

CHAPTER 5

TAIWAN

Key Findings

- In 2019, General Secretary Xi Jinping made clear his increasingly uncompromising stance toward Taiwan's independent status and sense of urgency regarding unification. Beijing intensified its multipronged campaign to coerce and isolate Taiwan, including by supporting Taiwan politicians Beijing finds palatable, while opposing and seeking to discredit those it does not, particularly Taiwan's elected government headed by President Tsai Ing-wen. Guided by this policy, Beijing redoubled its efforts to bypass Taiwan's central government by conducting negotiations with unelected political parties, groups, and individuals.
- The deliberate crossing of the Taiwan Strait median line by Chinese fighter aircraft in March 2019 was the first such crossing in 20 years and marked a sharp escalation in the military pressure Beijing has increasingly applied against Taipei since General Secretary Xi assumed power in 2012. China signaled that its intensifying campaign of military coercion had become official policy in a key policy document released in July 2019, while the continued growth of the Chinese People's Liberation Army's (PLA) capabilities and budget threatened to overturn any remaining semblance of cross-Strait military balance.
- As Beijing escalated diplomatic, economic, cultural, and political warfare against Taiwan, evidence emerged that it sought to influence Taiwan's November 2018 local elections, including through traditional Taiwan media and disinformation spread through social media to exacerbate social divisions and undermine public confidence in the ruling Democratic Progressive Party (DPP) government. Allegations that Beijing intervened on behalf of Taiwan presidential challenger Han Kuo-yu of the Nationalist Party (Kuomintang, or KMT) in his 2018 Kaohsiung mayoral campaign raised questions over whether it may be doing so again in the lead-up to Taiwan's presidential election in January 2020.
- The Chinese Communist Party (CCP) adopted new tactics to leverage Taiwan media in support of its political goals, with evidence building that Beijing has shaped coverage of cross-Strait relations and potentially Taiwan's presidential election through direct partnerships with some major Taiwan media outlets. These partnerships have included China's Taiwan Affairs Office commissioning stories and giving instructions to editorial managers.

- Concerns in Taiwan over Beijing’s desired “one country, two systems” unification model for Taiwan were amplified by 2019’s massive protest movement in Hong Kong, which is governed by the same model and has seen the autonomy the model promises steadily erode. Presidential contenders from both major political parties in Taiwan assailed the “one country, two systems” model as unacceptable for any future sovereign agreement between the two sides.
- Taiwan took a series of steps to enhance its military capabilities and implement its new Overall Defense Concept. These measures included the island’s largest increase in its defense budget in more than a decade, breaking ground on the facility that will build Taiwan’s indigenous submarines, allocating funding for the procurement of 60 new small fast-attack missile boats, and expediting production of new missile defense systems and mobile land-based antiship missile platforms.
- U.S.-Taiwan cooperation expanded into new areas as the United States took significant steps to support Taiwan, including the Trump Administration’s approval of a landmark arms sale of new fighter aircraft to Taiwan, the first meeting between U.S. and Taiwan national security advisors since 1979, and a more assertive approach to U.S. Navy transits of the Taiwan Strait. However, talks under the Trade and Investment Framework Agreement have stalled since October 2016.

Recommendations

The Commission recommends:

- Congress direct the U.S. secretary of state to submit to Congress a report on actions that have been and will be taken by the United States to counter Beijing’s attempts to isolate Taiwan’s democratically-elected leaders and to strengthen support for Taiwan’s engagement with the international community, including actions the Administration will take should Beijing increase its coercion against Taiwan. The report should:
 - List measures the U.S. government has taken and will take to expand interactions between U.S. and Taiwan government officials in accordance with the Taiwan Travel Act.
 - Formulate a strategy to expand development aid and security assistance to countries that maintain diplomatic ties with Taiwan.
 - Detail steps to expand multilateral collaboration involving Taiwan and other democracies to address global challenges, such as the Global Cooperation and Training Framework’s workshops on epidemics, cybersecurity, and media literacy.
- Congress direct the Office of the Director of National Intelligence to conduct a study on the impact of a Taiwan Strait contingency on the supply of high-technology products to the United States from Taiwan, China, Japan, and South Korea.
- Congress direct the U.S. Department of Defense to prepare a classified study on how PLA modernization targets to be met by

2035 will impact the ability of the United States to uphold its obligation established in the Taiwan Relations Act to maintain the ability to resist any resort to force that would jeopardize the security of Taiwan. This study would be briefed to all relevant committees of jurisdiction and provide the basis for a 15-year plan of action aimed at deterring Beijing from making a military attempt to unify Taiwan with China.

- Congress enact legislation to enhance U.S.-Taiwan security cooperation. Such legislation should contain provisions to:
 - Clarify that direct interactions between uniformed members of the armed forces of the United States and Taiwan in support of Taiwan's self-defense capability are fully consistent with the Taiwan Relations Act and the U.S. position of maintaining relations with the people of Taiwan.
 - Direct the Administration to increase military exchanges and training with Taiwan, including but not limited to humanitarian assistance and disaster relief, search and rescue, and any other skills supporting regional peace and security.
 - Direct the Administration to permit active-duty Taiwan military officers to wear their uniforms during visits to the United States.
 - Direct the Administration to permit active-duty U.S. military officers to wear their uniforms during visits to Taiwan.
- Congress raise the threshold of congressional notification on sales of defense articles and services to Taiwan to the highest tier set for U.S. allies and partners. Congress also terminate any requirement to provide prior notification of maintenance and sustainment of military equipment and capabilities previously sold to Taiwan.

Introduction

April 2019 marked the 40th anniversary of the signing into law of the Taiwan Relations Act (TRA) of 1979, which set the foundation for continued ties between the United States and Taiwan following the United States' severing of diplomatic ties with the Republic of China (Taiwan) in 1978. In the 40 years since the TRA's signing, Taiwan has moved away from martial law and become a thriving multi-party democracy. Taiwan has a robust civil society and rule of law that protects universal human rights, open public discourse, and a free and independent media. The vibrancy of Taiwan's democratic system is on display in the ongoing campaigns for the 2020 presidential and legislative elections, as it was in its November 2018 municipal and county elections.

In addition to being a model of a successful democracy for the Indo-Pacific region, Taiwan has become an increasingly important economic and geostrategic partner for the United States. While Washington stopped recognizing Taipei as the government of China in 1979, it never accepted Beijing's position—that Taiwan was part of the People's Republic of China (PRC)—as its own policy. Congress and each successive U.S. administration have reiterated the U.S. commitment to maintaining separate relations with Tai-

wan until its final status is settled by peaceful means acceptable to the people of Taiwan. Until that happens, the U.S. government has committed to make available to Taiwan the defense articles and services necessary to enable it to maintain a sufficient self-defense capability.

Meanwhile, throughout 2019 Beijing adopted a more coercive approach, seeking to isolate and intimidate Taiwan into unification on Beijing's terms. In January 2019, General Secretary of the CCP Xi Jinping delivered a major speech on Beijing's Taiwan policy in which he claimed that Taiwan's unification with the PRC was inevitable and indicated that the "one country, two systems" model was the only acceptable arrangement for unification. That model, which has steadily eroded in Hong Kong, has been roundly rejected by the Taiwan public and multiple Taiwan presidential administrations. Beijing also increased its military coercion of Taiwan, releasing a defense white paper articulating a forceful approach to cross-Strait policy and carrying out a set of military intimidation measures against the island not seen in 20 years.

In the political sphere, Beijing wielded a range of diplomatic, economic, military, and political warfare tools as part of a multipronged coercion campaign to shape Taiwan's cross-Strait policies to its liking and isolate Taipei from the international community. These tools include promises of greater international space and economic benefit for Taiwan politicians whose policies are more palatable to Beijing. As Beijing continues its policy to reduce contact with and attempt to isolate President Tsai's administration, it has stepped up outreach to opposition politicians at the party and local government levels.

Other tools in Beijing's coercion campaign include efforts to influence and shape Taiwan's media environment. Evidence has grown that Beijing intervened on Han Kuo-yu's behalf in his successful campaign for mayor of Kaohsiung City in 2018 and that it may be doing so again as he runs for president in Taiwan's upcoming January 2020 election.¹ The election could have a major impact on Taiwan's cross-Strait policy, with Mayor Han stating that he supports the "1992 Consensus"—a controversial framework for cross-Strait relations that President Tsai has refused to endorse.² His campaign pledges to deepen Taiwan's economic ties with China, and his meetings with senior Chinese officials in Hong Kong and mainland China in early 2019 prompted opposition from the ruling DPP and some Taiwan civil society groups that are skeptical of a closer cross-Strait economic relationship.³

In response to Beijing's increased pressure on Taiwan, President Tsai continued her efforts to boost economic growth, find new markets and develop new trade partnerships, support new innovative and job-creating industries, and strengthen Taiwan's self-defense capabilities. Simultaneously, Taiwan took new steps to enhance cooperation with the United States and other like-minded countries in a range of areas, including global health, disaster relief, and security.

This section explores developments in cross-Strait military and security issues, Taiwan's external relations, trade and economic policy, and U.S.-Taiwan relations. It is based on the Commission's September 4 hearing on U.S.-China relations in 2019, consultations

with experts on Taiwan and cross-Strait relations, and open source research and analysis.

Cross-Strait Military and Security Issues

In 2019, Beijing adopted a number of stronger measures to militarily pressure Taiwan and new evidence emerged of Beijing's political warfare efforts to influence and interfere with Taiwan's democratic process. The PLA carried out a series of provocative operations in the waters and airspace near Taiwan not seen in 20 years while Beijing enshrined a more forceful stance toward Taiwan in its new defense white paper issued in July 2019. Meanwhile, the cross-Strait military balance continued to shift in Beijing's favor. While Taipei took new measures to respond to these threats, including through increasing collaboration with Washington, it remains unclear whether these efforts will prove sufficient to ensure Taiwan's security and restore stability to the cross-Strait balance.

