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Political Economy of Cross-Strait Relations: is Beijing's patronage policy on Taiwanese business sustainable?

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ABSTRACT

Via quantitative analysis and interviews, this article examines the credibility and sustainability of Beijing's patronage policy towards Taiwanese business. The new finding is that the rise of economic nationalism and local protectionism in China is undermining and constraining Beijing's patronage policy. Consequently, China's rising economy does not deepen cross-Strait integration but rather crowds out Taiwanese business. Moreover, considering the growing influence of Chinese domestic constraints, this article attempts to provide a bilateral two-level game to grasp the new dynamics on cross-Strait relations under the new normal.

It is believed by neo-functionalists as well as the Beijing government that the spillover effects of economic integration would gradually create the need for further integration in politics.¹ Based on this belief, Beijing had been developing a varied patronage policy (惠台政策) to attract more Taiwanese direct investment into mainland China for deepening cross-Strait economic integration. The first policy, Regulation of the State Council of the People's Republic of China for Encouraging Taiwan Compatriots to Invest in the Mainland (国务院关于鼓励台湾同胞投资规定), was promulgated in 1988. Since then, economic integration between the two sides of the Taiwan Strait has been deepening even during the pro-independence Democratic Progressive Party administration (DDP, 2000–2008). When the Ma Ying-jeou-led pro-unification Nationalist Party (KMT) returned to power in 2008, Beijing released more patronage policies for Taiwanese businesses to speed up the process of political integration. Regarding this phenomenon, the Chinese state-run publication, *Global Times*, published an article entitled 'Beijing's strategy to buy Taiwan: coerced unification without firing a shot' on 21 February 2014. Up until then, Beijing's economic statecraft seemed workable. Yet, what followed was beyond Beijing's expectations.

Just one month later, on 18 March 2014, a protest against the Cross-Strait Service Trade Agreement (CSSTA) arose in Taiwan. Students occupied the Legislature to prevent the passage of the CSSTA. They argued that the pact was negotiated in secret and would allow China to gain greater political control over Taiwan. Consequently, the CSSTA was adjourned *sine die*, but the story continued. In the local

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¹Suisheng Zhao, 'Economic interdependence and political divergence: the emerging pattern of relations across the Taiwan Strait', *Journal of Contemporary China* 6(15), (1997), pp. 177–197; Yu-Shan Wu, 'Theoretical approaches in the study of cross-Strait political relations', paper presented at the *Conference on Below the Storm: 60 Years of Cross-Strait Connections*, Institute of Political Science at Academia Sinica and Institute of East Asian Studies, University of California at Berkeley, Taipei, February 2010, pp. 5–6.

elections on 29 November, the ruling KMT suffered a landslide defeat. Now, more than 60% of Taiwan's 23 cities or counties are governed by a DPP mayor or magistrate. This result shocked Beijing. In an editorial, the *Global Times* suggested that Beijing should transfer its patronage to Hong Kong rather than wastes resources on Taiwan.² The Taiwan Affairs Office (TAO) of the PRC State Council responded to this criticism in a news conference on 14 January 2015. The TAO stressed that Beijing's patronage policies are not a simple unilateral patronage towards Taiwan but give mutual benefit to both sides and these policies, which have been proven effective over the past decades, would continue.

This developing scenario suggests that Beijing's patronage policies seem to be facing different voices from Taiwan's society as well as at home. It leaves us to question: does Beijing's patronage towards Taiwanese business remain workable? To what extent could Beijing use economic cooperation to trump Taiwan's political confrontation? Furthermore, is such economic statecraft sustainable?

Via quantitative analysis and interviews,³ this article has found that things have been moving in a different direction: the rise of economic nationalism and local protectionism is undermining and constraining the credibility and sustainability of Beijing's patronage policy. The new story is that with the growth of Chinese state-owned enterprises (SOE) and local private firms, Taiwanese businesses are being crowded out of China's market. As a result, cross-Straits economic integration seems to have entered a period of stasis with regard to both direct investment and trade. Meanwhile, with the growth of nationalism, opposition to the patronage policy from China's hawks and society has been emerging. Lastly, Taiwanese business, as a strategic linkage community targeted by Beijing, is losing its clout on both sides of the Strait, as well as its role as leverage in cross-Straits relations.

In view of the above findings, this article deems that it could be much harder for Beijing to promote its patronage policy further. Moreover, based on empirical findings, this article also attempt to provide a fresh analytical framework—a bilateral two-level game which takes into account Chinese domestic constraints on Beijing's patronage policy to exactly catch the new dynamics of cross-Straits relations.

From unitary-actor models, unilateral two-level game to a bilateral two-level game

The literature discussing the effect of economic integration upon cross-Straits relations can be roughly summarized in two major theoretical contexts: neorealism and neoliberalism. The former argues that political elites are concerned about relative gains but not absolute gains in economics and such concerns may constrain cross-Straits economic integration.⁴ By contrast, neoliberalism focuses on absolute gains and its spillover effect on the political issue. Based on this argument, some research considers that the growing economic integration would entwine Taiwan and mainland China around complicated economic as well as political issues.⁵ In contrast, drawing on the parallel development between economic integration and Taiwanese national identity, some of the literature attempts to disprove the neoliberalist argument and argues that economic integration doesn't certainly lead to peace and political convergence.⁶ Recently, unlike earlier works focusing on the decision-maker's role, some researchers have

²社评：港台问题会“一加一大于二”吗？ [Editorial: whether the problem of Hong Kong and Taiwan induces synergy effect?], 环球时报 [Global Times], (4 December 2014), available at: <http://opinion.huanqiu.com/editorial/2014-12/5226369.html> (accessed 12 September 2015).

³The interviews were carried out between 2009 and 2015. During this period, over 100 interviews were conducted. They include interviews with local officials in mainland China, officials of the TAO, China's experts in cross-Straits relations, Taiwan business associations in China, a Taiwan electronic manufacturing industrial association, lawyers in Taiwan, Taiwanese bankers in China and directors of Taiwanese big business in China.

⁴Ping Deng, 'Taiwan's restriction of investment in China in the 1990s', *Asian Survey* 40(6), (2000), pp. 958–980; Steve Chan, 'The politics of economic exchange: carrots and sticks in Taiwan–China–US relations', *Issues & Studies* 42(2), (2006), pp. 1–22.

⁵Karen M. Sutter, 'Business dynamism across the Taiwan Strait', *Asian Survey* 42(3), (2002), pp. 522–540.

⁶Scott L. Kastner, 'Does economic integration across the Taiwan Strait make military conflict less likely?', *Journal of East Asian Studies* 6(3), (2006), pp. 319–346; Chien-min Chao, 'Will economic integration between mainland China and Taiwan lead to a congenial political culture?', *Asian Survey* 43(2), (2003), pp. 280–304; Frank Muyard, 'Taiwanese national identity, cross-Straits economic interaction, and the integration paradigm', in Peter C. Y. Chow, ed., *National Identity and Economic Interest: Taiwan's Competing Options and Their Implications for Regional Stability* (New York: Palgrave Macmillan, 2012); Naiteh Wu, 'Will economic integration lead to political assimilation?', in Chow, ed., *National Identity and Economic Interest*.

adopted the two-level game as an analysis framework to illustrate how domestic constraint impacts the government's decision making on cross-Straits relations. Nevertheless, most only focus on Taiwan's domestic constraints but assume that Beijing dominates these domestic constraints absolutely.⁷ Hence, this article names such an analysis a 'unilateral two-level game'.

In summary, most of the existing literature is based on three assumptions: firstly, domestic constraint on Beijing's Taiwan policy is limited or meaningless; secondly, the growing economic integration is inevitable; and thirdly, Taiwanese business groups could be a leverage in cross-Straits relations. Nevertheless, unlike the conventional assumptions above, this article found that things have changed: Chinese domestic constraint is getting stronger; cross-Straits economic integration has entered a period of stasis; and Taiwanese businesses are losing their clout. Drawing on new findings, this article argues that the bargaining model of cross-Straits relations is transitioning to a bilateral two-level game.

