

The last Chinese dynasty ended in 1911 and the Republic of China (ROC) was established in 1912 by the Kuomintang (KMT) party who ruled mainland China until 1949. After the Chinese Communist Party (CCP) won the civil war and established the People's Republic of China (PRC) in 1949, the KMT party moved its regime to the island of Taiwan which has since evolved from autocracy to democracy.

Throughout this time, China has not given up its claim of Taiwan as part of its territories. More recently the government has stepped up political and military pressure towards a reunification. China's rapidly growing military reach and strength has meant that capturing Taiwan by force is no longer unachievable. As such, the decision to invade or forcefully unify Taiwan today relies more heavily on political will than anything else. This, however, is a much more difficult decision for the Chinese President, Xi Jinping.

While taking Taiwan would bring glory to the CCP, the costs could be colossal and likely accompanied by large-scale sanctions and blockades by the international communities. In addition, the potential military conflicts with the US and its allies could be disastrous for the world.

In the end, it is important to recall that the ultimate goal of the CCP is to keep its regime of ruling China indefinitely. Over the past decades, the government relentlessly pursued an agenda of maintaining growth and social stability in order to boost its legitimacy among the Chinese people. A war would do exactly the opposite as it would risk an economic recession and even crisis. Under this lens, it is hard to fathom a logical reason for China to invade Taiwan. At this time, the benefits do not seem to outweigh the outsized risks, including a disastrous end to the CCP regime. In fact, in his latest speech on October 9, President Xi did not directly mention the use of force as he did in the past. Instead, he vowed to realize "peaceful reunification".

In conclusion, while China may continue to put military pressure on Taiwan to prevent the latter from declaring official independence (which Taiwan has nothing to gain from), Beijing is more likely to try to integrate Taiwan economically through peaceful means.

## DISCLOSURES

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