

Chapter II

Analytical framework

Although we can name different trade regimes after the President or Premier, it actually tells us nothing about the regime itself. This chapter explains the terminology and presents some methods for analyzing different regimes. Also, the differences between different regimes will be explained by presenting the differences in the decision making process. Some examples from the international arena as well as cross-Strait trade will hopefully help to understand the logic behind decisions. This theoretical framework can be implemented to analyze cross-Strait trading regimes.

Let us first have a look at terminology. Leaving aside the pejorative use, the general understanding is that a *regime* is the set of rules, both formal (Constitution for example) and informal (Common law, cultural or social norms, etc.) that regulate the operation of government and its interactions with the economy and society. Different principles, norms, rules, and decision-making procedures around which the expectations of Taipei and Beijing Governments and people converge in a trading relationship constitute cross-Strait regime. However, when we are talking about trade regimes, we must keep in mind that it takes two to trade. Decisions may be unilateral, but the outcome has always influenced by both sides. This, as we see later, is the crucial point in explaining the real outcome of Cross-Strait trade and investment.

This paper will concentrate on the Taiwanese side only. It will present the principles, norms and rules that have conducted Taiwanese side in trading with and investing in mainland China, as well as examining the decision-making process of Taiwanese side. It gives us a clue, how the actual trading policy is made, who are the participants in the trading regime are, what are the factors behind the scenes and who

has had the greatest impact on cross-Strait trading from Taiwan's side.

In order to do this, we should examine the theory of the decision-making process first.

The Rational Actor Model

When it comes to the decision-making process, there is an approach in political science that Graham Allison in his bestseller "Essence of Decision" calls the Rational Actor Model.¹ The main characteristic of this model is that it takes governments as unitary rational entities. According to this model governments are conceived as anthropomorphized agents with one set of preferences, one set of perceived choices, and a single estimate of the consequences that follow from each alternative. The action is chosen to respond to the strategic situation the government faces. And this action itself is a rational choice considering national security and national interests as main categories. To make such a rational choice, the government has to list all possible actions as options and, considering their consequences, make a value-maximizing rational choice. When an analyst tries to understand the background of a governmental action, he has to put himself in the place of the nation or government. All possible evidence that can be gathered is then represented as coherent value-maximizing choice.

When using the Rational Actor Model, an analyst has to answer a list of questions that includes:

What are the objective circumstances that the state conceives as threats or

¹ Allison Graham; Zelikov Philip. 1999. Essence of decision Explaining the Cuban Missile Crisis. Second ed. (Addison Wesley Longman, INC), p.13.

opportunities?

What are the state's goals?

What are the options for addressing this issue?

What are the costs and benefits of each option?

What is the best choice?

In the case of Taiwan's cross-Strait economic policy, we may see that this kind of reasoning is often used to justify Taiwan's restrictions on trade and investment. When Lee Teng-hui launched his "Go South" policy, the reasoning behind this decision are often considered to be in accord with Rational Actor Model. Lee saw the growing volume of Taiwanese investment in mainland China as security risk and decided to act. As the state's most important goal, in his opinion, was to secure national sovereignty, something had to be done. The best decision under these circumstances seemed to be leading the Taiwanese investments away from the hostile PRC to more friendly countries in South-East Asia.

The Rational Actor model, however, has its weaknesses and it has been attacked by many authors. Allison himself states that the biggest advantage of this model actually makes it vulnerable. An analyst can sit in an armchair and try to predict how people will behave by asking how he or she would act in this kind of situation with all its conditions. An analyst could generate a lot of vicarious, empirical behavior. The problem is that some analysts can get used to the armchair and may lose the connection with real people with all their real objectives, options and estimates. History gives us many examples where a decision made by some government can not be described as a "rational choice." For example, prior to the attack on Pearl Harbor, the Japanese military and civilian leaders, including those responsible for making the decision, were fully aware that they lacked the industrial capacity and military might to win a war against the U.S. Yet, they went ahead and

attacked anyway. The US had intercepted enough evidence to indicate that Japan was about to attack Pearl Harbor, yet the commander did not prepare. In their opinion it was not a rational decision. That is why the attack was pulled off successfully on US planes lined up wing-to-wing.