Beijing Escalates Military Pressure against Taiwan

On March 31, Beijing sharply escalated its military pressure tactics against Taiwan when two Chinese fighter aircraft crossed the median line of the Taiwan Strait, an informal demarcation last crossed intentionally by PLA aircraft in 1999.⁴ Taiwan media reported the fighters took off from southeastern China, flew south before flying across the middle of the Strait, and then flew almost 50 miles into Taiwan's side of the median line, staying there for 12 minutes.⁵ In response to the crossing, the Taiwan Air Force immediately dispatched its own fighter aircraft, which ordered the PLA aircraft by radio to leave the area.*⁶

The median line crossing represented a significant change to the cross-Strait status quo and introduced a serious new challenge to maintaining cross-Strait stability. Both sides' military aircraft have generally respected the median line since it was drawn in the 1950s. Furthermore, prior to the median line crossing incident, Beijing had taken other actions to exert pressure on Taiwan's airspace, including conducting circumnavigation flights around Taiwan by PLA aircraft, presenting Taipei with a new, multidirectional military threat. Beijing's unwillingness to abide by these longstanding tacit agreements suggests it may choose to further alter the status quo with additional median line crossings. President Tsai ordered the Taiwan military to conduct a "forcible expulsion" of any PLA aircraft that cross the median line in the future.⁷ In responding to Beijing, Taipei also could take reciprocal action by sending military aircraft across the mainland side of the median line, which could further test stability in the Strait.

*In the decades following the drawing of the Taiwan Strait median line in 1955 by General Benjamin O. Davis, then commander of the U.S. Air Force's Taiwan-based 13th Air Force, Taiwan's military superiority made it too dangerous for PLA aircraft to cross the line. In fact, the Taiwan military never publicly acknowledged the median line until 1999, when the PLA's previous deliberate crossing occurred, because it could control the airspace over the entire Taiwan Strait. With the shift in the cross-Strait military balance in China's favor over the last two decades, this is no longer the case. You Kaixiang, "Taiwan Strait Median Line Reflects Shift in Cross-Strait Military Power" (台灣海峽中線 反映兩岸軍力消長), *Central News Agency*, April 2, 2019. Translation; *Taiwan Today*, "Median Line Issue Raises Questions over Beijing's Agenda," July 17, 2009.

The March 2019 median line crossing was followed by a series of significant PLA training events, including exercises on a scale not seen since the mid-1990s.⁸ A few weeks after the crossing, the PLA trained for what PLA press called a “joint firepower assault” near Taiwan involving bomber aircraft, naval surface combatants, amphibious ships, and helicopters.⁹ Then, in late July and early August, the PLA conducted two large-scale exercises in waters near the Taiwan Strait area, including an amphibious “beach raid.” According to the *South China Morning Post*, this was the first time the PLA had conducted simultaneous exercises in two locations near Taiwan since the Taiwan Strait Crisis of 1995–1996, a major crisis prior to Taipei’s first direct presidential election during which the PLA carried out live-fire missile tests landing in the waters near Taiwan.¹⁰

The median line crossing is part of a trend of increased PLA activity near Taiwan in recent years, which has substantially raised the risk of miscalculation or an accident occurring between Chinese and Taiwan aircraft and ships. This activity has included regular transits of the Taiwan Strait by China’s first aircraft carrier. While the carrier has stayed on China’s side of the median line, its movements through the Strait have been viewed by Taipei as further destabilizing the cross-Strait status quo.¹¹

Beijing has also increased pressure on Taiwan through flights by PLA aircraft near and around Taiwan, although publicly reported flights dropped by half in the first nine months of 2019 compared to all of 2018, including a decrease in circumnavigation flights from four to one.¹² However, the decrease in flights near the island was almost certainly a temporary modulation in pressure, potentially aimed at lessening more openly provocative intimidation measures during the lead-up to Taiwan’s presidential election.* China’s latest defense white paper indicated that PLA naval operations and flights encircling Taiwan had become an important tool of official policy, claiming these activities “send a stern warning to the ‘Taiwan independence’ separatist forces.”¹³

Underscoring the risk of miscalculation or accident, in August 2019 a PLA Navy ship and a Taiwan commercial freighter collided at night on the PRC side of the Taiwan Strait near the Taiwan-controlled island of Kinmen.¹⁴ Following the collision, the PLA Navy ship demanded the Taiwan freighter sail with it to the Chinese port of Xiamen, a demand the Taiwan ship rejected. Taiwan media later reported that the collision knocked a piece of sensitive PLA military equipment onto the Taiwan ship, possibly explaining the PLA’s request.¹⁵

Defense Acquisitions and New Policy Document Further Increase Threat Perceptions

Meanwhile, large increases in China’s defense spending continue to fuel a massive expansion of the PLA, which remains primarily focused on preparing for a conflict against Taiwan.¹⁶ Beijing’s modernization of its naval, air, missile, space, and cyber

*The PLA also temporarily ceased flying near Taiwan during the six months prior to Taiwan’s November 2018 elections before resuming them in December 2018. *Liberty Times*, “Why Have Circumnavigations of Taiwan ‘Become Quieter’ since the Nine-in-One? An Expert Provides Analysis” (為何九合一後共軍繞台「變安靜」? 專家提分析 ...), January 28, 2019. Translation.

forces has resulted in a PLA that is currently capable of conducting a range of punitive military campaigns against Taiwan. Acquisitions in 2019, such as the delivery of the remaining 24 Su-35 fighter aircraft China purchased from Russia and delivery of the second batch of Russian S-400 surface-to-air missiles, will further bolster the PLA's capabilities.¹⁷

The U.S. Department of Defense (DOD) continues to assess that the PLA is capable of carrying out a range of operations against Taiwan, including an air and maritime blockade of Taiwan and air and missile strikes against targets across the island. Despite the PLA's modernization efforts, DOD assesses it is not yet capable of carrying out a full invasion of Taiwan.¹⁸ Nevertheless, the PLA is improving its capabilities to conduct such an operation. In recent years, it has commissioned several classes of advanced amphibious ships and is developing other capabilities that could be used for an invasion of Taiwan, including aerial insertion and the transport of military vehicles using civilian ships. (See Chapter 4, Section 1, "Beijing's 'World-Class' Military Goal," and Chapter 2, "Beijing's Internal and External Challenges" for further discussion of the PLA's modernization and continued capability shortfalls, respectively.)

Beijing's increasing military pressure on Taiwan was also reflected in the forceful tone its latest defense white paper adopted toward cross-Straits relations. The document used more strident language regarding Taiwan than China's previous defense white paper, released in 2015, which included only a few lines on Taiwan and presented a largely positive assessment of the trajectory of cross-Straits relations. In contrast, the 2019 white paper devoted several paragraphs to Taiwan and included a number of forceful statements not seen in its 2015 white paper, including Beijing's refusal to renounce its right to use force to resolve its disputes with Taipei.¹⁹ For example, it declared, "The PLA will resolutely defeat anyone attempting to separate Taiwan from China and safeguard national unity at all costs."²⁰ The new white paper also restated General Secretary Xi's formulation from his 19th Party Congress speech and January 2019 address on Taiwan policy that China "will never allow the secession of any part of its territory by anyone, any organization or any political party by any means at any time."²¹

Overall, the document reflected Beijing's choice to isolate and otherwise pressure the Tsai Administration due to its view that President Tsai and the DPP are "separatists." Among Beijing's many criticisms of the Tsai Administration expressed in the white paper is its claim that Taipei is pursuing "gradual" independence as well as formal independence, the first time Beijing has registered concern over measures Taipei has taken to emphasize Taiwan's distinct identity in an authoritative document of this level.*²²

*"Gradual independence" refers to the Chinese government's suspicion that certain developments in Taiwan, such as changes to history textbooks and other actions to emphasize Taiwan's uniqueness, may strengthen the view of people in Taiwan that they are historically and culturally distinct from China. Beijing also used this term to describe the actions of Taiwan's previous DPP administration (2000–2008). Central People's Government of the People's Republic of China, *The Origin of "Gradual Taiwan Independence"* ("渐进式台独"的由来), April 26, 2006. Translation.

U.S. Government Taiwan Policy Framework

U.S. government policy toward Taiwan is based on the 1979 Taiwan Relations Act (Pub. L. No. 96-8), the three U.S.-PRC joint communiques, and the “Six Assurances” to Taiwan.

Taiwan Relations Act: The Taiwan Relations Act (TRA) laid the legal foundation for continued ties between the United States and Taiwan after Washington established diplomatic relations with Beijing in 1979. In addition to creating a nonprofit corporation called the American Institute in Taiwan (AIT) to be the entity through which U.S.-Taiwan relations are conducted, the TRA contains a list of statements of U.S. policy regarding Taiwan, including that it is U.S. policy to:

- “consider any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the Western Pacific area and of grave concern to the United States.”
- “make available to Taiwan such defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability.”
- “maintain the capacity ... to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan.”

In addition, the TRA directs the president to promptly inform Congress of any threat to Taiwan’s security or social or economic system and any related danger to U.S. interests. It further states, “The President and the Congress shall determine, in accordance with constitutional processes, appropriate action by the United States in response to any such danger.”²³

Three Joint Communiques: The 1972, 1978, and 1982 U.S.-PRC joint communiques normalized relations between the United States and the PRC and sought to address the differences between Washington and Beijing regarding Taiwan. In the communiques, the U.S. government stated that the United States will “maintain cultural, commercial, and other” relations with the people of Taiwan and acknowledged Beijing’s position that “there is but one China and Taiwan is part of China.” In the 1982 communique, the United States appeared to commit to “reduce gradually its sales of arms to Taiwan,” but predicated that on China’s commitment to a “peaceful solution of the Taiwan question.”²⁴ Then Assistant Secretary of State for East Asian and Pacific Affairs John Holdridge, who participated in negotiations on the communique, testified to Congress, saying, “Any adjustments in our arms sales to Taiwan had to be premised on a continuation of China’s peaceful policy” regarding the resolution of the cross-Strait sovereignty dispute. Assistant Secretary Holdridge attested, “We refused [to commit to an end to U.S. arms sales] because the level of our arms sales must be determined by the needs of Taiwan.” He further noted, “China’s peaceful policy bore directly on the defense needs of Taiwan,” arguing that if China pursued a peaceful resolution, “the threat to Taiwan would be diminished.”²⁵ Successive administra-

U.S. Government Taiwan Policy Framework—Continued

tions have held that China has failed to reduce, and at times has even increased, the threat to Taiwan, requiring continued arms sales under U.S. commitment in the TRA.