In Figure 1, this article applies Andrew Moravcsik's two-level game model to cross-Straits relations.⁸ Following the model, this article views the patronage policy as a side payment Beijing offers to the target linkage community, Taiwanese business, to alter Taiwan's domestic constraint to recognize the 1992 Consensus. In return, by enlarging the economic cost of no-agreement on the Consensus, Taiwanese business tries to influence the constituency and the leaders of the Taiwan government to accept the 1992 Consensus for economic benefits. Such a reciprocal relationship formed a transnational alliance between Beijing and Taiwanese business, especially big businesses, and led to greater privilege for Taiwanese business than other foreign direct investment (FDI) in China. At the local level of this transnational alliance, with advantages of capital and technology, Taiwanese business had a strong card to play in bargaining with the local government. Some scholars even indicate that it might be a security buffer for Taiwan in cross-Straits relations. Nevertheless, such strategies seem no longer workable.

Domestic constraint in China appears

Since the rise of economic nationalism and local protectionism in mainland China, local governments and economic departments have selectively ignored Beijing's political patronage policy towards Taiwanese business and turned to favor SOEs and local firms. As a result, Taiwanese business has been crowded out of the Chinese market. Meanwhile, the surge of nationalism is provoking different voices over Beijing's patronage policy from the official media and Internet forums. While the anti-patronage opinion from hawks and netizens in Chinese society cannot affect Beijing's policymaking directly or institutionally, to some extent it could bring pressure on Beijing. As Yu-shan Wu and Lowell Dittmer argue, growing nationalism has become a legitimating factor for the communist regime.⁹ Indeed, in the development of the mainland's surging nationalism, Taiwan has played an important role. It means that Beijing cannot just ignore the voices of anti-patronage policy, no matter from the hawks or from the public, because it might harm its base of legitimacy. We now see that Beijing no longer dominates domestic constraints and has to face constraints like its counterpart, Taipei.

⁷Jih-wen Lin, 'Two-level games between rival regimes: domestic politics and the remaking of cross-Straits relations', *Issues & Studies* 36(6), (2000), pp. 1–26; Chenghong Li, 'Two-level games, issue politicization and the disarray of Taiwan's cross-Straits policy after the 2000 election', *East Asia* 22(3), (2005), pp. 41–62; 袁鹤龄, 沈灿宏 [Hao-lin Yuan and Tsan-huang Shen], '动态的台海两岸谈判：双层赛局与认知因素研究' ['Changing negotiations between the two sides of the Taiwan Strait-two-level game and cognitive factors approaches'], *东吴政治学报* [*Soochow Journal of Political Science*] 32(3), (2014), pp. 173–239.

⁸Andrew Moravcsik, 'Integrating international and domestic theories of international bargaining', in Peter Evans, Harold K. Jacobson and Robert D. Putnam, eds, *Double-Edged Diplomacy: International Bargaining and Domestic Politics* (London: University of California Press, 1993).

⁹Yu-shan Wu, 'Taiwan's domestic politics and cross-Straits relations', *The China Journal* 53, (2005), pp. 35–60; Lowell Dittmer, 'Taiwan as a factor in China's quest for national identity', *Journal of Contemporary China* 15(45), (2006), pp. 671–686.

Strategies to alter Taiwan's domestic constraints failed

Following Beijing's wish, Taiwanese business giants, who invest in China, induce the constituency to believe that rejecting the 1992 Consensus may cause an economic collapse in Taiwan and persuade them to support the pro-Consensus KMT when voting. Yet, such a strategy did not work again in the elections of 2014. As social inequality grows, voters do not believe the picture sketched by entrepreneurs; instead, they consider these cross-Straits businesses to be the cause of the social inequality. As a result, through social movements and voting, constituencies expressed their opposition to closer economic ties with mainland China and formed strong domestic constraints against collusion between decision makers of both sides and business giants.

In summary, Figure 1 clearly shows that now the development of a game does not follow the chess playbook of the neoliberals. Structurally, Beijing's economic statecraft for unification is suffering from domestic constraints. Meanwhile, its counterpart—the KMT government—also faces a new domestic constraint. Strategically, the credibility of Beijing's patronage policy is undermined by domestic political-economic coalitions. On the Taiwan side, Taiwanese business was expected by Beijing as well as the KMT to leverage Taiwan's domestic win-set, but this did not work either. Moreover, the transnational alliance between Taiwan business and China's local governments that was expected to secure Taiwan's win-set is also breaking down with the rise of economic nationalism and local protectionism. In other words, by level, while the COG collusion (chief of Chinese Communist Party and KMT government) at the first/international level play the game with a belief in neoliberalism, both China and Taiwan's domestic groups act against the patronage policy with economic nationalism/local protectionism at the second level. In the following sections, this article will describe how and why the plot has changed.

Credibility of patronage policy: the decline of TW business in mainland China

The earliest patronage policy towards Taiwanese businesses can be traced to the Deng Xiaoping era. The first policy, Regulation of the State Council of the People's Republic of China for Encouraging

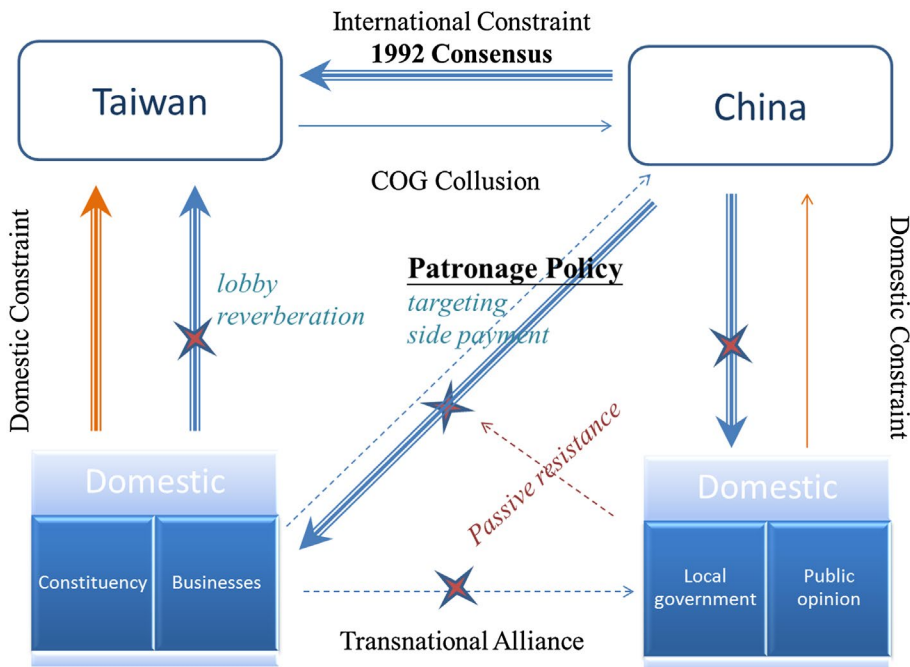


Figure 1. Bilateral two-level game of Beijing's patronage policy.

Taiwan Compatriots to Invest in the Mainland, was promulgated in 1988. According to the Regulation, Taiwanese businesses were granted super-national treatment and enjoy a more favorable treatment than other FDI. Since then, Beijing has continued to release patronage policies towards Taiwanese business without regards to the political climate in its relations with Taipei. During the Hu Jintao era, Beijing further pushed forward cross-Straits economic cooperation and integration to bolster China's political leverage. In 2005, the meeting between Hu Jintao and Lien Chan marked the initiation of Hu's patronage policies. Since then, bypassing the DPP, which at that time was the ruling party, the CCP has built COG collusion with the KMT to promote cross-Straits economic cooperation and offer special benefits to Taiwanese businesses almost every year, such as government procurement, tax breaks, market access and so forth. After the KMT returned to power in 2008, Beijing and Taipei signed the Economic Cooperation Framework Agreement (ECFA) in 2010 and further pushed the CSSTA.