Debora Stone raises another objection. She compares political language to literature styles. She states that *numbers* are used like poetry because of the "infinite ways of describing with numbers"². Due to the human need to categorize things, statistics and counting things into specific sides of dividing lines or into specific boundaries fulfill that need. Unfortunately, statistics and measurements really don't mean anything, Stone asserts. Of course, boundaries must be drawn somewhere, but "is there any significant difference between the person earning \$10,000 and the one earning \$10,001, or the person aged 20 years and 364 days and the person aged 21?"³. Numbers are precarious. Stone claims that measurements are only used to call attention to a particular question. Many problems are in fact things that have been tolerated for years or decades. Stone's main idea is that language matters. The phrasing of a question can easily influence thought. Costs and benefits can be portrayed positively or negatively, however the policy-writer wants them to seem. Secondly, since when have politicians been very clear about their explicit goals and objectives? It's much easier to state goals ambiguously because then, there are fewer expectations from the public. Thirdly, the rational decision-making model declares that all possible alternatives should be considered. In the political arena, however, the best way to get a decision made is to pretend that there are no other possible alternatives, just the one presented.

There is one additional objection. It takes only a little bit of imagination to

² Stone Debora. Policy Paradox. The Art of Political Decision Making. p.163.

³ Ibid. p.166.

construct an account of preference-maximizing choice for any action made by nation or government. An analyst can write a large number of objective functions such that the pattern of activity maximizes each function. But a good model should give us tools not just for explaining the past but also predicting the future decisions. Considering the abstract way of explanation and belletristic use of language when needed, it is rather difficult to see, how one is able to use this model to make a predictions about future government decisions.

The Organizational Behavior Model

Although the Rational Actor Model can be used for some purposes, we must admit that in most cases, governments can not be considered as unitary entities that are completely informed, value maximizing, and rational decision makers. Governments are not individuals. On the contrary, governments include many different organizations that are often very loosely combined. Although every organization is lead by a government leader they usually live a life of their own. However, a government needs these organizations because it depends on the information given by them. Governments act as these organizations enact routines. We may thus say that a governmental action is more like an output of large organizations that functions according to their own established patterns of action or Standard Operational Procedures (SOP). This kind of theory is generally known as the Organizational Behavior Model⁴.

The questions that need to be answered when using this model are:

- Of what organizations does the government consist?

⁴ Allison Graham, Zelikov Philip. 1999 . Essence of decision. Explaining the Cuban Missile Crisis. Second ed. (Addison Wesley Longman, INC), p.143-147.

- What capabilities and constraints do these organizations have when producing information?
- What capabilities and constraints do these organizations have when generating the menu of options for action?
- What capabilities and constraints do these organizations have when it comes to implementing whatever is chosen?

International Relations can be described as different governments interacting with each other. Each state's government is made up of a conglomerate of different organizations interacting with each other and other nation states. These organizations bring to international relations its own boundaries, standards, and influences. According to the Organizational Behavior Model, international events are outputs of organizational processes. This has three different meanings.

The first thing is that actual happenings are organizational outputs. The attack on Afghanistan and Iraq by the USA after 9/11 was actually launched by companies, battalions, brigades, divisions and corps under the command of lieutenants, captains, majors and generals and not by the "hawks" in Washington. Georges W. Bush didn't personally hunt down Saddam Hussein or attempt to catch Osama Bin Laden. Both of these objectives were delegated to the sub-organizations of the government. The decisions of government leaders just triggered organizational routines. People in the Pentagon can give some directions as to what should be done, but most of the behavior in combat is determined by previously established patterns or Standard Operational Procedures.

The second aspect of this model is that government depends on the capacities of organizations to employ present physical assets. At the moment, there are approximately 150, 000 American soldiers in Iraq. However, this is almost the

maximum number of troops the USA is able to use in one conflict area. Many of those soldiers are serving a second or third term in Iraq. Despite the government's wishes to send in more troops, the actual number of soldiers is limited. The US Government is facing the same problem in Afghanistan. The current number of local troops is 35, 000 and it is planned to double by the year 2011. However, due to the decreasing violence in the region, US government hopes to double the Afghanistan army by the end of 2008⁵. The problem is that there are not enough local men who want to join the army. These kind of problems set limitations on every government's plans.

Thirdly, the organizational process limits the options for the government. Organizations raise the problem, provide the information, and take the initial steps to find a solution. The President or Prime minister is not the one who takes a blank piece of paper and writes the final decision on it. He or she has been given a list with problems, background information, and some possible solutions.