“Six Assurances”: In 1982, during the negotiations on the final U.S.-PRC communique, the then head of AIT James Lilley orally communicated “six assurances” from President Ronald Reagan to Taiwan President Chiang Ching-kuo. The assurances, which different U.S. administrations have embraced to varying degrees, consisted of the following:^{*} the United States (1) “has not set a date for ending arms sales to Taiwan”; (2) “has not agreed to consult with the PRC on arms sales to Taiwan”; (3) “will not play any mediation role between Taipei and Beijing”; (4) “has not agreed to revise the Taiwan Relations Act”; (5) “has not altered its position regarding sovereignty over Taiwan”; and (6) “will not exert pressure on Taiwan to enter into negotiations with the PRC.”²⁶

Evidence of Growing Interference by Beijing in Taiwan’s Democratic Process

Taiwan government officials have warned of a campaign by Beijing to try to influence Taiwan’s 2020 presidential and legislative elections.²⁷ In a report to the Taiwan legislature, Taiwan’s National Security Bureau assessed that Beijing may use traditional and social media to undermine confidence in the Tsai Administration and co-opt Taiwan internet influencers to shape public opinion in the lead-up to the elections.²⁸ Since 2016, Beijing has increasingly used online tools, such as content farms, bots, messaging applications, and other methods to spread disinformation and otherwise undermine Taiwan’s democracy.²⁹ Beijing’s objective is to push the Taiwan people to elect a leader who is more willing to engage with China on the terms it demands.

Amid intensifying political warfare targeting Taiwan in recent years, significant evidence tied Beijing to large-scale efforts to influence Taiwan’s 2018 local elections. It is unclear to what extent these alleged efforts played a decisive role in the elections and the KMT’s dominant victory. In July 2019, *Foreign Policy* published an article that revealed a professional cybergroup likely based in China created an unofficial Facebook fan page for Han Kuo-yu, then KMT candidate for mayor of Kaohsiung City. The page, which had more than 60,000 members by election day, became a hub for distributing content in support of Mr. Han, who later won the election and is now the KMT’s candidate for president.†

^{*}Different versions of the assurances exist. The Reagan Administration notified the Taiwan Ministry of Foreign Affairs at the time of the 1982 U.S.-PRC joint communique that it could make public the version cited in text. Alan D. Romberg, “Rein-In at the Brink of the Precipice,” *Henry L. Stimson Center*, 2003, 134; Shirley A. Kan, “China/Taiwan: Evolution of the “One China” Policy—Key Statements from Washington, Beijing, and Taipei,” *Congressional Research Service*, October 10, 2014, 43–44; Cai Surong, “The Taiwan Relations Act and Three Communiques. Understanding the United States’ One China Policy” (台灣關係法與三公報 讀懂美國一中政策), *Central News Agency*, April 5, 2017. Translation.

† In July 2019, Mayor Han won the KMT’s primary, defeating second-place candidate Terry Gou by more than 15 percent. Mayor Han entered the presidential race riding the wave of support that led him to victory in the November 2018 mayoral election as well as national-level popularity. His appeal to voters has stemmed from his emphasis on economic policy, his unconventional

A psychological operations officer with Taiwan's Ministry of National Defense who was interviewed for the article assessed the cybergroup that created the Facebook page was likely contracted by a Chinese company in an operation orchestrated by the Chinese government.³⁰ Later, overwhelmingly positive coverage of Mayor Han during the lead-up to the KMT primary by a television station alleged to receive direction from the Chinese government suggested that Beijing intended to similarly influence or interfere with Taiwan's presidential election.³¹

Taiwan officials also alleged that Beijing paid for community leaders to visit China during local election campaigns in exchange for them pledging support for candidates more inclined toward Beijing's preferred policies and extended support to KMT rural grassroots organizations in Taiwan. A month before the elections, the director of Taiwan's Ministry of Justice Investigation Bureau said law enforcement had raided two underground money exchanges used to channel money originating in China to influence Taiwan's elections.³² Disinformation painting the Tsai Administration and the DPP in a negative light, some of it linked to an IP address in China, also flooded Facebook, traditional media, the streaming and widely-used messaging application LINE, and a popular Taiwan online bulletin board during the lead-up to the elections.³³ In its report to the legislature, Taiwan's National Security Bureau stated that Beijing used disinformation prior to the elections in an attempt to exacerbate divisions within Taiwan over controversial issues.³⁴

Beijing Seeks to Shape Taiwan Media Environment

Beijing also has sought to co-opt media in Taiwan to advance cross-strait unification on the CCP's terms and to undermine trust in Taiwan's democracy and in the United States' commitment to Taiwan. In May 2019, Wang Yang, a member of the Standing Committee of the Politburo of the CCP, told participants at a high-level media forum in Beijing, including senior media professionals from Taiwan, that realizing cross-strait unification under "one country, two systems" would rely on the efforts of the media. Wang also cast doubt on the United States' support for Taiwan, telling participants, "[The Americans] are just using Taiwan as a pawn. Will they go to war with China for Taiwan? I'm guessing they won't. If we really go to war, will the Americans win? I'm guessing not."³⁵

Evidence has built that Beijing uses partnerships with Taiwan media to spread divisive content and shape reporting on China and cross-strait relations. A May 2019 report prepared for the Taiwan legislature by the National Security Bureau and the political warfare bureau of Taiwan's Ministry of National Defense stated that in some cases the Chinese government uses "partnered media outlets" in Taiwan to disseminate media content intended to divide Taiwan society. Deputy Director-General of the National Security Bureau

style, many voters' disillusionment with traditional elite politicians they perceive as out of touch, and voters' disapproval of the DPP's economic performance and handling of pension reform and cross-strait relations. Lawrence Chung, "Kaohsiung Mayor Han Kuo-Yu Wins KMT Ticket to Challenge Tsai Ing-Wen for Taiwan Presidency," *South China Morning Post*, July 15, 2019; Li Zongxian, "Taiwan Presidential Election: Who Are Presidential Candidate Han Kuo-yu's Supporters?" (台灣大選：總統參選人韓國瑜的支持者是誰), *BBC*, June 11, 2019. Translation.

Chen Wen-fan told Taiwan's legislature that partnering outlets include print and online media as well as internet celebrities.³⁶

In July, the *Financial Times* reported that according to journalists with Taiwan's *China Times* and Chung T'ien Television (CTiTV), China's Taiwan Affairs Office gives instructions to their editorial managers and contacts these editors daily. According to one *China Times* journalist, "[China does not] meddle in everything, mainly topics related to cross-Strait relations and to China. They have a say in the angle of the story, and whether it goes on the front page." The *Financial Times* also reported that Chinese government officials assign stories and editorial positions to China-based journalists from multiple Taiwan media outlets.³⁷ In August, *Reuters* reported that the Taiwan Affairs Office had paid select Taiwan media outlets to publish stories, including two recent features about the benefits of a Chinese government program to incentivize Taiwan entrepreneurs to work in China. According to one source, the CCP's Publicity Department even chose the people to be interviewed in the story and the Taiwan Affairs Office edited it.³⁸

Beijing may also be using media partnerships to shape coverage in Taiwan of the 2020 presidential election. Although the articles by the *Financial Times* and *Reuters* did not report that Beijing has provided direction or commissioned stories on Taiwan's presidential election, the *Financial Times* did cite a CTiTV journalist as saying that the network's editorial department has a task force dedicated to boosting Mayor Han to the presidency.³⁹ In an audit of Taiwan's television news networks, Taiwan's National Communications Commission found that 70 percent of CTiTV's total broadcasting in May, two months before the KMT's primary, was focused on Mayor Han. This was far more than the coverage accorded other high-profile candidates for the primary and President Tsai.⁴⁰ In one notable example, the *Financial Times* reported that on the day of Mayor Han's primary victory in July 2019, the station neglected to cover President Tsai's extended transit through the United States and visit to Taiwan's diplomatic partners in the Caribbean and instead focused exclusively on national news related to Mayor Han.⁴¹

Taipei Takes New Steps to Address Security Challenges

In 2019, Taipei continued to work to counter Beijing's military threat to Taiwan, its espionage against Taiwan, and political warfare with new measures. It remains unclear whether these efforts, while significant, will prove sufficient to ensure Taiwan's security in the face of the increasing scale, scope, and sophistication of Beijing's activities.