De jure patronage policy is a top-down national policy, yet, in fact, its specific terms for enforcement mostly depend on bargaining between Chinese local governments and Taiwanese business. Summarily, the benefits Taiwanese business can receive from local governments are: tax breaks, land and administrative services. In the 1990s, Taiwanese business had a strong hand in bargaining with local governments. However, such a golden age has faded since the rise of Chinese SOEs and local firms. Now, Chinese local governments prefer to favor these SOEs and local firms. In other words, although Beijing asserts and increases its patronage policy, in fact, its credibility has been undermined by local protectionism.

To prove the credibility of Beijing's patronage policy towards Taiwanese business, this article employs data from the 'Chinese Industrial Enterprises Database 1999–2009'¹⁰ to examine whether Taiwanese businesses enjoyed greater political patronage and performed better than enterprises from other countries. Following Yasheng Huang's argument in *Selling China: Foreign Investment during the Reform Era*, that FDI, SOE and private firms have a different political pecking order in China,¹¹ this article classifies two million firms in the database into several firm groups by capital owner:¹² DDI–COL (domestic direct investment–collective enterprise); DDI–JV–SOE (domestic direct investment–joint venture with state-owned enterprise); DDI–Private (domestic direct investment–privately owned enterprise); DDI–SOE (domestic direct investment–state-owned enterprise); FDI (foreign direct investment); HKDI (Hong Kong direct investment); SOE–HKDI (SOE but registered as a HK firm); TDI–DDI (Taiwanese direct investment but registered as a domestic firm); TDI–FDI (Taiwanese direct investment but registered as a foreign firm); TDI–TDI (Taiwanese direct investment registered as a Taiwanese firm). Then this article compares all firm groups' tax payments, subsidies, profit margins and total assets. Comparisons in tax payments and subsidies show whether Taiwanese businesses received more preferential treatment via subsidies paid from the government and/or tax reductions. By contrasting all firm groups by profit margin, it can reveal whether Taiwanese businesses performed better financially than other businesses. Lastly, the comparison in the portion of total assets can help us to realize Taiwanese business's relative weight in the mainland's economy.

Tax payment

The graph in Figure 2 shows tax payments scaled by total production value, a proxy for firm size, from 1999 to 2009. Besides TDI–DDI following domestic firms' tax rate, TDI–TDI did pay the least tax among all firm groups and TDI–FDI also paid less tax than other FDI counterparts. In 2008, because China

¹⁰The database is provided by the Survey Research Center, Institute of Advanced Research, Shanghai University of Finance and Economics.

¹¹Yasheng Huang, *Selling China: Foreign Direct Investment during the Reform Era* (Cambridge: Cambridge University Press, 2003).

¹²The original data from the Chinese industrial enterprises database included Taiwan business in the group of '港澳台资' ['Hong Kong, Macau and Taiwan capital']. To sort out Taiwanese businesses, this article employs China Credit Information Service, Ltd's 'Taiwan business dataset' and Chinese industrial enterprises database 1999–2009 to do a cross-database analysis.

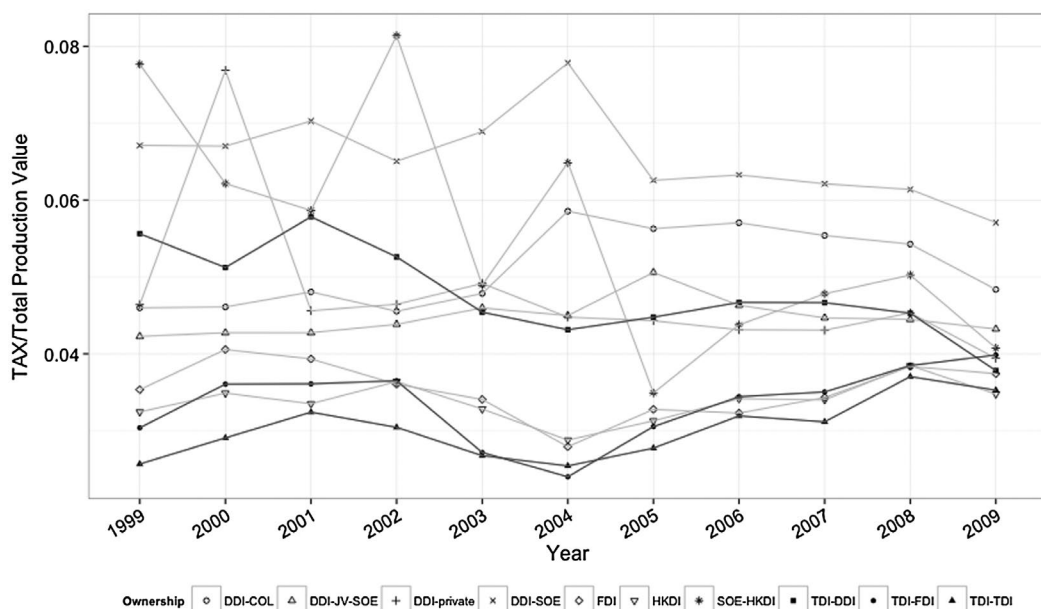


Figure 2. Comparing TDI, HKDI, FDI and DDI in tax payment.

terminated FDI's preferential tax rate,¹³ all firm groups' tax payments converged. Yet, an interesting finding is that prior to the enforcement of the New Corporate Income Tax Law to all companies in 2008, Taiwan businesses' tax payments had already been going up since 2005.¹⁴

This finding coincides with the story that the authors learned from respondents: the golden age of Taiwanese businesses in mainland China began to fade at the very beginning of this century because of China's industry policy (腾笼换鸟政策) and local protectionist sentiment. This finding is different from Shu Keng and Chun-yi Lee's arguments. In their article published in 2010, Keng and his co-author indicate that Taiwanese business still has a strong card to play.¹⁵ Lee argues that the significant improvement of cross-Straits relations since 2008 has seen less preferential treatment of Taiwanese business from the Chinese government.¹⁶ As for this gap, in the next section, this article will offer more analysis on the transition of China's industrial policy and local growth coalition to support this article's argument that Taiwanese business losing special preference is more related to China's domestic political economic factors, rather than the improvement of cross-Straits relations following the KMT's return to power in 2008.

¹³China's new Corporate Income Tax Law was passed in 2007 and took effect on 1 January 2008. It terminates the dual corporate income tax regime by removing the preferential tax treatments offered to FDI and unifies the corporate income tax regime for FIEs and Chinese domestic enterprises.

¹⁴To exclude other potential factors that might affect tax payment, this article regresses tax payments (scaled by sales) on dummies representing businesses from different origins and controls for firm size (logarithm of total assets), regulated industry and years after vintage. The result indicates that everything else being equal, DDI-SOE firms pay more taxes than other firms, while FDI, HKDI, TDI-TDI firms pay fewer taxes. In untabulated results, this article also controlled for geographic regions and the results remained unchanged.

¹⁵Shu Keng and Gunter Schubert, 'Agent of Taiwan-China unification? The political role of Taiwanese business people in the process of cross-Straits integration', *Asian Survey* 50(2), (2010), pp. 287–310.

¹⁶Chun-Yi Lee, 'The color of Taiwanese businesses in China: blue, green, or red?', in Cal Clark, ed., *The Changing Dynamics of the Relations among China, Taiwan, and the United States* (Newcastle upon Tyne: Cambridge Scholars Publishing, 2011), pp. 191–213.