An important part of this model is Standard Operational Procedures. Without SOP, it would be impossible to fulfill some tasks. SOP, standard rules, and routines dictate how an organization will accomplish its mission and react to new situations. Most of the new rules for new situations are not entirely new ways of doing things but adaptations of past standard rules or procedures. This opposition to change limits its flexibility in new situations and causes the organization to allow only incremental changes. Therefore, due to the stubbornness of organizations, organizational behavior manufactures reproducible results based on the particular purpose of the organization. Already established standard procedures allow many people to deal with many different instances without much thought. Such routine may result in great success in some cases. Yet at the same time, it creates a huge machine of bureaucracy which

⁵ Lieutenant General Karl Eikenberry. November 21, 2006 in a Pentagon news conference with visiting Afghan Defence Minister Abdul Rahim Wardak.

sometimes impedes quick decision-making and paralyses the organization.

In 1998, U.S. intelligence had information that a group of unidentified Arabs planned to fly an explosives-laden airplane into the World Trade Center. However, the Federal Aviation Administration found the plot "highly unlikely given the state of that foreign country's aviation program," and believed a flight originating outside the United States would be detected before it reached its target inside the country. Another alert came just a month before the attacks, when the CIA sent a message to the FAA warning of a possible hijacking "or an act of sabotage against a commercial airliner."⁶ In July 2001, a briefing prepared for senior government officials warned of "a significant terrorist attack against U.S. and/or Israeli interests in the coming weeks. The attack will be spectacular and designed to inflict mass casualties ... (it) will occur with little or no warning."⁷ According to a previously undisclosed report that was made public in 2005, 52 such warnings were given to FAA leaders between April 1 and Sept. 10, 2001, about the terrorist organization and its leader, Osama bin Laden.⁸

However, the intelligence reports "generally did not contain specific information as to where, when, and how a terrorist attack might occur." But as Senator Bob Graham, chairman of the Senate Intelligence Committee, later stated: "But collectively I think there was enough there that we should have done a better job of seeing what was coming and hopefully, with luck, stopping it."⁹

In the case of Taiwan, there are many organizations that participate in

⁶ Report of the Joint inquiry of the House and Senate intelligence committees, released September 18, 2002

⁷ Ibid.

⁸ *The Washington Post*, February 11, 2005; Page A02.

⁹ Sen Bob Graham in the interview for CNN September 19, 2002. He also added: "The goal of hearing was "not to point a finger or pin blame" but to correct "systemic problems (that) might have prevented our government from detecting and disrupting al Qaeda's plot."

Mainland economic policy making. In principle, the Mainland Affairs Council (MAC) is in charge of making and coordinating Taiwan's mainland policy. In addition, several key state agencies have become active in the decision-making process: not only specialized organizations such as the Straits Exchange Foundation (SEF), but also some of the security organs, (the National Security Council and the Ministry of National Defense), political and propaganda bodies (the Ministry of Foreign Affairs and the Government Information Office), and economic agencies (the Ministry of Economic Affairs, and the Ministry of Transport and Communications.) Think-tanks such as Chengchi University's Institute of International Relations or the Institute for National Policy Research also have a say, although they are less important.

As we know, Lee Teng-hui's trip to the US and his speech at Cornell University caused big problems in cross-Strait relations and for the SEF – ARATS. Lee's speech drew sharp criticism from the Chinese Communist media, which claimed that Taiwan was a local government with no sovereignty and that Lee's view promoted "two Chinas" or "one China, one Taiwan" policy. However, even during these days the exchange of visits between the SEF and ARATS continued. It was on June 16, 1995, when ARATS wrote to the SEF, stating that: "In view of a series of actions taken recently by Taiwan which have damaged Cross-Strait relations and which have seriously affected the convocation of the second Wang-Koo meeting and the atmosphere of the preparatory consultations, the meeting will have to be postponed."¹⁰ The lengthy bargaining between SEF and ARATS that followed is a good example of how bureaucracy can determine the policy making. It was largely due to these organizations that SEF and ARATS officially reinstated their contacts with the April 22-24, 1998 meeting of Deputy Secretaries-General Jan Jyh-horng and

¹⁰ Chiu Hungdah. June 10-11, 1996. Recent Cross-Strait Relations and the United States, Revised version of a paper delivered at the 25th Sino-American Conference on Contemporary China, Taipei. p.7

Li Yafei in Beijing.

When analyzing policy-making processes we must agree that this model takes more aspects into consideration than the Rational Actor Model. It has its flaws, though. First, the organizations act following Standard Operational Procedures. Yet, what happens when the situation is not a standard one? How does the organization act when the situation is unique? We may take 9/11 as an example. The Twin-Towers collapsed, a plane crashed into Pentagon, and a fourth plane attempted to attack another important target. Such a huge terrorist attack against Americans on their own ground has never happened before. The situation was clearly not a standard one. Did the organizations involved still follow SOP? They can't have done because there were no such SOP. Sometimes you just have to improvise because there is no time to find the right manual or it does not exist.

