at

49. As we learned from our interviews with representatives of the national TBA, it sees its foremost task in working hand in hand with the Chinese government. There was no clue in all statements that this organization would attempt to become an interest group for the taishang.
every level of government. If the taishang gain more organizational autonomy in the future, they may become as much a Taiwan lobby as China's agents, though they would have the power to balance these roles to the benefit of their own interests.

CONCLUSION

In this article, we try to clarify the various political roles that Taiwanese business people may assume in cross-strait relations. Given Hu Jintao's current policy targeting Taiwanese people's economic interests and promising them a rosy future if economic integration is accelerated, we look at how the taishang may shape this process, both as subjects and objects of the governments in Beijing and Taipei. It was argued that even if China tried to exert political influence or pressure on Taiwan by making use of the taishang, such a strategy would not work. Neither are the taishang able to act autonomously, or even as lobbyists for Taiwan, at least at this point. At best, they play the role of a partner of China's local governments that may or may not have a positive impact on the cross-strait relationship.

For the KMT administration, the taishang have become an important component in President Ma Ying-jeou's new approach of increased interaction and piecemeal integration between China and Taiwan. It is likely that their systematic inclusion will not only help to ensure peace in the Taiwan Strait but also will strengthen Taiwan's international space and sovereignty. This is because in a process of economic and social integration actively driven by political elites on both sides, the issue of sovereignty should become less controversial. If this hypothesis is plausible, future research should focus more on what has come to be called "linkage communities," of which the taishang and taibao are important examples. With the changes underway in Taiwan's political environment, it will be most interesting to see how these groups shape the future of Taiwanese identity and the dynamics of cross-strait relations, and how they can contribute to greater dialogue, exchange, and mutual understanding.

The ongoing process of economic and social integration between China and Taiwan is discussed with many provisos and worries on the island. If uncontrolled, the DPP camp warned during the last presidential campaign,

50. Shu Keng, "Understanding the Political Consequences of People-to-People Relations across the Taiwan Strait," pp. 68–71.
integration leads to the hollowing out of the Taiwanese economy by massive capital transfers to the mainland. At the same time, it was said, Chinese capital would squeeze domestic markets, e.g., in real estate and construction, and bring about high inflation. Chinese labor migrants, pouring into Taiwan like the tides of a tsunami, could crowd Taiwanese out of their jobs and expose Taiwan’s society to social disorder and harm. Although the DPP specter of China swallowing up Taiwan after a KMT victory did not convince most Taiwanese who voted for a change in government, a pro-integration policy cannot simply ignore the dangers of integration for the Taiwanese economy. The liberalization of cross-strait trade and economic exchange must certainly be gradual, as has been the case in other parts of the world. At the least, the experience with gradual de facto integration over the past 20 years does not give much reason for pessimism: neither has Taiwan been hollowed out by an investment drain nor has its labor market suffered much. However, the major concern of those in Taiwan who warn against speedy integration is not linked only to economic considerations. It is also, and maybe most of all, the fear that integration will endanger Taiwan’s sovereignty and encourage Chinese military adventurism in the strait.

These dangers exist, but integration may have many positive effects in this regard, too. The more Taiwanese capital is invested in the mainland, the more it becomes part and parcel of China’s growing economy. The easier it becomes for Taiwanese business people to travel both ways, transfer capital and goods, relocate profits, and meet their clients and partners as often as they wish, the greater the possibility that integration will evolve into a win-win game. In this case, the issue of sovereignty and unification will probably be relegated to backstage. The more taishang and taibao are working and living on the mainland and the better they are integrated into China’s society, the more they will shape the Chinese people’s perceptions of Taiwan and the more they can influence Chinese political discourse on Taiwan. In that sense, over the past 20 years the taishang may already have done more for Taiwan’s sovereignty and future living space in the international community than have previous Taiwanese governments. Against much established wisdom among political activists in Taiwan, the taishang and taibao may be the best guarantors for Taiwan’s survival that one can imagine.

51. Personal observations made during the March 2008 presidential campaign.
52. This has been convincingly argued recently by Douglas B. Fuller, “The Cross-Strait Economic Relationship’s Impact.”