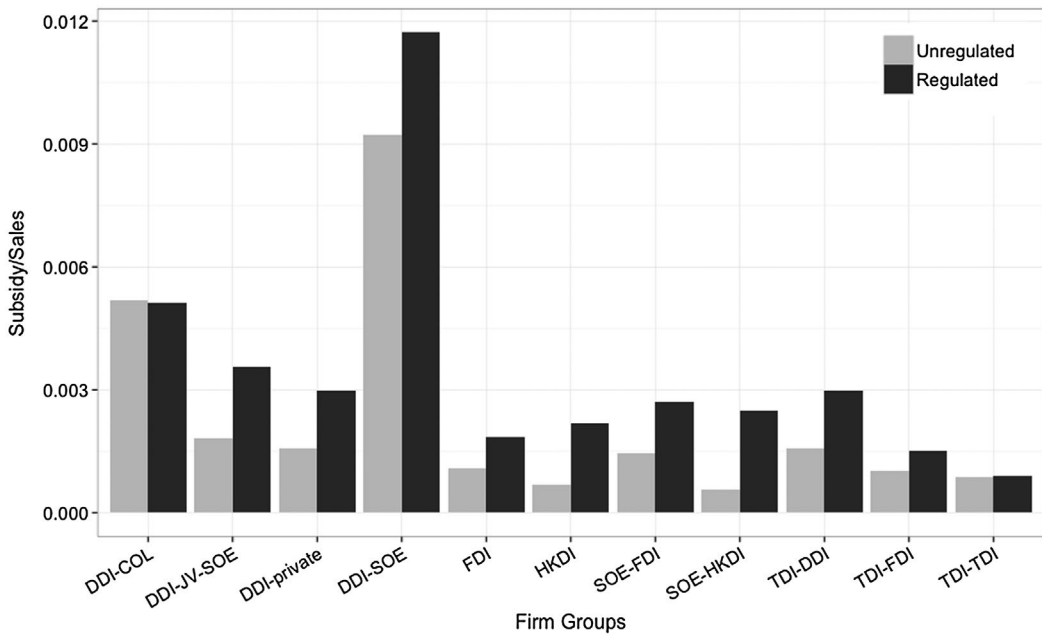


Figure 3. Comparing TDI, HKDI, FDI and DDI in subsidy.

Subsidy

Government subsidies are usually a measure to foster domestic firms in competition with foreign counterparts and often vary with industrial regulation. To take the regulated industry effect into account, this article employs the Catalogue of Industries for Guiding Foreign Investment (2007 Amendment) and divides each firm group further into two sub-groups: regulated and unregulated industry. Figure 3 compares the subsidies received scaled by sales across all firm origins. It shows that, although TW business got more tax breaks than other firm groups, in terms of government subsidies, what TDI-TDI and TDI-FDI gained is much less than other firm groups (with the exception of TDI-DDI, which apply to domestic firm policy). By contrast, DDI groups, especially SOEs, received significant government subsidies. This result proves China's national economic protection.¹⁷

Profit margin

In the previous figures, this article examined TDI's treatment in tax payment and subsidy. But the question remains, do TDI perform better financially in comparison to other companies? Figure 4 shows that TDI-FDI performed better than most of their counterparts up until 2002. TDI-TDI also had a moderate performance which was at least better than HKDI and DDI-SOE. Yet, 2003 is a turning point. In contrast to most other firm groups' growth, both TDI-TDI and TDI-FDI had negative growth. Since then, TDI-TDI and TDI-FDI's performance ranking have fallen behind. Since 2007, things have been getting worse—two kinds of TDI, namely TDI-TDI and TDI-FDI—have presented negative growth continually and their performance ranking almost ranked the lowest, only performing better than SOE. By contrast, in a reversal of the trend exhibited by the other two TDI, TDI-DDI went up continually and overtook the

¹⁷To exclude other factors, this article carried out a regression. After controlling for firm size, profitability, regulated industry and years of vintage, the only factor which seems to dominate is whether the firm belongs to a regulated industry or not.

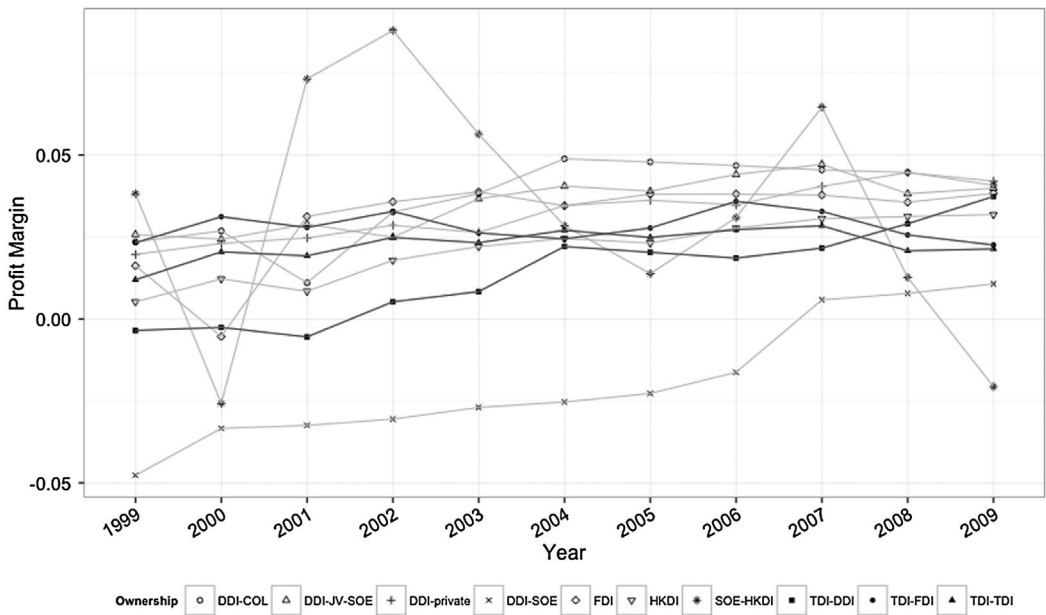


Figure 4. Comparing TDI, HKDI, FDI and DDI in profit margin.

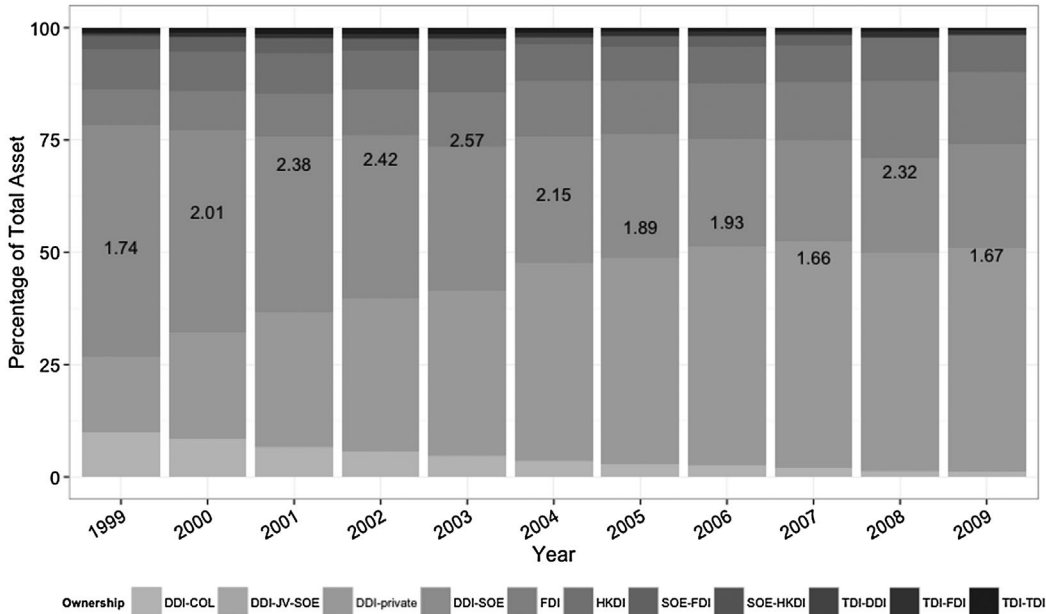


Figure 5. Comparing TDI, HKDI, FDI and DDI in total assets.

other two TDI in 2008, eventually surpassing HKDI in 2009. The different trend between TDI-DDI and the other two TDI (TDI-TDI and TDI-FDI) shows that there is indeed different treatment of domestic firms and Taiwanese businesses.