In the case of Taiwan, the use of SOP may be difficult to explain. By the early 1990s, the confrontation across the Strait and in the international arena had gone on for so long that no one remembered anything else. There were no SOP to negotiate or have any kind of direct contacts with Beijing. Before the SEF-ARATS talks, everything had to be "invented." Even the domestic issue of the connection between SEF and MAC was sometimes hampered by egos inside these organizations.

Another problem with this model comes from the same example. This model deals with different governmental organizations. What about non-governmental players? It is a fact, that one of the most powerful "hawks", Vice-President Dick Cheney, was the Chairman and Chief Executive Officer of Halliburton Energy Services for a long time. He is still a major stockholder. Is it just a coincidence that in November 2002, KBR, one of the sub-units of Halliburton, was tasked to plan oil well firefighting in Iraq, and in February 2003 was issued a contract to conduct the work? The contract between Department of Defense and KBR states purpose: restore Iraqi

oil; amount obligated: \$1,390,095,044.¹¹ Critics contend that it was a no-bid contract, awarded due to Dick Cheney's position as Vice President. Concern was also expressed that the contract could allow KBR to pump and distribute Iraqi oil. Even if it is true, it would be very difficult to find any evidence because this is the line where official politics ends and corruption begins. It is difficult to see, how Organizational Behavior Model explains influences like this.

Last but not least, the Organizational Behavior Model does not take into account the national leader's influence and decisions on international relations. Nor does it take into account the power and voice of the people within a nation state, and how that will influence leaders and organizations alike.

We may use the aftermath of 9/11 as an example. Commerce Secretary Don Evans, a close friend who talked with Bush every day during the days after terrorist attack, said that Bush believes he was called by God to lead the nation at this time. "God told me to strike at al Qaeda and I struck them, and then he instructed me to strike at Saddam, which I did, and now I am determined to solve the problem in the Middle East. If you help me I will act, and if not, the elections will come and I will have to focus on them."¹² The President's strong religious beliefs are commonly known. Did God tell him to attack Afghanistan? If Al Gore had been the president instead of George W. Bush, what would the decision have been? When we use the Organizational Behavior Model, these questions remain unanswered.

The Governmental Politics Model

¹¹ Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures, Government Accountability Office, released on June 01, 2004.

¹² George Bush in a meeting with top-level Palestinian leaders, Ha'aretz, June 26 2003.

By implementing the Organizational Behavior Model we have moved one step further. Organizations do participate in the process of policy-making. But as we have seen, many questions remain unanswered. Sometimes the decisions made at top level positions in government seem contrary to what an ordinary rational citizen would decide if they were put in the same situation. To explain this sometimes seemingly irrational decision making of government, we must accept that every individual of an organization is a player in the big game called politics and the name of the game is governmental politics. In this game, different individuals do not have equal rights, of course. Every player is positioned hierarchically within the government. But they can form coalitions to produce a desired action. Coalitions may include relevant outsiders, legislators, lobbyists for different interest groups, or even foreign officials. The idea of the game is bargaining. The decision and actions of governments are political resultants made by officials of this country. According to this model, what happens is not chosen as a solution to a problem but rather results from compromise, conflict, and confusion of officials with diverse interests and unequal influence. What makes this decision political is that the final result is achieved by bargaining along established routines between individual members of government. But the same time we have to keep in mind that hierarchy is an essential characteristic of every government. There are rules to the game and nobody can play this game randomly or just for leisure. Decisions can also be forced by deadlines or major political speeches. This is the approach we may call the Governmental Politics Model. The questions of this model that need to be answered are:

Who plays?

What factors shape each player's (a) perceptions, (b) preferred course of action, (c) stand on the issue?

What factors determine each player's impact on the choice and action?

What is the game?

What is the “action channel”, the established process for aggregating competing perceptions, preferences and stands of players in making decisions and taking actions?

The game has many players, not just one single player as it with the Rational Action Model, or few as in the Organizational Behavior Model. This model is characterized by many actors, who focus on many issues, act on national, organizational, and personal goals, and who decide government decisions based on pushing or pulling the group in a certain direction. This can also be called politics. Of course, many people do not like to hear that when it comes to international relations, officials are “playing politics with national security”. But in reality, the pushing and pulling of issues is best for a nation state. These players do not just focus on one particular question but on various international issues.