- *Increasing defense spending:* In August 2019, the Tsai Administration submitted a budget to the Legislative Yuan that would increase Taiwan's defense spending in 2020 by 8.3 percent, the largest annual increase in more than a decade.⁴² While Taipei cannot compete with Beijing in total defense spending, for many years observers have noted that Taiwan needs to invest more in defense. Taiwan's defense budget had been roughly flat in real numbers until the past few years, while Beijing's defense spending grew rapidly, often by double digits, during the same timeframe.⁴³

- *Continuing to implement Overall Defense Concept:* To further implement Taiwan's Overall Defense Concept, which was unveiled in 2017, Taiwan allocated funding for 60 small fast-attack missile craft, expedited production of new missile defense systems and mobile land-based antiship missile platforms, and began construction of four rapid mine-laying ships.⁴⁴ The Overall Defense Concept emphasizes the development of asymmetric capabilities and tactics to capitalize on Taiwan's defensive advantages, enhance resilience, and exploit the PLA's weaknesses.⁴⁵
- *Increasing conventional capabilities:* While continuing to focus on the asymmetric and unconventional aspects of the Overall Defense Concept, Taiwan is also increasing investments in its conventional air, sea, and land capabilities for much-needed modernization, including the acquisition of new F-16V fighter aircraft and M1A2 main battle tanks from the United States (see "Expanded U.S. Efforts to Support Taiwan's Security" below).
 - *Submarine program makes progress:* Taiwan completed the design of its first indigenous submarine, and in May 2019 broke ground on the facility in which its inaugural submarine will be built.⁴⁶ The Taiwan Navy aims to conduct the first operational deployment of the submarine in 2026.⁴⁷
 - *First F-16 upgrade successes:* In March 2019, after several program delays, the Taiwan Air Force took delivery of the first four of its 144 F-16A/B fighter aircraft to be upgraded by Lockheed Martin Corporation to the new F-16V configuration.⁴⁸ The upgrade includes the installation of advanced radars made by Northrop Grumman, derived from those used by the U.S. F-22 and F-35 fighters, which will enable Taiwan's F-16s to detect China's advanced combat aircraft at a greater range.⁴⁹
- *Instituting harsher penalties for espionage:* In May, Taiwan's legislature amended anti-espionage legislation, which stipulates that espionage can result in life in prison or the death penalty, to include both Taiwan citizens and Chinese citizens who engage in espionage in Taiwan. It also raised the range of sentencing for individuals who leak secrets to a hostile government to three to ten years, up from one to seven years.⁵⁰ Taiwan faces a major challenge from Beijing's aggressive intelligence activities, which led to more than 40 espionage and espionage-related prosecutions for crimes involving China between 2006 and 2016.⁵¹ In July, Taiwan's legislature passed new legislation aimed at defending against the CCP's United Front work targeting retired Taiwan generals. Under the provisions of the new law, retired officials and military officers at and above the level of deputy minister and major general who participate in political activities in China would face penalties that could include rescinding their pensions.⁵²
- *Countering efforts to intimidate and weaken morale:* Taiwan's Ministry of National Defense announced in March 2019 that it had established a new team devoted to producing media con-

tent to counter PRC attempts to weaken morale in the Taiwan military and was allocating more resources to improve such content.⁵³ In a recent example of China's efforts, individuals working for the Chinese government in 2017 spread misleading and negative information about Taiwan's Han Kuang military exercises through online fora.⁵⁴

Expanded U.S. Efforts to Support Taiwan's Security

The U.S. government took significant steps to demonstrate support for and expand cooperation with Taiwan in the areas of defense and security in 2019. The measures prompted angry responses from the Chinese government, which criticized Taipei for "borrowing the strength of foreign influence."⁵⁵

- *United States approves sale of new F-16V fighters and Abrams tanks:* In August, the Trump Administration notified Congress of the potential sale of 66 new F-16V fighter aircraft to Taiwan. This would be the United States' first sale of new fighter aircraft to Taiwan since 1992 and at approximately \$8 billion would constitute the largest ever single sale of U.S. military equipment to Taiwan.⁵⁶ It follows the Administration notifying Congress of the potential sale to Taiwan of 108 M1A2 Abrams tanks and 250 anti-aircraft missiles in July.⁵⁷ Taken together, the sales of the F-16Vs and Abrams tanks represent a change from the past nine years, during which Washington had not approved the sale of new major weapons platforms to Taipei, instead selling refurbished platforms, upgraded technology for Taiwan's existing platforms, and munitions.* Three of the five arms sales proposed by the Trump Administration have involved the sale of a single class of weapon system, indicating a policy shift from the practice used by multiple U.S. administrations of "bundling" several notifications of potential arms sales to Taiwan to be considered and announced as a single "arms package" decision. The practice of bundling has been criticized as delaying needed sales and complicating Taiwan's defense budget planning cycles.⁵⁸
- *Meeting of national security advisors:* U.S. National Security Advisor John Bolton met Secretary General David Lee, head of Taiwan's National Security Council, in May, the first meeting between the U.S. and Taiwan national security advisors since 1979. The meeting occurred during Secretary General Lee's visit to the United States.⁵⁹
- *Taiwan Strait transits and flights:* The U.S. Navy increased the number of and regularly publicized transits of the Taiwan Strait in 2019, while U.S. military aircraft also made two rare flights through the Taiwan Strait. The naval transits, which previously were seldom publicized, doubled from four in 2018 to eight during the first nine months of 2019 alone.⁶⁰ The class of ships making the transits has also been notable, with the

* Previously, the executive branch notified Congress of the potential sale of the Patriot missile defense system to Taiwan in 2010. U.S. Defense Security Cooperation Agency, *Taipei Economic and Cultural Representative Office in the United States—PATRIOT Advanced Capability-3 (PAC-3) Firing Units, Training Unit, and Missiles*, January 29, 2010.

Green Bay, a large amphibious ship, passing through the Strait in August 2019. During another 2019 transit, a U.S. Navy ship was joined by a U.S. Coast Guard cutter operating under U.S. Navy command.⁶¹ In addition, a U.S. maritime patrol aircraft flew through the Taiwan Strait in June, and special operations transport aircraft conducted similar flights in August and September.⁶²

- *Continued port calls in Taiwan by U.S. Navy research vessels:* In August 2019, a U.S. Navy research ship, the *Sally Ride*, docked in Taiwan as part of oceanographic collaboration with Taiwan university researchers. The ship's visit to Taiwan followed four visits by another U.S. Navy research ship for resupply in 2018.⁶³ *Sally Ride* and other auxiliary general oceanographic research-class ships are owned by the U.S. Navy but operated by universities and research organizations.
- *U.S. law enforcement, military co-host conference in Taiwan:* The Taiwan Ministry of Justice Investigation Bureau, the U.S. Federal Bureau of Investigation (FBI), and U.S. Indo-Pacific Command co-hosted a conference on combatting organized crime in Taiwan in May. Associate Deputy Director Paul Abbate led the FBI delegation and Taiwan media reported that the Indo-Pacific Command delegation was led by an unnamed major general. Taiwan media also reported that 100 U.S. officials attended the event.⁶⁴

Taiwan's External Relations

Beijing Takes New Steps to Pressure Taiwan

Beijing's increased military pressure and political interference targeting Taiwan reflected its uncompromising stance and greater sense of urgency regarding cross-Strait relations. In a January 2019 speech on the 40th anniversary of a message to the Taiwan people by China's National People's Congress, General Secretary Xi stated that political differences between Taiwan and the PRC "must not be passed down from generation to generation," repeating an expression he used only once before in 2013.⁶⁵ The speech marked a shift from General Secretary Xi's predecessors' focus on deterring Taiwan from seeking *de jure* independence and a relatively patient stance toward unification to an even greater emphasis on achieving progress toward unification.⁶⁶ Chinese Premier Li Keqiang subsequently directed delegates to the National People's Congress in March to "fully implement" this policy guidance.⁶⁷ This guidance, which is now official policy, confirms General Secretary Xi feels personal responsibility to make significant headway toward bringing Taiwan under the PRC's control.

Where previous Chinese leaders grudgingly tolerated the two sides of the Taiwan Strait holding different interpretations of "one China," General Secretary Xi implied that different interpretations are no longer acceptable. He did so by declaring that to have positive relations with Beijing, Taipei must not only endorse the "1992 Consensus" and the position it contains that there is "one China," but that Taipei also must share Beijing's goal of unification. In his speech, he also indicated that the "one country, two systems" model,

in which Taipei would have to subordinate itself to the PRC, was the only acceptable arrangement for unification.⁶⁸ “One country, two systems” has been Beijing’s model for cross-Strait unification since the 1980s, but only now has Beijing implied that making progress toward unification under that model is a prerequisite for positive cross-Strait relations.

The One-China Principle and the “1992 Consensus”

The “1992 Consensus” refers to a tacit understanding that the KMT and Beijing say was reached between representatives of Taiwan and China in 1992. Beijing insists that cross-Strait communication and talks be based on the “1992 Consensus,” which Taipei and Beijing endorsed during the administration of President Tsai’s predecessor, Ma Ying-jeou of the KMT.

The consensus was not a formal agreement, joint statement, or communique, and was only described as a consensus beginning in 2000. This lack of a historical document contributes to the challenge of defining and proving the existence of the “1992 Consensus.” The term “1992 Consensus” itself was coined in 2000 by Su Chi, a former chairman of Taiwan’s Mainland Affairs Council (1999–2000), in what he claims was an effort to preserve an ambiguity regarding “one China” that could be acceptable to both Beijing and the DPP, which had recently won the presidency and was preparing to take power.*

Both the KMT, which held the presidency in 1992, and the Chinese government assert the existence of a consensus, but their public definitions of this consensus differ. The KMT defines the consensus as “one China, respective interpretations,” defining its interpretation of “one China” as the Republic of China.⁶⁹ In contrast, Beijing accepts only the definition embodied in its “one China” principle—that mainland China and Taiwan are part of one and the same China, the PRC, of which Taiwan is a sub-national region. Although in official documents and statements Beijing has never acknowledged that the consensus allows different interpretations of “one China,” in practice it has at times officially ignored, but grudgingly tolerated, the KMT’s definition of the consensus.⁷⁰

In contrast, the DPP, and thus the current Taiwan administration, does not recognize the “1992 Consensus” or the “one China” principle. The DPP rejects Beijing’s insistence on the “1992 Consensus” as a precondition for cross-Strait communication.⁷¹ President Tsai said General Secretary Xi’s January 2019 speech on Beijing’s Taiwan policy confirmed her concern that Beijing views the “1992 Consensus” as equating to “one country, two systems” and Beijing’s more restrictive “one China” principle.⁷²

In his January address, General Secretary Xi proposed Beijing redouble its efforts to sideline Taiwan’s elected government and engage directly with Taiwan political parties, such as the New Party and China Unification Promotion Party, which advocate for cross-

*Dr. Su explained the origin of the term in 2006. Shih Hsiu-chuan, “Su Chi Admits the ‘1992 Consensus’ Was Made Up,” *Taipei Times*, February 22, 2006.