Total assets

Figure 5 shows that the percentage of all TDI's assets has been de-escalating since 2004. This turning point coincides with the inflection in profit margin performance. In other words, the weight of TDI in mainland China is decreasing.

Due to limits of the database, this article only can do panel data analysis until 2009. To trace TDI's performance in the following years, this article employs China Credit Information Service, Ltd's 'Annual Report of Taiwan Business 2012, 2013 and 2014'.¹⁸ The reports indicate that the performance of Taiwanese businesses in mainland China has been going down, consistent with the trend presented in the panel data analysis above. They reveal that 649 Taiwanese listed companies (their investment in China) saw their profits plunge by 22.72% in 2012 compared to 2011. Moreover, 40.5% of non-listed companies were running a deficit on their investment in the mainland. In the 2013 report, the editor uses 'The collapse of Taiwanese business in China' to describe the tough situation: 55% of Taiwanese listed companies in mainland China had a deficit; over 70% of small-medium size Taiwanese companies in the mainland had losses. In 2014, over 60% of listed companies had losses in the Chinese market. Such lasting deficits in the Chinese market have led many Taiwanese businesses to shut down, shrink or relocate their investment to other countries. According to a report by the Chung-Hua Institution for Economic Research,¹⁹ over 60% of Taiwanese businesses had no plans to inject new investment into mainland China during 2011–2015 (the duration of China's 12th Five-Year Plan).

Meanwhile, the growth of cross-strait trade also has been slowing down. Figure 6 shows that the contribution rate (to Taiwan's GDP) of exports to China has seen a dramatic drop during 2011–2013 compared to 2003–2007. According to a Taiwan Central Bank report,²⁰ the drop in exports to the mainland has mainly been caused by Beijing's adjustment of the industrial structure and import substitution policy. In the past, a major part of cross-strait trade was processing. Taiwan exported intermediate goods to the mainland where these intermediate goods were processed, mostly by Taiwanese businesses located there, for re-exportation. Yet, such interaction has gone with the reform of China's SOEs, Indigenous Innovation Policy (自主创新) and Emerging Industries Strategy (新兴产业). With government subsidies and protection, China has successfully localized industrial chains and can rely less on intermediate goods imported from Taiwan. As a result, the report says, cross-strait economic relations have shifted from vertical industrial integration to competition. In the next section, this article will further illustrate how, in this competition, Taiwanese business has been crowded out of the mainland market by Chinese domestic political economic coalitions.

Domestic constraints: the rise of economic nationalism and localism

In most of the related literature centering on neo-functionalism, no matter pro or con, the given precondition is: with China's rising economy, it is inevitable to deepen cross-strait economic integration. Nevertheless, the quantitative analysis in the previous section presents the idea that Taiwanese businesses aren't being absorbed into the growing Chinese market but are being crowded out. This is because the growth of the economy has accompanied the rise of economic nationalism and protectionism in China, which have been forming domestic constraints against Beijing's patronage policy towards Taiwanese businesses.

¹⁸ '台百大集团 在陆获利全面溃堤' ['The collapse of top 100 Taiwan business in China'], 中时电子报 [China Times], (31 October 2014), available at: <http://www.chinatimes.com/realtimenews/20141030005500-260409> (accessed 12 September 2015).

¹⁹ 中华经济研究院 [Chung-Hua Institution for Economic Research], 中国大陆台商升级转型及其在台湾经济发展中的角色探讨 [Upgrading and Transformation of TW Business in China as Well as its Impact on Taiwan Economy], (Taipei, December 2012), available at: http://www.moea.gov.tw/Mns/cord/content/ContentLink.aspx?menu_id=8812 (accessed 12 September 2015).

²⁰ 台湾中央银行 [Central Bank of the Republic of China (Taiwan)], 金融稳定报告 [The Report of Financial Stability], (May 2014), pp. 30–31.

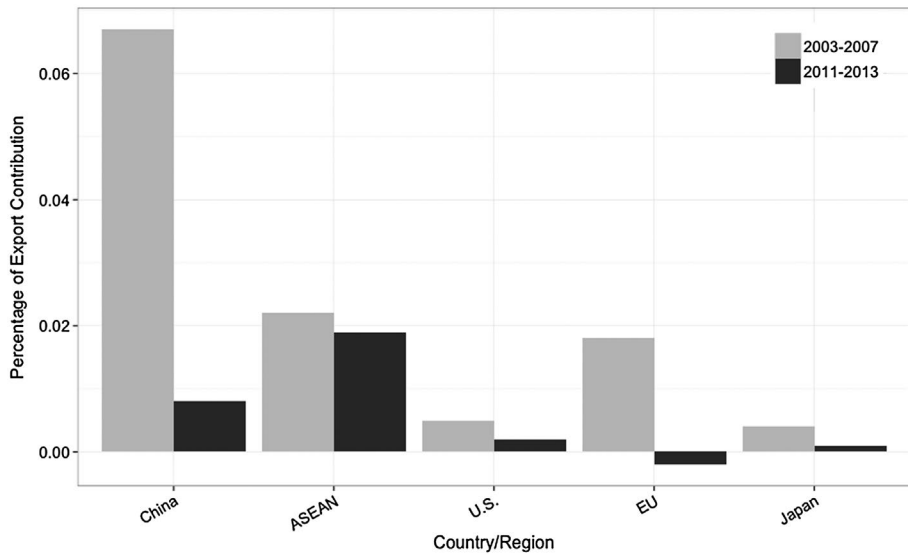


Figure 6. Export contribution rate to Taiwan's GDP by region. Source: Central Bank of the Republic of China (Taiwan), *The Report of Financial Stability*, (May 2014), p. 31.

Before 2003, China's market was just as sketched by Yasheng Huang: since SOEs had broken down, the Chinese government turned to FDI to promote development. At that time, with the advantages of capital, technology, language and the patronage policy, Taiwanese businesses developed swiftly and contributed to local prosperity. Such a picture has changed since the establishment of the State-Owned Assets Supervision and Administration Commission of the State Council (SASAC). The goal of the SASAC is the transformation of a group of 30–50 central SOEs (央企) into globally competitive 'national champions' by 2010. These 'eldest sons of the Republic' have been the recipients of a broad range of subsidies, policy favors, protected markets and even monopolies to arm themselves for their mission of substituting FDI in China's market and overtaking the world's leading multinationals. Since then, FDI in China has been facing unfair competition, especially after the Indigenous Innovation Policy in 2006 and Strategic Emerging Industries in 2009. A report by the European Union Chamber of Commerce in China found that 43% of firms said Beijing discriminated against foreign businesses, up from 33% in 2010; and 46% saw the trend continuing over the next two years, up from 36% in 2010. Similarly, the American Chamber of Commerce in China said that US companies believed China's protectionism had gotten worse since the financial crisis.²¹ Although in political language Beijing views Taiwanese as family, Taiwanese businesses don't benefit from this surging national economy. *The White Paper of Taiwan Business in China 2011* indicates that Taiwan business also faces unfair treatment like other FDI.²² A prominent case is that of Foxconn Technology Group, a Taiwanese multinational electronics contract manufacturing company and the world's largest electronics contractor manufacturer by revenue. Foxconn has largely benefitted from preferential policies offered by local governments when it moved its production base from Taiwan to mainland China in the late 1980s. Over the years, the number of its employees in China has grown to over 1.2 million currently. With such super economic power, Foxconn's Chairman Terry Gou (郭台铭) has a good relationship with Beijing as well as with local governments.