The difference between the Organizational Behavior Model and the Governmental Politics Model is that the latter analyzes individual players as well as groups of players. Political leaders and top officials of governmental organizations constitute a circle of central players. In addition to this circle, there are others, concentric circles that include lower level officials, the press, NGO-s, the business elite and the public. A particular problem gets its shape in these circles before moving up to the circle of central players and decision makers. So, who plays? The idea of this question is to find out, who is interested in a particular governmental action and who has the influence to guide the decision makers.

Before we answer this question, we have to keep in mind that a governmental actor is neither a unitary agent nor a conglomerate of organizations. It is rather a number of individual players. Groups of players constitute the agent for a particular decision. At the same time, players are individuals in jobs. They become players in the big game because of their positions in the major organizations involved in a

particular policy making process.

As mentioned before, hierarchy is an essential attribute of governmental organizations. Allison, as a true American, calls different players in a decision making process by different figures from the Wild West. The highest rank is *Chief*. In the USA, such a rank is given to the President, (in case of incumbent administration) Vice-President, the secretaries of State, Defense, Treasury, and Homeland Security, the directors of the CIA and FBI, the chairman of the Joint Chiefs of Staff, the President's National Security adviser, and the ambassador to the United Nations. *Chiefs* are followed by *Staffers* who are the officials of immediate staff of each Chief. Staffers can give orders to *Indians*, who are basically the usual governmental officials working within different agencies and organizations. And last but not least, there are *Ad hoc Players*, who can sometimes step into the process of deciding a problem they are interested in. Ad hoc players might be foreign diplomats or officials, members of the press, opinion leaders, spokespersons and members of important interest groups, or from the public arena.

The demands upon *Chiefs*, *Staffers* and *Indians* are quite different and distinct in terms of both policy making and implementation.

The President, as the busiest player in the game can deal with the cases that are most urgent. The problems of the foreign policy often need some time to clarify the uncertainties. The President has to be able to take this time without losing face.

Foreign policy chiefs generally deal only with the most important cases that they think can catch the attention of the President. But they can not guarantee it will. So sometimes they try to find allies and form coalitions to reach their goals.

Most of the dirty work is however done by Indians. Indians are like ants – there are many of them, they are laborious, and sometimes they fight with other ants. Their job is to frame the problem, elaborate alternative solutions, and promote their

proposals. Sometimes they have to fight. Struggles between the bureaus of International Security Affairs of the Office of the Secretary of Defense and Political-Military Affairs of the State Department occur quite often. Indians dream of getting the Chief's attention. They are very motivated to advocate the issues they are dealing with.

Each of these players has different demands upon them, and due to different demands, they may have different priorities, perceptions and stands. We may call this *Where You Stand Depends on Where You Sit* principle¹³.

This is especially true when we consider such structural issues as budgets or procurement contracts. Representatives of the organization in a group decision process will be sensitive to the organization's orientation and goals. After all it is their job to protect the interests of their organization. We may make pretty good predictions about one person's opinion about the issue when we know his or her seat in the government. A person can be unpredictable, of course, and he or she may ignore the requirements that come with the seat. But most often, persons tend to believe, that the prosperity of their organization, and their personal seat inside this organization is in correlation with national security.

Another aspect of a player's stand is that very often the decisions are not a result of pure thinking and logic. There are deadlines and special events that force players to make stands. There are also most important speeches of top players that show the new trends. These new trends may accelerate the process of decision-making. And then there are crises. Crises are almost always unexpected. They force the decisions to be made, because sometimes no decision is even worse than a bad decision.

¹³ Allison Graham; Zelikov Philip "Essence of decision. Explaining the Cuban Missile Crisis" Second ed. (Addison Wesley Longman, INC., 1999), p. 307.

The U.S. decision to attack Iraq in 2003 is officially justified according to the Rational Actor model. There were three problems, officially announced as reasons to start the war.

First, Iraq has developed and may possess weapons of mass destruction, has a history of aggression against its neighbors, and has sponsored international terrorism. The administration argued that since Iraq might share such weapons with terrorists, only war can eliminate this threat to the United States. Second, the Iraqi regime is a brutal dictatorship that has used lethal weapons against its own citizens. The administration argued that only war can ensure its removal and the installation of a democratic successor, opening up, they say, a whole new era of democracy throughout the Middle East. Third, Iraq has repeatedly violated U.N. Security Council resolutions. The U.S. government said that since Iraq has violated the U.N. Security Council Resolution 1441, the United States would simply enforce international law by going to war to remove its regime.