Strait unification, and other sympathetic groups and individuals. Known as “democratic consultation,” these efforts aim to build public support in Taiwan for political negotiations between Taipei and Beijing.⁷³ Beijing has deployed a similar strategy to varying degrees during three successive Taiwan administrations—both DPP and KMT—when Taipei has not pursued Beijing’s preferred policies. A deputy minister of Taiwan’s Mainland Affairs Council said in March 2019 that the ministry had observed organizations in Taiwan inviting Taiwan students and businesspeople to attend symposiums in China following General Secretary Xi’s speech.⁷⁴

Taiwan Rebukes CCP’s Cross-Strait Policy

The Tsai Administration, both major political parties, and the Taiwan public responded forcefully to General Secretary Xi’s speech by rejecting “one country, two systems” and insisting cross-Strait political negotiations occur between the two governments or government-authorized organizations alone. The vast majority of Taiwan citizens are opposed to “one country, two systems” for Taiwan—opposition that President Tsai described in her response to the speech as a “Taiwan consensus.”⁷⁵ Indeed, in a poll of Taiwan citizens conducted in March, 79 percent of respondents opposed the model.⁷⁶

President Tsai went on to reject General Secretary Xi’s proposal of “democratic consultation” and said, “Any political consultations that are not authorized and monitored by the people cannot be called ‘democratic consultations.’ This is Taiwan’s position, a democratic position.”⁷⁷ She also responded to General Secretary Xi’s insistence that Taipei endorse the “1992 Consensus” as a prerequisite for positive cross-Strait relations by laying out her own requirements for the development of cross-Strait relations, including that Beijing accept the existence of the Republic of China and cease its use of intimidation, disinformation and influence operations, and economic inducements to achieve its objectives. To General Secretary Xi’s call for the development of a “spiritual union” between Taiwan and China, President Tsai said Beijing will fail to achieve this goal if it continues its coercion campaign against Taiwan.⁷⁸ Her strong response to General Secretary Xi’s speech and the extradition bill in Hong Kong resulted in an increase in support for her among the Taiwan public and likely helped her to win the DPP primary for the 2020 presidential election.⁷⁹

KMT candidates for president also spoke out strongly against “one country, two systems,” with Mayor Han declaring during a June 2019 rally that the only way that arrangement would be implemented in Taiwan if he became president would be “over my dead body.”⁸⁰ That same month, during a discussion of the Hong Kong anti-extradition bill protests, then KMT candidate Terry Gou stated the model had failed in Hong Kong.⁸¹ Bonnie Glaser, the director of the China Power Project at the Center for Strategic and International Studies, said in testimony to the Commission, “The protests in Hong Kong have had a major impact on Taiwan and, depending on how the differences between the protesters and the Hong Kong government play out, may be a factor in Taiwan’s election.”⁸² (See Chapter 6, “Hong Kong,” for more information on the Hong Kong extradition bill.)

Driven in part by General Secretary Xi's speech, in June 2019 Taiwan's legislature passed legislation to strengthen its oversight of the executive branch's ability to enter into political negotiations with Beijing and any subsequent agreement. The legislation requires the executive branch to receive approval from 75 percent of legislators to enter into negotiations and, if it meets this requirement, any agreement the two sides reach must then be approved by a popular referendum.⁸³ This legislation, which was supported by more than 65 percent of legislators who voted, will make it exceedingly difficult for the Taiwan government to enter into political negotiations with Beijing and especially to reach agreement.⁸⁴

Taiwan Responds with Solidarity to Demonstrations in Hong Kong

Facing Beijing's insistence on cross-Strait unification under the "one country, two systems" framework, Taiwan citizens and the Taiwan government expressed their solidarity with the anti-extradition bill protest movement in Hong Kong and demonstrators' concern about the Hong Kong government's handling of the protests. President Tsai repeatedly expressed her support for the demonstrators, beginning with a tweet on June 9, the first day of protests against the extradition bill, stating, "We stand with all freedom-loving people of #Hong Kong."⁸⁵ In mid-June 2019, Taiwan civil society organizations, Taiwan students, and Hong Kong nationals living in Taiwan held multiple rallies in Taiwan against the extradition bill; organizers estimated that one of the June rallies included 10,000 people.⁸⁶ After protesters in Hong Kong created walls of colorful sticky notes with messages of encouragement and protest, college students in Taiwan created similar walls in solidarity.*⁸⁷ While speaking in July about Taiwan and Hong Kong, Taiwan's Minister of Foreign Affairs Joseph Wu declared, "These two outposts of democracy share the same values, and our paths and destinies are closely linked.... We both stand on the front line against the expansion of authoritarianism."⁸⁸

Struggle Continues over Taiwan's International Space

Beijing continued its efforts to suppress Taiwan's participation in the international community with the aim of isolating Taiwan and promoting a narrative of Beijing's sovereignty over Taiwan. In September 2019, the Solomon Islands and Kiribati—two of Taiwan's 17 remaining official diplomatic partners—broke ties with Taipei in favor of Beijing. The Solomon Islands' switch was followed by reporting that Beijing had offered the country a large aid package, and a statement from China's Ministry of Foreign Affairs that the switch "will surely bring unprecedented development opportunities."⁸⁹ In response to Kiribati's termination of diplomatic ties, Minister Wu said, "According to information obtained by Taiwan, the Chinese

* Inspired by the original "John Lennon Wall" established in Prague in the 1980s upon the artist's death, over 100 "Lennon Walls" have materialized around Hong Kong from subway stations to pedestrian walkways displaying messages of support for the anti-extradition bill movement and its demands. Joyce Zhou and John Ruwitch, "Imagine All the Post-Its: Hong Kong Protesters Come Together with 'Lennon Walls,'" *Reuters*, July 11, 2019.

government has already promised to provide full funds for the procurement of several airplanes and commercial ferries, thus luring Kiribati into switching diplomatic relations.”⁹⁰

China also continued to prevent Taiwan from engaging in international and regional fora. For the third year in a row, Beijing prevented the Taiwan government from participating as an observer in the UN World Health Assembly; previously, Taipei received an invitation each year between 2009 and 2016.⁹¹ Beijing also targeted regional fora in the regions with most of Taiwan’s remaining diplomatic partners—the Pacific Islands and Central America. For example, although China is not a full member of the Central American Bank for Economic Integration (and Taiwan is), Beijing lobbied bank members to block a potential bid by Taiwan to host the bank’s 2020 board meeting, and Taipei ultimately did not submit a bid.⁹²

In another example of Beijing’s attempts to undermine Taiwan’s sovereignty, Taiwan citizens living abroad who were suspected of committing telecommunications fraud against people in China were extradited to China at Beijing’s demand rather than being repatriated to Taiwan. In June 2019, Spain deported 94 suspects to China, bringing the total deported from third countries to China to 650 since 2016, when the first of this series of deportations began. A number of countries, including Cambodia, Kenya, Malaysia, and Vietnam, have agreed to Beijing’s demands since this time.⁹³ This practice has constituted a break from the pattern of cross-Strait law enforcement cooperation between 2011 and 2016 by which Beijing facilitated the repatriation to Taiwan of Taiwan citizens accused of crimes in countries with which Taipei does not have diplomatic relations.⁹⁴

At the same time as it tried to shore up relations with its diplomatic partners, Taipei achieved some success in further deepening its nondiplomatic ties with influential like-minded countries. For example, in December 2018 Taiwan and India signed new agreements on bilateral investment and expedited customs clearance for Taiwan and Indian companies.⁹⁵

In addition, governments and organizations are increasingly pushing back on Beijing’s pressure on Taiwan and speaking out in support of Taiwan. In May 2019, after it was confirmed that Taipei would not receive an invitation to the UN World Health Assembly, Japan’s Foreign Minister Taro Kono joined the United States in expressing support for Taiwan’s participation in the forum as an observer, the first time the Japanese government had publicly done so.⁹⁶ The Australian, German, and UK governments also made public statements, with Berlin stating that it “strongly opposes the politicization of global health issues.”⁹⁷

More broadly, in recent years, countries in addition to the United States have sailed military ships through maritime areas that Beijing currently deems sensitive, such as the Taiwan Strait and waters near China’s outposts in the South China Sea, with greater frequency than in the past. In April, French naval ships sailed through the Taiwan Strait, and Canadian naval ships transited the Strait in June and September.⁹⁸ A Chinese Defense Ministry spokesperson called the French transit illegal, and the Chinese government rescinded its invitation to participate in a naval parade lat-

er in 2019.⁹⁹ Prior to the Canadian ships entering the Taiwan Strait in June, Chinese naval ships demanded they chart another course and then sailed alongside the Canadian ships during the transit.¹⁰⁰

Washington Supports Taipei's Efforts to Expand International Space

The U.S. government continued to take significant steps to demonstrate support for Taiwan and enhance bilateral relations. Among these steps, high-level U.S. government officials visited Taiwan, and Washington expanded its efforts to support Taiwan's ties with its diplomatic partners and facilitate unofficial ties with other countries.*

- *New annual ministerial dialogue:* In March 2019, AIT and Taiwan's Ministry of Foreign Affairs announced the establishment of the U.S.-Taiwan Consultations on Democratic Governance in the Indo-Pacific Region. This was the first time an AIT director had held a joint press conference at the Ministry of Foreign Affairs headquarters.¹⁰¹ The dialogue aims to discuss ways in which the United States and Taiwan can cooperate to address governance challenges in the region.¹⁰² The first meeting was held in September, but the countries with which the United States and Taiwan will partner have not been announced yet.¹⁰³
- *Overseas Private Investment Corporation (OPIC) director visits Taiwan:* David Bohigian, Acting President and Chief Executive Officer of OPIC, a U.S. government development finance institution, visited Taiwan in June 2019 to meet with President Tsai, Taiwan's Ministry of Foreign Affairs, and Taiwan's International Cooperation and Development Fund (ICDF).¹⁰⁴ The visit further developed a new initiative by which OPIC and Taiwan's ICDF are working together to provide development finance for projects in countries that have diplomatic relations with Taiwan. In 2019, OPIC and the ICDF collaborated for the first time by supporting a bank in Paraguay with an investment to enable it to lend to underserved clients.¹⁰⁵