²¹China "treats foreign firms unfairly", *BBC News*, (25 May 2011), available at: <http://www.bbc.com/news/business-13538066> (accessed 12 September 2015).

²²台北大学亚洲研究中心 [Center for Asian Studies, National Taipei University], 大陆台商白皮书：台商意见调查与分析 [*White Paper of Taiwan Business in China: Survey and Analysis*], (April 2011), available at: <http://www.ntpu.edu.tw/college/e10/files/research/20111230172411.pdf> (accessed 12 September 2015).

Yet, even though Foxconn has contributed prosperity and owns good political capital, it doesn't get beyond the barriers stemming from Chinese protectionism.

At the Zijinshan Summit for Entrepreneurs across the Taiwan Strait (两岸企业家紫金山峰会) in Nanjing on 5 November 2014, chairman of Foxconn Terry Gou said that China does not treat Taiwanese companies as family. Gou gave an example that the Chinese Ministry of Industry and Information Technology had not included any Taiwanese firms in the first wave of telecom operators allowed to offer added-value services. Actually, this is not the first time Gou has complained about unfair treatment by the Chinese government. In an earlier case, Foxconn sued BYD Company, which is the largest maker of electronic cars in China and supported by central and local governments, for patent infringement in 2008. In the end, the court dismissed the case. To respond to such unfair competition, Foxconn is diversifying its investments in Brazil, Indonesia and the US.

The case of Foxconn shows that when a patronage policy towards Taiwanese businesses and domestic protection policies conflict, the latter get priority. This contradiction could be understood by the view of sectorial conflicts. Patronage policy towards Taiwanese business is under the charge of the TAO but it has no real power on economic affairs. To push patronage policy on Taiwanese business, the TAO has to coordinate related economic departments. In terms of the administrative hierarchy, the TAO is a ministry-level body, the same as the other economic departments, but its real power is relatively weak. The TAO doesn't have enough power to command other economic departments into enforcing the patronage policy for Taiwanese businesses, especially when it might run contrary to those economic departments' major tasks. To those economic departments, apparently, protecting domestic strategic industries is far more important than the patronage policy towards Taiwanese businesses.

A similar situation is also occurring at the local level. Recently, more and more Taiwanese businesses have suffered unfair treatment by local governments and asked the TAO to help, but it is usually helpless.²³ This transformation can be realized by three dimensions.

Firstly, Taiwanese business has lost advantages in capital and technology in the mainland market. According to the authors' interviews with local government officials and Taiwanese entrepreneurs, in the past, favorable treatment of Taiwanese business by local government was mostly driven by economic reasons rather than political policy. For local governments, enforcement of a patronage policy towards Taiwanese businesses wasn't counted in the annual evaluation indicator that is directly related to local officials' promotion. So, what the local government was concerned with is reaching the annual indicator of attracting investment (招商引资). Following this concern, once Taiwan businesses have lost their competitive advantage, local governments surely turn to favor other competent businesses. On the other hand, the TAO has no power to address local governments for their passive enforcement of the patronage policy towards Taiwanese businesses.

For example, to help the Taiwanese communication industry bid for the projects of the wireless city, the TAO played a bridging role between Taiwan business and local governments. For political harmony, local governments might sign letters of intent at public meetings held by the TAO. Yet, the respondents said, most local governments eventually chose to cooperate with domestic firms or foreign firms from the West or Korea with superior technological advantages.

Secondly, local governments have turned to ally with local private firms. Before the rise of local private firms, local government allied with Taiwanese businesses to enhance local economic growth. Now, emerging local firms have become the local government's favorite partners. The chairman of the Taiwan Business Association in China said that local firms find it easier to ally with local officials through informal exchanges. Taiwan businesses cannot do so because such kinds of informal exchange would bring them higher political risk compared to local firms. Recently, since the anti-corruption campaign,

²³Chi-jie Chou, '台商人权观察' [Human right of TW business in China], in 2013中国人权观察报告 [China Human Rights Report 2013] (Taipei: Taiwan Foundation for Democracy, 2014).

this kind of local political–business coalition frequently appears in the news. These reports say that behind every corrupt local official there's a crony entrepreneur.²⁴

Thirdly, the coalition between local governments and SOEs has been emerging. As mentioned above, central government-owned enterprises are the national champion team tasked with going global. Yet, after the financial crisis in 2008, to solve the domestic economic recession, SASAC turned from a 'go out policy' (走出去) to a 'go down policy' (走下去), pushing central SOEs to cooperate with local governments. For local governments, cooperating with central SOEs can bring them more benefits than TDI and other FDI. So, local officials now make every effort to attract central SOE investment. For SOEs, cooperating with local governments is a good deal because to beat other competitors, local government offers considerable preferences to central SOEs. The incentive to local governments pursuing SOEs could be summarized in three ways. First, driven by economic performance, central SOEs' investments are on average larger than TDI and FDI, which can boost local GDP significantly and immediately. The second reason is that cooperating with central SOEs can help local governments get permission from Beijing. Lastly, central SOEs can help local governments to solve the problem of local SOEs. In the 1990s, to solve the problem of SOEs, local governments tended to sell those SOEs with bad performance to FDI, but now they prefer to sell bad local SOEs to central SOEs because central SOEs usually tend to enter into joint ventures with local government rather than buying them up. Sometimes, central SOEs even leave controlling rights to local government. Due to these benefits, local government allying with central SOEs is now the best deal. For example, in 2013, total FDI in Henan province was US\$13.457 billion; by contrast, central SOEs' investment stands at US\$119.1 billion, which is almost nine times the amount of FDI.

Domestic constraint: the emergence of different voices from Chinese hawks and netizens

China's economic boom has not only injected domestic political–business groups, but also lifted the surge of nationalism among hawks and the public, which is also forming a domestic constraint against Beijing's patronage policy towards Taiwanese business. In this section, upon examining official media and Internet forums, this article would like to present different voices from the hawks and the bottom.

Global Times, a state-owned media company, which is widely regarded as a nationalistic voice,²⁵ continually published articles to criticize the patronage policy—calling for the replacement of the soft-line approach towards Taiwan with a hard-line policy—since 2014. On 25 March 2014, urged by the student movement, the Taiwan Legislative Yuan disapproved the CSSTA. Immediately, *Global Times* published an article entitled 'Mainland absolutely cannot agree to restart negotiations with Taiwan for the CSSTA'.²⁶ This article denounced Taiwanese politicians who 'could not make heads or tails of the situation'. It continued: 'The Mainland is no longer the little partner at Taiwan's service, but a global economic giant that even the US has to take seriously'. Then, after the DPP won in the local elections of 2014, in an editorial, the *Global Times* appealed for Beijing to transfer its patronage to Hong Kong rather than waste resources on Taiwan.²⁷ Moreover, it argues that Taiwan and Hong Kong are placing

²⁴姚冬琴 [Yao Dongqin], '五类官商"朋友圈"最流行' ['Top 5 most popular political–business circle'], *中国经济周刊* [*China Economic Weekly*] 13, (2015), available at: http://paper.people.com.cn/zgjzk/html/2015-04/06/content_1555120.htm (accessed 12 September 2015).

²⁵Cristina Larson, 'China's Fox News', *Foreign Policy*, (31 October 2011), available at: <http://foreignpolicy.com/2011/10/31/chinas-fox-news/> (accessed 12 September 2015).

²⁶单仁平 [Shan Renping], '大陆决不能与台湾重启服贸谈判' ['Mainland should not restart negotiation on CSSTA with Taiwan'], *环球时报* [*Global Times*], (5 March 2014), available at: <http://opinion.huanqiu.com/shanrenping/2014-03/4928114.html> (accessed 12 September 2015).