These reasons are easily overthrown. No weapons of mass destruction were found in Iraq. Moreover, as we know now, the intelligence evidence was tampered with the wishful thinking of the “hawks” and simple lies. No evidence of the relationship between Al-Qaeda and the Hussein regime has ever been found. The Iraqi regime really was a ruthless dictatorship. But in spite of this, Hussein’s regime was the darling of the Carter, Reagan and first Bush administrations. Hoping that democracy can be imported on tanks is itself very questionable. And it requires a breathtaking combination of naivety and wishful thinking to believe the occupation of Iraq will lead to the peaceful spread of democracy in the Middle East. And considering UN resolutions is the fact that Iraq is not the only serial violator of the Security Council’s resolutions with nuclear weapons. Israel, India, and North Korea all have workable nuclear weapons and lethal delivery systems, unlike Iraq. Moreover, the Security

Council alone can authorize the use of force and it, and not any member state, even the United States, is the sole judge of whether to do so.

Official reasons seeming more than questionable, let us try to find out more about this decision using the Governmental Politics Model.

Although the "Operation Iraqi Freedom" officially began on March 20, 2003, the decision making process can be traced back to the year 2000. The United States Republican Party's campaign platform in the 2000 U.S. presidential election states, "We will react forcefully and unequivocally to any evidence of reconstituted Iraqi capabilities for producing weapons of mass destruction." It also expressed support to the opposition exile group, Iraqi National Congress then headed by Ahmed Chalabi.¹⁴ According to former treasury secretary Paul O'Neill, an attack was planned since the inauguration, and the first Security Council meeting discussed plans on an invasion of the country.¹⁵

The *Chiefs* in the administration at this time included Georges W. Bush, President; Dick Cheney, Vice-President; Donald Rumsfeld, Secretary of Defense; Colin Powell, Secretary of State, Condoleezza Rice, National Security Advisor; Paul O'Neill, Secretary of Treasury, George Tenet, CIA Director, John Negroponte, the U.S. ambassador to the UN, and Paul Wolfowitz, Deputy Secretary of Defense.

We will never know what would be the international situation without 9/11. All we know for sure is that after the war in Afghanistan, the glance of the government turned quite openly to other countries in Middle East that were not in a friendly relationship with U.S. January 29, 2002 was the first time President Bush used the term "Axis of evil" in his State of the Union Address to describe regimes that purportedly sponsor terrorism and seek weapons of mass destruction. Bush named

¹⁴ REPUBLICAN PLATFORM 2000. Renewing America's Purpose.Together.

¹⁵ Paul O'Neill in NBC's "Today" January 14, 2004.

Iraq, Iran, and North Korea in his speech.

On November 8, 2002, United Nations Security Council Resolution no. 1441, passed unanimously. It offered Iraq "*a final opportunity to comply with its disarmament obligations*" that had been set out in several previous resolutions. Iraq agreed to the Resolution on November 13. Weapons inspectors returned on November 27. The sites where WMD production was suspected were inspected by these organizations, but no evidence of such activities was found. On December 7, 2002, Iraq filed its 12,000-page weapons declaration with the UN in order to meet the requirements for this resolution.

This example clearly shows us that the governmental output is often a result of fierce fighting behind closed curtains. In this case, it was Dick Cheney, Vice-President and Donald Rumsfeld, Secretary of Defense versus Secretary of State Colin Powell. Powell addressed a plenary session of the United Nations Security Council on February 5, 2003 to argue in favor of military action. Citing "numerous" anonymous Iraqi defectors, Powell asserted that "there can be no doubt that Saddam Hussein has biological weapons and the capability to rapidly produce more, many more." Powell also stated that there was "no doubt in my mind" that Saddam was working to obtain key components to produce nuclear weapons."¹⁶ Actually, the State Department analysts had found dozens of factual problems in drafts of the speech. Some of the claims were taken out, but others were left in.¹⁷ Some evidence however, shows that the President and Vice President were actually aware of these mistakes. Powell later recounted how Cheney had joked with him before he gave the speech, telling him, "You've got high poll ratings; you can afford to lose a few points."¹⁸ And Bush told

¹⁶ *The Guardian*, February 5, 2003.

¹⁷ *The Los Angeles Times*, July 15, 2004.

¹⁸ *The Washington Post*, October 1, 2006; Page W12.