Economics and Trade

President Tsai continues to pursue the dual goals of accelerating Taiwan's economic growth while reducing the economy's reliance on China and expanding economic ties with countries in South and Southeast Asia. In 2018, Taiwan's gross domestic product (GDP) increased 2.63 percent year-on-year, down from 3.08 percent in 2017.¹⁰⁶ 2018 marked the third consecutive year—all coming under the Tsai Administration—that Taiwan posted an annual GDP growth rate greater than 1 percent.¹⁰⁷ In the first half of 2019, Taiwan's GDP expanded 2.1 percent year-on-year, with official government estimates forecasting 2.5 percent year-end growth.¹⁰⁸

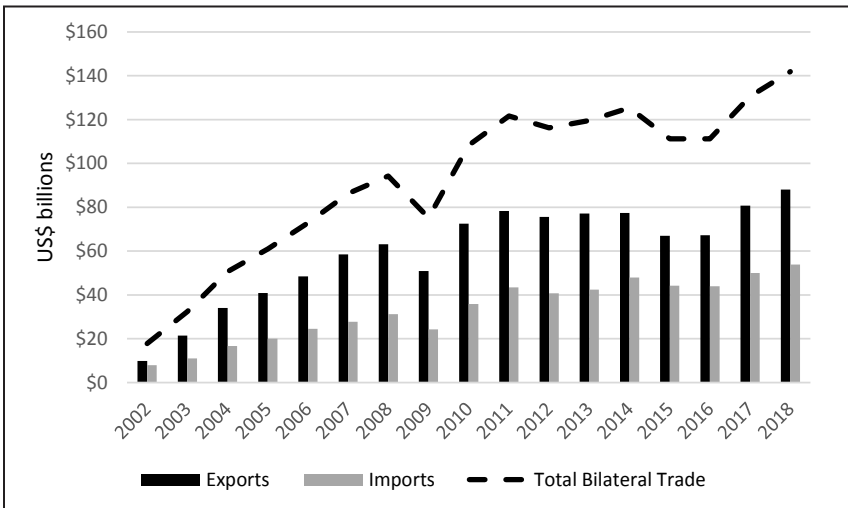
*The House passed the Taiwan Assurance Act in May 2019. This bill, introduced by Representative Michael McCaul (R-TX), calls on the secretary of state to review the U.S. Department of State's guidelines on relations with Taiwan and submit a report on the review's results as well as on the implementation of the Taiwan Travel Act (Pub. L. No. 115-135). Since the Taiwan Travel Act became law in March 2018, there has yet to be a cabinet secretary to visit Taiwan. Taiwan Assurance Act of 2019, H.R. 2002, May 8, 2019. <https://www.congress.gov/bill/116th-congress/house-bill/2002/text>; Taiwan Assurance Act of 2019, S. 878, March 26, 2019. <https://www.govtrack.us/congress/bills/116/s878>.

Taiwan's continued economic growth has also supported improvements in wages and helped keep unemployment stable. From January to July 2019, Taiwan's unemployment rate averaged 3.7 percent, the same as in 2018 and the lowest in a decade.¹⁰⁹ Unemployment among younger workers—although high—is also stable. In the first seven months of 2019, unemployment among workers between the ages of 20 and 24 was 12 percent, the same as 2018's average.¹¹⁰ Non-overtime employee earnings, meanwhile, continue to increase, growing 2.3 percent year-on-year in the first seven months of 2019 after increasing 2.6 percent year-on-year in 2018 (the biggest single-year increase since 2000).¹¹¹

Cross-Strait Trade and Investment

Despite Taipei's efforts to diversify its trade ties away from Beijing, China remained Taiwan's largest trading partner, export market, and source of imports in 2018 for the fifth consecutive year (2013 marked the last year Japan was Taiwan's largest source of imports).¹¹² Cross-Strait goods trade totaled \$141.9 billion in 2018 (23.9 percent of Taiwan's total global trade), an 8.5 percent increase year-on-year (see Figure 1).¹¹³ Through the first seven months of 2019, Taiwan exported \$45.2 billion worth of goods to China (a decrease of 8 percent compared to the same period in 2018) and imported \$32 billion (an increase of 4.2 percent over the same period in 2018).¹¹⁴ Taiwan's other top trade partners include the United States, Japan, Hong Kong, and South Korea.¹¹⁵

Figure 1: Taiwan's Trade with China, 2002–2018



Source: Taiwan's Bureau of Foreign Trade, *Trade Statistics*.

Taiwan's reliance on trade with China has left its economy exposed to the escalating U.S.-China trade dispute. The island may become collateral damage if the next round of proposed U.S. tariffs—set to take effect on December 15—disrupts consumer-electronics supply chains in which Taiwan companies play an important role.¹¹⁶ Apple,

Hewlett-Packard, and Dell's notebook PC business lines, for example, are 90 percent reliant on Taiwan suppliers that have large-scale operations in China.¹¹⁷ While Taiwan companies are expanding productive capacity outside China, the consumer-electronics industry's longstanding cross-Strait linkages make doing so challenging and expensive.¹¹⁸

The composition of Taiwan's China-bound exports is also indicative of the island's vulnerability to the tariff conflict between its two largest trading partners.¹¹⁹ In 2018, equipment and intermediate goods used in semiconductor and other electronics manufacturing accounted for more than half of Taiwan's exports to China.¹²⁰ If the United States levies tariffs on consumer electronics exported from China, the effects will be passed through the supply chain to Taiwan-based manufacturers.

Taiwan's trade with China consists primarily of integrated circuit products and other electrical devices. In 2018, Taiwan's largest exports to China were integrated circuits (\$27.7 billion), liquid crystal display devices (\$5.6 billion), and video camera parts (\$2.9 billion).¹²¹ Taiwan's top imports from China consisted of integrated circuits (\$11.4 billion), telephones (\$3.7 billion), and machine parts (\$2.6 billion).¹²² In 2019, Taiwan's trade with China in electrical products will likely be hit by the May 2019 decision by Chungwa Telecom and Taiwan Mobile, two of Taiwan's major wireless companies, not to sell Huawei devices.¹²³ The decision came after the United States placed restrictions on U.S. firms selling Huawei technology. (See Chapter 1, Section 1, "Year in Review: Economics and Trade," for more information on the implications of the United States' restrictions on Huawei technology.)

Although China remains Taiwan's top destination for foreign direct investment (FDI), investment flows have declined dramatically from their peak in 2010 (see Table 1).¹²⁴ The main reason for this fall is increased operational costs in China due to rising wages and stricter environmental regulations; more recently, escalating U.S.-China trade tensions have also contributed to the decline.¹²⁵ Before U.S.-China trade tensions began, President Tsai had already sought to encourage Taiwan investors to diversify away from China by strengthening economic ties with Southeast Asia through the New Southbound Policy and offering Taiwan companies incentives to re-shore some of their manufacturing back to Taiwan.¹²⁶

Table 1: Taiwan-China Bilateral FDI, 2010–2018

Year	Taiwan FDI in China (US\$ billions)	China FDI in Taiwan (US\$ millions)
2010	14.6	94.3
2012	12.8	331.5
2014	10.3	334.6
2016	9.7	247.7
2018	8.5	231.2

Source: Taiwan's Ministry of Economic Affairs, Investment Commission, *Monthly Report*, June 2019.

In 2018, investment flows from Taiwan to China totaled \$8.5 billion (37.2 percent of Taiwan's global outbound investments), down 22.5 percent from 2015 levels.¹²⁷ Manufacturing made up the largest share (70.3 percent) of Taiwan's approved FDI in China in 2018, while wholesale and retail trade (14 percent) and financial and insurance (6.9 percent) accounted for the second- and third-largest shares, respectively.¹²⁸ From January to July 2019, Taiwan invested \$2.3 billion in China, 55.4 percent less than the \$5.2 billion invested over the same period in 2018.¹²⁹

The drop-off in investment was most pronounced in electronics and electrical equipment manufacturing, which accounted for 34.2 percent of Taiwan's FDI flows to China in 2018, but only 17.1 percent in the first seven months of 2019.¹³⁰ Chemical materials manufacturing was the only industry that saw an increase in FDI flows—growing 878 percent year-on-year in the first seven months of 2019 due to a few large investment projects.¹³¹ Meanwhile, Chinese FDI in Taiwan decreased from \$265.7 million in 2017 to \$231.2 million in 2018.¹³² Through the first seven months of 2019, Chinese FDI in Taiwan reached only \$60.4 million, a decline of 59 percent compared to the same period in 2018.¹³³ The majority of this investment was in the wholesale and retail industry (28.2 percent), electronic parts manufacturing (12.6 percent), and banking (9 percent).¹³⁴

Chinese Economic Coercion

Since the election of President Tsai, the Chinese government has employed a consistent policy of political and economic coercion toward Taiwan. The economic element has manifested in a number of ways, including Beijing effectively blocking Taiwan from joining international trading arrangements* and pressuring multinational companies to treat Taiwan as a part of China when offering their goods and services.† Such tactics have constrained Taiwan's ability to conduct independent economic relations with other countries, but Beijing also seeks to achieve its preferred political outcomes within Taiwan itself. To this end, China has stepped up pressure on Taipei in two areas where it has the ability to exert more direct economic leverage over Taiwan: flows of Chinese tourists and recruitment of highly-skilled Taiwan workers.