²⁷社评：港台问题会“一加一大于二”吗? [Editorial: whether the problem of Hong Kong and Taiwan induces synergy effect?], *环球时报* [*Global Times*].

their own interests before the Chinese national interest. What Beijing should do is not lure them with benefits but make them identify with China by force.²⁸

For its part, the TAO always countered hawkish questions and strongly defended the patronage policy towards Taiwan business, but it seems it cannot silence such lines of questioning. In a report of the meeting between President Xi Jinping and Taiwanese delegate Vincent Siew (萧万长) at the Boao Forum for Asia 2015, another state-owned media, the *People's Daily*, commented that this super short meeting (of only five minutes) suggests that Beijing has nothing to say to Taipei. To such criticism, Zhang Nianchi, a veteran Chinese scholar on Taiwan affairs, deems that it doesn't present Beijing's official attitude, but it reflects that in the mainland part of the public is impatient with Taiwan's challenge to cross-strait relations.²⁹ This article now turns to examine what the Chinese public thinks of Beijing's patronage policy towards Taiwan business.

For the moment, there is no survey probing public opinion on the patronage policy towards Taiwan business in China. In lieu of this, this article examines Internet forums which are viewed as the emerging public sphere. After a review of Tianya BBS (天涯论坛), Qiang Guo (强国论坛), Zhonghuawang Forum (中华网论坛), and Kaidi Forum (凯迪论坛), the four largest Chinese Internet forums,³⁰ this article found that anti-patronage policy towards Taiwanese business is the majority opinion. The earliest opposition can be traced to 2008, when Beijing announced a number of patronage policies towards Taiwanese business at the Cross-Strait Economic, Trade and Culture Forum (两岸经贸文化论坛).³¹ Then, in 2010, the ECFA triggered strong opposition. An anti-ECFA article originally published on the *Lianhe Zaobao*, 'No Mutual Benefit, No ECFA' (不能对等双赢·就不要签ECFA), was promptly reposted on a number of Internet forums. Netizens were opposed to Beijing granting advantages to Taiwan unilaterally. They compared the ECFA to the unequal treaties of the late Qing Dynasty. Moreover, to Terry Guo's charge that 'China doesn't treat Taiwan business as family', netizens offered a strong response: 'Taiwan also doesn't treat China as family'. Shortly afterward, Taiwan's anti-CSSTA movement fired Chinese netizens' emotions. A conventional thought is that political patronage towards Taiwanese business has proven to be a failed policy. Beijing should not be a sugar daddy anymore and has to be tougher on the Taiwan issue. Lately, to solve the problem of unfair competition in China, Taiwanese business has petitioned Beijing for 'National Treatment'. The popular comment in responses on Internet forums has been: 'No unification, no national treatment'. Things still go on which provoke more patriotism among the public. Beijing enacted a new rule to prevent local governments from granting tax breaks from March 2015. This new policy is a fatal blow to Taiwanese business. The six largest Taiwanese business associations petitioned for exemptions. To pacify Taiwanese businesses, the chairman of the Association for Relations Across the Taiwan Straits (海协会) said that Beijing could provide special compensation to Taiwanese business. This statement was soon met with a lot of criticism. Netizens severely censured officials in Taiwan affairs, charging them with treason.

It was observed on Internet forums that the Internet public opinion tendency on the patronage policy is going to be harsh. For instance, in 2010, Taiwanese panel makers visited Beijing to lobby for government purchase. On this issue, the pros and cons were 50–50. The pro argument was that it is better to patronize Taiwan than to benefit Korea. At that time, in terms of a relationship, Chinese netizens still felt more affinity for Taiwan than Korea. Nevertheless, in 2014, when the Taiwanese panel industry

²⁸*Ibid.*

²⁹林则宏 [Lin Ze-hong], '章念驰：代表民间对台某些不耐' [Zhang Nianchi: it represents that Chinese public is impatient on Taiwan problem], 联合报 [United Daily News], (31 March 2015), available at: <http://paper.udn.com/udnpaper/PID0005/276024/web/#3L-5721535L> (accessed 12 September 2015).

³⁰To understand the netizens' opinion, this article used '台商' [Taiwanese business] and '惠台政策' [Patronage policy towards Taiwan business] as key words to search all related discussions on these four forums.

³¹'大陆释利多狠砸6千亿救台商' [Mainland spends 6000 billion RMB to save Taiwan business], 中国评论网 [China Review News], (22 December 2008), available at: <http://hk.crntt.com/doc/1008/3/6/2/100836254.html?coluid=7&kindid=0&docid=100836254> (accessed 12 September 2015).

was suffering the impact of the China–South Korea Free Trade Agreement, there were few voices in support of Taiwan. Instead, most netizens deemed that Taiwan had it coming.

Generally speaking, the arguments against the patronage policy towards Taiwan can be summed up by the following:

1. The patronage policy towards Taiwanese business has failed. Netizens consider that the rise of Taiwanese identity and the victory of the DDP in the 2014 elections prove that Hu's patronage policy has failed. And such a soft-line approach hardly matches China's rising power. They expect President Xi to adopt a hard-line approach to urge Taiwan into accepting political integration.
2. The patronage policy towards Taiwan business benefits the US and Japan. Interestingly, netizens deem that Taiwan is closer to the US and Japan with regards to both emotion and interest. Taiwan, the US and Japan are more like family members. In 2010, Taipei and Beijing signed the ECFA. In the same year, the Bush administration sold military hardware to Taiwan. Linking these two events, netizens concluded that Taiwan earns money from China then pays this money to the US for weapons. Moreover, to persuade the Taiwanese people to support the ECFA, President Ma Ying-jeou stressed that the ECFA can attract Japanese business to invest in Taiwan for entering China's market with benefits from the ECFA. Hence, the Internet public criticized the ECFA as being like a Trojan horse, helping Taiwan and Japan occupy China's market.
3. The patronage policy towards Taiwan business is crowding out small domestic firms and social groups. The patronage policy is stealing from the poor to give to the rich, netizens say. They think that Beijing has misallocated the resources which should be used to help small domestic firms and underprivileged groups.
4. The patronage policy towards Taiwan business serves specific interest groups. A considerable number of netizens are dissatisfied with the TAO. A popular line of thinking is that the TAO doesn't represent China's interest but favors Taiwan's interest. Moreover, behind the policy, there is an interest group consisting of the TAO, Taiwanese businesses, Taiwanese politicians and some local government officials.

Of course, opinion on Internet forums cannot represent general public opinion, but to a certain degree it represents what younger Chinese generations think about Beijing's patronage policy towards Taiwanese business. According to *The Report of China Internet Network Development*,³² Chinese netizens have reach 6.49 billion (47.9% of the total population); 79% of netizens are aged between 10 and 39 years old; their main occupations are students, freelancers and corporate employees; 43.8% of netizens like to express their opinions on Internet forums. Limited by political institutions, Chinese Internet opinions could not turn into real social mobilization to alter government policy as their counterparts did in Taiwan. Nevertheless, it has become a true force that cannot be undervalued. *The Blue Book of New Media* shows that Internet opinion has indeed pushed governments to deal with social problems in 64% of cases that happened from 1998 to 2010.³³ Thus, this article believes that the rise of a sentiment of anti-patronage policy towards Taiwanese business could form domestic constraints on Beijing's future policy on cross-Straits relations to some extent.

Transnational alliance: the fading of Taiwanese business leverage on both sides

In the two-level game model, building transnational alliances is one strategy to alter another party's win-set and stabilize relations. In this regard, many scholars viewed Taiwanese business as a key linkage

³² 中国互联网络信息中心 [China Internet Network Information Center], 中国互联网络发展状况统计报告 [The Report of China Internet Network Development 2015] (2015), available at: <http://www.199it.com/archives/326812.html> (accessed 12 September 2015).