Powell in an Oval Office meeting in late January, "We've really got to make the case against Hussein and I want you to make it." Only Powell had the "credibility to do this," Bush said. "Maybe they'll believe you."¹⁹

Cheney's plan worked and he killed two birds with one stone. First, Powell's "credibility to do this" worked. Second, Powell's reputation was destroyed after the international public found out that the evidence demonstrated by Powell was nothing but wishful thinking. As a result, Powell had to step down and was replaced by Condoleezza Rice who had become one of the most outspoken supporters of the invasion of Iraq. After Iraq delivered its declaration of weapons of mass destruction to the United Nations on December 7, 2002, it was Rice who wrote an editorial for The New York Times entitled *Why We Know Iraq Is Lying*.²⁰

By the middle of February, the U.S. was almost finished marshalling its troops near the Iraqi border. The commander of coalition forces in Kuwait, David McKiernan, said that more than 100,000 U.S. troops are in the country ready to launch an attack. "If we are called upon to execute a mission we are ready to do it." If a decision to invade Iraq does not come until hot weather, McKiernan said the operation of equipment will be affected.²¹

The decision to attack Iraq was clearly made, and the U.S. and its closest allies made a last attempt to justify it. At the Azores conference of March 16, Bush, Tony Blair, and Spanish premier José María Aznar announced the imminent deadline of March 17 for complete Iraqi compliance, with statements such as "Tomorrow is a moment of truth for the world".²² On the 17th, speeches by Bush and UK foreign

¹⁹ Ibid.

²⁰ *The New York Times*, January 23, 2003

²¹ David McKiernan in a CNN's Bill Hemmer interview, February 18, 2003.

²² U.S. Office of the Press Secretary, March 16, 2003.

secretary Jack Straw explicitly declared the period of diplomacy to be over, as declared by Resolution 1441. In his March 17, 2003 address to the nation, Bush demanded Hussein and his two sons Uday and Qusay to surrender and leave Iraq, giving them a 48-hour deadline. The day after the deadline, operation code-named "Iraqi Freedom" by the United States and its allies, officially began.

Looking back at this process of this decision making, we may say that the Rational Actor Model clearly fails to explain it. It is difficult, if not impossible, to find any "rational" reasons to attack Iraq under these circumstances. The Organizational Process Model gives us some hints about the differences between governmental organizations, and fights among them, but still fails to explain why such an international show was established when a principal decision was made a long time before. It also does not consider the characteristics and personal relations of individual players. With President Bush being inexperienced in foreign politics, its policy in the Middle-East was dictated by the "hawks" of his administration who had established a coalition – Dick Cheney, Donald Rumsfeld, and Paul Wolfowitz. The SOPs of organizations were not taken into consideration. The plans only considered actual occupation of Iraq, not the aftermath of this campaign. And they may have been influenced by *ad hoc* players.

As a result, even Condoleezza Rice was forced to say: "We have made a lot of decisions in this period of time. Some of them have been good, some of them have not been good, some of them have been bad decisions, I am sure."²³

Governmental politics and cross-Strait trade

²³ Condoleezza Rice during the Hearing of the Senate Foreign Relations Committee on January 19, 2005.

Cross-strait trade between Taiwan and China is one of many complex issues between the People's Republic of China and Taiwan. Trade policy with the Mainland has never stood alone. Economical and political factors are like Siamese twins of Cross-Strait relations. It is impossible to say, were politics end and economics start. Policy makers in Taiwan have to consider all the possible political side-effects before launching any policy considering cross-strait trade. Despite this, the political-economic paradox as Hu describes it²⁴ has increased consistently ever since establishing a *trade regime* in 1987. Trade between the two sides of the Taiwan Strait is booming, but the political dialogue has come to a standstill.

The above-cited models have often been used to explain particular policies. As the Rational Actor Model is the easiest to “sell” to the people, it is often used to explain cross-Strait trading relations. The beginning of the cross-Strait relations in 1987 by Chiang Ching-kuo is often explained as the most value-maximizing choice at that time under those circumstances. Organizational Behavior Model can also be used to explain particular decisions. But as was stated here earlier, the Governmental Politics Model seems to answer more questions than any of them.