Curtailing Tourism Flows to Taiwan: In 2016, China changed its travel laws to require special licenses for Taiwan-bound tour groups, and reduced the number of student permits for studying

*During the period of cross-Strait détente under President Ma Ying-jeou, Taiwan concluded free trade agreements with New Zealand and Singapore. Since President Tsai was elected in 2016, however, Beijing has opposed Taiwan's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (the successor agreement to the earlier Trans-Pacific Partnership negotiated during the administration of President Barack Obama). See Michael Mazza, "The Coming Crisis in the Taiwan Strait," *American Interest*, June 28, 2019; Finbarr Bermingham, "China, Fukushima and Inflatable Poop: How Taiwan Got Frozen out of Asia's Biggest Trade Deal," *South China Morning Post*, January 19, 2019; *Taipei Times*, "Interview: Taiwan Preparing for Strong Bid to Join CPTPP, Lai Says," August 24, 2019.

†From April to July 2018, for example, China successfully pressured several major foreign airlines to change the way they referred to Taiwan on their websites. In August 2019, luxury global fashion brands came under fire from Chinese netizens for referring to Taiwan as a separate country. See Bruce Einhorn and Wendy Hu, "China's Online Army Shows Foreign Brands Who's in Charge," *Bloomberg*, August 14, 2019; Michael Thim, "China's Predictable Squeezing of Taiwan Hasn't Had the Desired Effect, and It May Be Time for Beijing to Rethink Its Strategy as US Backlash Gathers Pace," *South China Morning Post*, August 29, 2018; Sui-Lee Wee, "Giving in to China, U.S. Airlines Drop Taiwan (in Name at Least)," *New York Times*, July 25, 2019.

in Taiwan.¹³⁵ This resulted in a 22 percent year-on-year decline in the number of Chinese visitors to Taiwan in 2017 and a 1.4 percent drop in 2018.¹³⁶

Although the number of tourists visiting from China has declined, Taiwan's tourism industry continues to expand due to increased tourism ties with countries in South and Southeast Asia. In 2018, visitor arrivals in Taiwan totaled more than 11 million—up 3 percent from 2017 levels—due to increased numbers of tourists visiting from countries like India (an increase of 9.8 percent year-on-year), Australia (an increase of 12.8 percent), and the Philippines (an increase of 44.1 percent).¹³⁷

Despite this uptick in overall tourism to Taiwan, profits in Taiwan's tourism industry took a downturn because South and Southeast Asian tourists do not spend as much on average as their Chinese counterparts. In 2017, Chinese tourists in Taiwan spent an average of \$184 per day (the third-highest daily expenditure behind tourists from Japan and South Korea), down from an average of \$228 and \$198 per day, respectively, in 2015 and 2016.¹³⁸ This resulted in a 7.9 percent decline in Taiwan's total tourism revenues in 2017.¹³⁹

In July 2019, China's Ministry of Culture and Tourism further announced the temporary suspension of a program allowing individual tourists from 47 Chinese cities to visit Taiwan, effectively limiting Chinese tourism to organized tour groups.¹⁴⁰ The announcement cited the state of cross-strait relations as the reason for the decision, though an editorial in the state-run *China Daily* the same day indicated the move was aimed at influencing the outcome of Taiwan's January 2020 presidential election.¹⁴¹ The editorial asserted the restriction could "prompt the Taiwan people to think about whether it is worthwhile to continue to be bound with a secessionist 'leader' on the same ghost ship for another four years."¹⁴² A week later, the China Film Administration announced a decision to ban mainland movies and performers from participating in Taiwan's 2019 Golden Horse Awards.¹⁴³

Attracting Workers from Taiwan: In February 2018, the Chinese government unveiled a package of 31 "incentives" to attract workers and students from Taiwan, including offering tax breaks and subsidies for high-tech companies, providing research grants for scholars, and promising to allow Taiwan companies to bid for government infrastructure projects.¹⁴⁴ According to Taiwan's Mainland Affairs Council, these measures had "no obvious effect" on Taiwan's ability to retain talent and businesses.¹⁴⁵ However, China's efforts to attract Taiwan businesses and workers appear to be successful in some areas, such as the semiconductor industry, which the Chinese government has designated for special promotion.¹⁴⁶ In the first nine months of 2018, more than 300 senior engineers working at semiconductor companies in Taiwan moved to China.¹⁴⁷ In total, more than 1,300 Taiwan engineers have relocated to China since 2014 in search of higher paying jobs and subsidized living expenses.¹⁴⁸

Taiwan's Economic Growth Initiatives

Taipei continues to implement economic initiatives to promote domestic innovation and business growth while reducing the economy's reliance on China. To date, these programs have limited but not ended Beijing's economic influence, although in some areas—

such as increased investment ties with India—these policies are beginning to bear fruit diversifying Taiwan’s economic ties.

Incentivizing Domestic Investment: In January 2019, Taipei began a three-year program incentivizing Taiwan firms to increase their domestic investment. The incentives include preferential land acquisition and use policies, easy hiring of foreign workers for projects above a designated scale, low-interest loans, and assistance in ensuring stable water and electricity supplies.¹⁴⁹ The program also allows certain investments to proceed before being filed with and approved by Taiwan’s government.¹⁵⁰ In June 2019, Taiwan’s Executive Yuan extended additional benefits to small and medium enterprises as well as companies without a history of investing in China.¹⁵¹ In the first half of 2019, Taiwan companies with operations overseas pledged \$16.1 billion in investments on the island, which Taipei hopes will create about 44,000 jobs.*¹⁵² It will take time, however, for these investments to be realized, and companies like Foxconn that have a large established Chinese customer base will probably maintain their cross-Strait investments.¹⁵³

“5+2” Innovative Industries Program: Taiwan is seeking to support the creation of new high-value-added, innovative businesses to increase employment through the “5+2” Innovative Industries program, launched in 2017.†¹⁵⁴ The machinery and industrial equipment industry is a key building block of “5+2” and Taipei has played up production growth in this sector.¹⁵⁵ Machinery exports, which account for the majority of the industry’s output, grew 7.2 percent to \$27.2 billion in 2018, up from \$25.3 billion the previous year.¹⁵⁶

Forward-Looking Infrastructure Program: Unveiled in July 2017, the program is aimed at improving Taiwan’s infrastructure over the next 30 years. The first phase of the program ran from September 2017 to December 2018, and included \$3.6 billion allocated toward urban and rural infrastructure development, among other infrastructure needs.¹⁵⁷ The second phase of the program, which runs from 2019 to 2020, includes more than \$7.2 billion for infrastructure development.¹⁵⁸ The program seeks to enhance the efficiency of resource allocation, spur innovation, and create a more competitive business environment.¹⁵⁹

New Southbound Policy: Launched in 2016, the New Southbound Policy seeks to reduce Taiwan’s reliance on China by expanding economic, educational, and cultural ties with Association of Southeast Asian Nations (ASEAN) countries, Australia, New Zealand, and six South Asian countries (India, Pakistan, Bangladesh, Nepal, Sri Lanka, and Bhutan).¹⁶⁰ To date, the policy has had a mixed record of success. Taiwan’s total trade with ASEAN countries, for example, reached \$89.5 billion in 2018, up from \$86.1 billion in 2017.¹⁶¹ However, over that period the share of Taiwan’s trade with ASEAN fell from 15.6 percent of Taiwan’s global trade in 2017 to 15.1 percent in 2018.¹⁶² Moreover, although Taiwan’s investments in Indonesia

* Exchange rates in this chapter are calculated using annual averages for the relevant year(s) in each reference.

† The “5+2” Innovative Industries program seeks to develop five pillar industries: green energy, defense, Internet of Things, biotechnology, and smart precision machinery, as well as two auxiliary industries (high-value agriculture and the “circular economy”). For more on Taiwan’s “5+2” program, see U.S.-China Economic and Security Review Commission, Chapter 3, Section 3, “China and Taiwan,” in *2018 Annual Report to Congress*, November 2018, 356–357.

(\$134.6 million in 2018, up 10.1 percent year-on-year), Vietnam (\$901.4 million, up 32 percent year-on-year), and India (\$361.2 million, up nearly 11-fold from 2017) all increased in 2018, its investments in Malaysia (\$54 million, down 82.7 percent year-on-year), the Philippines (\$149.7 million, down 33.7 percent year-on-year), and Thailand (\$146.4 million, down 73.8 percent year-on-year) all declined relative to 2017 levels.¹⁶³

U.S.-Taiwan Economic and Trade Relations

Bilateral goods trade between the United States and Taiwan totaled \$76.3 billion in 2018—an increase of 12 percent year-on-year—making Taiwan the United States’ 11th-largest trading partner.¹⁶⁴ In 2018, U.S. goods exports to Taiwan increased to \$30.6 billion (up 18.7 percent from 2017 levels) and U.S. imports from Taiwan increased 7.9 percent year-on-year to \$45.8 billion.¹⁶⁵ The leading U.S. exports to Taiwan were semiconductors (\$3.6 billion), crude petroleum (\$3.3 billion), and semiconductor machinery (\$2.8 billion).¹⁶⁶ In September 2018, Taiwan also agreed to purchase more than \$1.5 billion worth of U.S. soybeans over the next two years—a decision that comes after China imposed tariffs on U.S. soy and other agriculture products.¹⁶⁷ U.S. goods imports from Taiwan in 2018 were led by semiconductors (\$4.8 billion), telecommunications equipment (\$2.8 billion), and computer equipment (\$2 billion).¹⁶⁸

In a reflection of Taipei’s policy priorities in 2019, for the second time in a row Taiwan sent the largest foreign delegation to the U.S. government’s annual SelectUSA Investment Summit promoting increased foreign investment in the United States. Attendees from Taiwan consisted of 112 representatives from industries such as biotechnology, telecommunications, and steel.¹⁶⁹

The Trade and Investment Framework Agreement (TIFA)* remains the primary avenue by which the United States and Taiwan discuss bilateral economic issues.¹⁷⁰ However, progress on certain issues discussed in TIFA talks between the United States and Taiwan has been stalled for many years.¹⁷¹ The latest TIFA talks were held in October 2016, and there are no indications a new round of talks has been scheduled.¹⁷²

Unresolved issues include U.S. concerns over Taiwan’s weak intellectual property rights protection and trade and investment barriers, as well as a decade-long dispute over U.S. pork and beef imports.¹⁷³ Intellectual property concerns center on online copyright infringement in Taiwan, where pirated content remains prevalent amid an inadequate legal framework for prosecuting copyright infringers.¹⁷⁴ Disputes over beef and pork, meanwhile, center on Taiwan’s unwillingness to fully open its pork and beef market to U.S. producers due to some U.S. farmers’ use of ractopamine (a feed additive that produces leaner meat products).¹⁷⁵ Taiwan, along with the EU and China, continues to ban the use of ractopamine due to health and food safety concerns.¹⁷⁶

*TIFA, signed in 1994, is an annual dialogue that serves as the main channel for trade and investment promotion as well as a dispute resolution mechanism. Apart from a five-year period from 2008 to 2012 when the talks were suspended over disagreements over U.S. beef exports, the United States and Taiwan held TIFA talks every year until 2017. See U.S. Department of State, *2019 Investment Climate Statements: Taiwan*, July 11, 2019. <https://www.state.gov/reports/2019-investment-climate-statements/taiwan/>.