³³ 网络舆论在近七成事件中作用正面积极 [Public opinion on the Internet plays positive impact on 70% of public issues], 人民日报 [People's Daily], (12 July 2011), available at: <http://politics.people.com.cn/GB/1026/15135830.html> (accessed 15 September 2015).

community to ally with Beijing, Chinese local governments as well as local firms. Here, following this point, this article would like to trace how Taiwanese business lost its leverage function on both sides.

The alliance between Beijing and Taiwanese businesses

As mentioned above, the political patronage policy is the strategy of Beijing to target Taiwanese business as leverage to urge Taipei to accept the 1992 Consensus. Indeed, in the past, Taiwanese tycoons did exercise their economic power to affect the Taiwan government's cross-Straits policies and even influenced the tightly contested presidential election in 2012. To canvass for the KMT candidate Ma Ying-jeou, on the last day before his re-election bid, 128 business tycoons published an announcement in Taiwan's major media to express their support of the 1992 Consensus and warn voters about the economic costs of rejecting the Consensus. Eventually, Ma Ying-jeou defeated the DPP nominee Tsai Ing-wen by a narrow margin. It was a victory for the 1992 Consensus but not Ma's victory, according to the Taiwanese media. Academically, Tang Yen-chen's empirical study also proves that in the 2012 presidential election, concerns about the cross-Straits economic relationship did affect median voters.³⁴

However, a similar story did not occur again in the 2014 local elections. The support of tycoons did not help the KMT win the elections, but instead became the counterpropaganda of the KMT. Eventually, the KMT suffered a heavy defeat in the elections. Most voters view such a political-business coalition between the KMT and big business which shuttles between Beijing and Taipei as 'Red Comprador Economy' or 'Crony Capitalism'. A post-election survey shows that 73.5% of people consider that big businesses' involvement in elections is inappropriate; 52.7% agree that President Ma's pro-unification and pro-business policies led to the KMT's failure in the elections.³⁵

This transformation reflects that Taiwan's voters have begun to reject the neoliberal argument peddled by Taiwanese business, that is, that cross-Straits economic cooperation could rescue Taiwan's economy. Growing social inequality has broken this kind of liberal belief. More and more people deem that cross-Straits economic cooperation only benefits specific interest groups and does not enhance the general public's welfare. Such discontent has been filtering down and was brought to a fever pitch by the anti-CSSTA movement in March 2014. In this atmosphere, business tycoons have been losing their clout in Taiwan. On the other hand, after the 2014 local elections, Beijing has also detected that Taiwanese business is no longer a useful leverage to alter Taipei's win-set. Beijing is now reviewing its patronage policy and alliance with Taiwanese business, as one respondent, a Chinese expert in Taiwan affairs, said.

The alliance between Chinese local businesses and Taiwan businesses

As discussed above, Taiwanese business is no longer the favorite of local governments. In Kunshan, home to the largest cluster of Taiwanese businesses, the Taiwan Business Association was called 'the fifth section of local government' during its heyday (the other four sections being the Party Committee, Administration, People's Congress and People's Political Consultative Conference). But now the situation has changed. 'The Observation of Taiwanese Business's Human Rights in China' indicates that in most cases of conflicts between Taiwan businesses and local firms, Chinese local governments and judiciary favor local firms significantly. Even worse, local governments have begun infringing on Taiwanese business's property. As Taiwan businesses entered the mainland at a very early stage, with this advantage they were able to locate their factories in prime real estate areas within cities at that time. With rising land prices, in order to gain profit from reselling the land, local governments frequently force the relocation of Taiwanese businesses occupying these prime locations without reasonable compensation.

³⁴ 汤晏甄 [Yen-chen Tang], '2013, 两岸关系因素真的影响了2012年选举' ['Did the cross-Straits relations really affect the 2012 presidential election in Taiwan?'], 台湾民主季刊 [The Taiwan Journal of Democracy] 10(3), (2013), pp. 91–130.

³⁵ 台湾趋势民调 [Trend Survey & Research Co. Ltd], 九合一选举投票行为调查选后民调分析 [Post-survey of 2014 Local Election], (December 2014), available at: <http://www.taiwanthinktank.org/chinese/page/5/61/2909/0> (accessed 12 September 2015).

Taiwanese businesses have requested that the TAO mediate the conflict with local governments on their behalf, but rarely does mediation bear any fruit. This is a huge difference in the treatment of Taiwanese businesses compared to ten years ago.³⁶

The alliance between Chinese local government and Taiwanese businesses

In liberal thinking, economic cooperation may promote transnational coalitions of foreign investors and local firms through commercial networks. Nevertheless, according to this article's observations, such coalitions don't happen to Taiwanese businesses in mainland China. The respondents said that in order to prevent unintended political impacts, Beijing has adopted a strategy to partition Taiwanese and local businesses. Beijing doesn't include Taiwan businesses in local industry and business associations but instead established the Taiwan Business Association at the local level and The Association of Taiwan Investment Enterprises on the Mainland (台企联) which is under the purview of the TAO. With such political partitioning and rising contention in the market, it is quite difficult for Taiwanese businesses to ally with local firms as a transnational coalition to form leverage in cross-Strait relations.

Cross-Strait relations under the new normal

In summary, with evidence from quantitative and qualitative analysis, this article found increased domestic constraints undermining the credibility and sustainability of Beijing's political patronage of Taiwanese business. Driving this is the growth of economic nationalism and local protectionism in mainland China, its domestic political business coalition, and hawks as well as netizens. Consequently, the crowding out of Taiwanese business in the mainland market has led to the stagnation of cross-Strait economic integration. Moreover, with declining economic power and political clout, Taiwanese business as a linkage community is losing its leverage in cross-Strait relations on both sides.

In theory, this article argues that with the changing domestic political economy on both sides there should be a transformation in the analytical approach towards cross-Strait relations: from unitary-actor models and unilateral two-level games to bilateral two-level games for the time being. Moreover, such a transition in analytical approach also reflects the emerging divergence of belief between the COG and the public on both sides. While the COG collusion at the first level plays the game with a belief in neoliberalism, domestic groups from both the mainland and Taiwan act against the agreement with economic nationalism/local protectionism at the second level. To COG, what they expect is political integration brought about by economic integration, yet, for people at the second level, what they are most concerned about is the unequal resource distribution as well as state dignity/security.

If the previously given observations and arguments are close to the facts, this article argues that the cross-Strait relationship is under a new normal. Under the old normal (growing economic integration), a conventional discussion was how to use the economic issue as a buffer or leverage to stabilize cross-Strait relations. But now, under the new normal, the concern should be changed to how cross-Strait relations can go further without deepening economic integration and the useful linkage community. And what if domestic nationalism on both sides increases? What would the leaders of the two governments do? Will Beijing slow down the patronage policy towards Taiwanese businesses to pacify its people; or, conversely, will it adopt a 'tying hands' strategy—manipulating its domestic constraints with strong nationalism as a chip to narrow its win-set at the first table to urge Taipei into making a concession? On the other side, as for Taipei, although the stagnation of economic integration may sound the all-clear to Beijing's business trumping politics over Taiwan, it might bring about a new concern. What if the economic issue could not be a buffer at the first table? What can Taipei do to avoid Beijing's political agenda? Could domestic anti-economic integration force give the chief of the Taiwan

³⁶In the past, local governments never rejected requirements proposed by Taiwan businesses, according to interviews with Taiwan businesspeople. See 童振源 [Chen-yuan Tung], 全球化下的两岸经济关系 [Cross-Strait Economic Relations Under Globalization] (Taipei: Shengzhi Press, 2003).

government the leverage at the first table to gain more room in time? And moreover, what if the two COGs manipulate domestic constraints as leverage? Will it enhance the risk of military conflict? Overall, the new normal of the cross-Strait economy is thickening the plot. In the future we expect that there will be more research concerning domestic constraints and the new stratagem of COG on both sides to grasp the new dynamics of cross-Strait relations.

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