So the first question that we have to answer is who are the players? The main player, of course is the President. It is difficult to overestimate his role. During Chiang's presidency, every decision considering the Mainland had to get his approval. Lee Teng-hui also held a strong grip and had a strict control over governmental organizations dealing with mainland China. As President and Chairman of the ruling party, he enjoyed almost as much power as Chiang. Chen Shui-bian has to face quite a different situation. His party holds a minority in the Legislative Yuan. Domestically, he has much less power to lead the country than his predecessors. However, in terms

²⁴ Hu Weixing “The political-economic paradox and Beijing's strategic options”.

of Mainland policy, he is still the most influential player as the officials he has appointed to relevant organizations are loyal to him.

In general terms the Vice President is a secondary player. Annette Lu is a glaring exception. But by all indications, she affects the Mainland policy at the end of the output, not as part of the input. And even at the output end, she compounds the perception of the policy rather than alter the policy itself.

As for the Premier, he has only nominal control over Mainland policy. The President takes care of the fundamentals of the policy, whereas the Premier disposes of the administrative matters already coordinated by the MAC. The chain of command between the Premier and the MAC exist more in name than in reality.

The role of public organizations has been less important than the power of the President. The MAC, that is directly responsible for Mainland policy making, has always been under the firm control of the President. The MAC Chairperson, however, definitely has the rank of the *Chief*. Although the MAC is a part of the government and is a subject to the Premier, it has had more leverage during the terms of the Chairpersons who has good direct contacts with the President. But even during these times, the role of the MAC has been implementing policies, not making them. The final word about the changes in Mainland policies has always been the one of the President.

The role of other organizations has been even less effective and varied over time. The SEF is the only one of them who has had direct contacts with the government of mainland China. Although we may consider Koo as a *Chief* at that time, he lost his influence after the talks were suspended. But even during SEF's best days it was firmly under the control of the MAC who gave the instructions of what to do and what to say. By now it is the organization with the least burdened workers. The National Security Council's influence on policy making is difficult to analyze. We

only know that President gets his information about the Mainland from them, so its actual role may be quite important. The role of the rest of the organizations is to do the wording and edit the regulations given to them by the MAC, and their rank is no higher than *Indian*.

Political parties are new players in the game. However, at least in the case of the opposition parties, economic relations between the two sides of the Taiwan Strait have often been used for domestic consumption. The pan-blue camp has often accused the pan green camp of not reforming the economic regulations that govern cross-Strait trade and investment. This is exactly the same accusation the DPP used before the 2000 presidential elections. However, the real impact of political parties is not very important. None of them could reach the rank of *Chief*.

Another player who has a word to say since democratic reforms were launched is the business community. Many of the most influential businessmen have worked as advisors to the President or taken part in different councils that work on cross-Strait trade and investment. Their experience on the Mainland, and their expectations, give the government a clear picture what is really happening on the other side of the Taiwan Strait.

After democratic reforms, public opinion has also become a player, although its direct influence is very limited. Before elections, the candidates observe the general opinion very carefully and shape their platform according to it. Once the people have elected their leader, they give away their bargaining power.

The following chapters explain the factors that shape each player's perceptions and stands on Cross-Strait trading and investment. They will also estimate each player's impact on the policy making process.

But hereby the following needs to be stressed. Although we may have a clear picture about the attitude of each player, and we may be able to understand the policy

making process, the Rational Actor and Organizational Behavior Models have one major flaw. As my goal is to explain the change and continuity of cross-Strait trade and investment, it is difficult, using these models, to explain the huge gap between official policy and the actual volume of investment and trade across Taiwan Strait. When the official policy of Taipei seems to be (generally speaking) continuing, the real business activity keeps growing as we may see from statistics. (appendix I, appendix II.)

There is one player, whose role in policy making is quite important. It is the business community that has often supported relaxing the restrictions on investment in, and trading with, Mainland China. However, it has another role, an enormous role in the real outcome of cross-strait trade and investment. We must make a clear distinction between the rules of the game and the game itself. There may be some factors that are independent from the rules set by one side. The Taiwanese business community plays the “rational role” (Leng 2003) in the game of cross-strait investment and trading. The huge volume in trading with, and investing in, Mainland China is the result of their actions. Being profit seeking players, they have not cared about the official policy of Taipei too much. When the state has tried to apply the brakes to protect national security, businessmen have always found other ways to stick to their priorities. Chapter VI will show how they have managed to do that.

Summarizing previously stated ideas, we can say that all three different models of decision making processes can be applied to some decisions made by different regimes. But only the third one, the Governmental Politics Model can explain the real outcome of cross-Strait economic relations. The only way to explain the reasons behind the decisions and the actions is to go deeper into Allison’s Governmental Politics Model. Circumstances beyond the reach of the Taiwanese government must be taken into consideration.