Implications for the United States

By unilaterally changing the status quo in the Taiwan Strait, Beijing is increasingly challenging many of the core elements of U.S. policy, attempting to undermine U.S. commitments in the TRA, and calling into question the U.S. security commitment to Taiwan—and the broader region—established in that law. Beijing's actions heighten the possibility of miscalculation escalating into a military conflict in the Taiwan Strait that could prompt the United States to exercise its commitment to defend Taiwan in light of the TRA's provisions. The United States has long been invested in Taiwan's multiparty democracy, and shared values have further deepened ties between the two sides.¹⁷⁷ The credibility of U.S. foreign policy and security commitments to allies and partners, as well as its willingness to uphold democratic values, is tied in part to U.S. support for Taiwan.

The cross-Strait military balance has decidedly shifted in China's favor in recent years. This change presents a major challenge both to Taiwan's ability to defend itself and to the United States' ability to intervene effectively in a cross-Strait conflict. The altered military balance has led China to act toward Taiwan with growing impunity, increasing the incidence of aggressive acts such as the March 2019 median line crossing. This could result in an accident or miscalculation leading to unintended conflict, or even see Beijing seek an outright military confrontation to press for resolution of its political differences with Taipei. Chinese war plans for various contingencies involving Taiwan almost certainly include measures that would target the United States and its forces in the region in an attempt to deter, deny, and delay U.S. military intervention.

The military strategies of the PRC, the United States, and Japan underscore Taiwan's strategic importance. Beijing is developing an expeditionary armed force and is projecting air and naval power through the straits in the First Island Chain (extending from Japan and the Ryukyu Islands through Taiwan and the Philippines), using these straits for training and operational sorties that encircle Taiwan and extend into the Western Pacific and beyond. Taiwan is a critical part of this island chain. Were Beijing to occupy Taiwan, the PLA would be able to operate uncontested in and around Taiwan-controlled waters and airspace, significantly altering the regional balance. The PLA would have unfettered access to the Western Pacific and an improved strategic position to interdict any U.S. or allied forces operating in the area. Meanwhile, its ability to control the South China Sea and threaten U.S. allies in the region such as the Philippines and Japan would increase substantially.¹⁷⁸ In response to the threat posed by the PRC to the peace and stability of the Western Pacific, the United States and Japan have developed new operational methods for the defense of the archipelagos and straits along the First Island Chain.

Taiwan's position as a major U.S. trading partner and its key role in the global high-tech supply chain make it significant for U.S. economic interests. Taiwan companies are leaders in the global semiconductor industry and their need for advanced U.S. technology has made semiconductors and semiconductor machinery among the top U.S. exports to Taiwan. But Taiwan's continued economic reliance on China as a source of trade and investment constrains the scope

of U.S. engagement with Taiwan and creates vulnerabilities for U.S. and Taiwan supply chains. The Tsai Administration's recent efforts to encourage supply chain diversification intersect with and have significant implications for U.S. policy. As Washington seeks to restructure its economic relationship with China, its supply chains and economic relationships with Taiwan will also need to evolve.

Taiwan is a beacon of democracy, human rights, and the rule of law in a region where those values and institutions are under increasing attack. As Secretary of State Mike Pompeo stated after Taiwan's November 2018 elections, its "hard-earned constitutional democracy is an example for the entire Indo-Pacific."¹⁷⁹ The accomplishments of Taiwan's democratic system are put into starker relief by the events in Hong Kong, where millions of people are fighting for their civil liberties against an unbending authoritarian regime. At the same time that Beijing has eroded the freedoms it promised Hong Kong under "one country, two systems," it is attempting to undermine Taiwan's democracy while pushing it toward a similar unification arrangement. Should Taiwan be coerced into submitting to such an agreement, it would not only cause grave harm to U.S. national security interests, but also would deal a crippling blow to the progress of democratic values and institutions in the region.

ENDNOTES FOR CHAPTER 5

1. Liu Li-jen and William Hetherington, "CtiTV Gave 70% of May Airtime to Han Kuo-yu," *Taipei Times*, July 18, 2019; Kathrin Hille, "Taiwan Primaries Highlight Fears over China's Political Influence," *Financial Times*, July 16, 2019; Paul Huang, "Chinese Cyber-Operatives Boosted Taiwan's Insurgent Candidate," *Foreign Policy*, June 26, 2019.
2. Kristin Huang, "Senior Chinese Officials Give Taiwanese Politician Han Kuo-Yu the Red Carpet Treatment on 'Non-Political' Tour of Mainland," *South China Morning Post*, March 25, 2019.
3. Ann Maxon, "Han Kuo-Yu: Groups Urge Han, KMT Not to 'Sell Out' Taiwan," *Taipei Times*, March 28, 2019; Kristin Huang, "Senior Chinese Officials Give Taiwanese Politician Han Kuo-Yu the Red Carpet Treatment on 'Non-Political' Tour of Mainland," *South China Morning Post*, March 25, 2019; Miao Zong-han et al., "Tsai, DPP Slam Kaohsiung Mayor over Meeting with China Official," *Central News Agency*, March 23, 2019.
4. Ralph Jennings, "China's Jets That Crossed into Taiwan Airspace: Not a First; Maybe Not the Last," *Voice of America*, April 3, 2019.
5. Matt Yu and Joseph Yeh, "Chinese Action Shows Dismay over Warming Taiwan-U.S. Ties: Expert," *Central News Agency*, April 2, 2019; Cheng Jiawen and Qiu Caiwei, "Communist Aircraft Cross Center Line and Face off with ROC Military. The Airspace above the Strait is Gripped by Fear for 10 Minutes" (共機越中線與我軍對峙 海峽上空驚魂10分鐘), *United Daily News*, April 1, 2019. Translation.
6. Taiwan Ministry of National Defense, *Press Statement*, March 31, 2019. Translation. <https://bit.ly/33d0Uy7>.
7. Lawrence Chung and Liu Zhen, "Taiwan Will Forcefully Expel PLA Warplanes Next Time: Tsai Ing-Wen," *South China Morning Post*, April 1, 2019.
8. Keegan Elmer and Minnie Chan, "Taiwan Responds to Beijing's Military Exercises with Drill of Its Own," *South China Morning Post*, July 30, 2019; Laura Zhou, "Chinese Military Starts Taiwan Strait Drills amid Rising Tension with U.S. over Island," *South China Morning Post*, July 29, 2019; *Sanlih E-Television*, "A Major Warning for Taiwan!? China's PLA's 'South-North Double-Team' Simultaneous Exercises. First Time Exercises Held in Two Locations since the Taiwan Strait Crisis" (給台灣一個超級下馬威!? 中國解放軍"南北包夾"齊操演 台海危機後首見兩地軍演), July 29, 2019. Translation; Bonnie S. Glaser, "The PLA Role in China's Taiwan Policymaking," in Phillip C. Saunders and Andrew Scobell, eds., *PLA Influence on China's National Security Policymaking*, Stanford University Press, 2015, 175–178; *Andrewrickson.com*, "U.S. Department of Defense Annual Reports to Congress on China's Military Power—2002–19—Download Complete Set + Read Highlights Here."
9. Yimou Lee, "Taiwan President Says Chinese Drills a Threat but Not Intimidated," *Reuters*, April 15, 2019.
10. *China Military Online*, "Amphibious Light Tanks Head to Shore in Formation," August 2, 2019; Keegan Elmer and Minnie Chan, "Taiwan Responds to Beijing's Military Exercises with Drill of Its Own," *South China Morning Post*, July 30, 2019; Laura Zhou, "Chinese Military Starts Taiwan Strait Drills amid Rising Tension with U.S. over Island," *South China Morning Post*, July 29, 2019; Lin Feng, "China's PLA Conducts Exercises on the North and South Ends of the Taiwan Strait. Taiwan Responds" (中国解放军在台海南北两侧军演 台湾方面做反应), *Voice of America*, July 29, 2019. Translation; Minnie Chan, "China Tries to Play Down Taiwan Strait Military Exercises to Avoid Upsetting the U.S.," *South China Morning Post*, July 16, 2019.
11. Joseph Yeh, "Chinese Aircraft Carrier Passes through Taiwan Strait," *Central News Agency*, June 26, 2019; *Agence France Presse*, "China 'Seriously Challenging' Taiwan Peace: Tsai," October 10, 2018.
12. Matt Yu and William Yen, "Numerous Chinese Military Aircraft Operate near Taiwan: MND," *Central News Agency*, April 15, 2019; Cheng Jiawen and Qiu Caiwei, "Communist Aircraft Cross Center Line and Face off with ROC Military. The Airspace above the Strait is Gripped by Fear for 10 Minutes" (共機越中線與我軍對峙 海峽上空驚魂10分鐘), *United Daily News*, April 1, 2019. Translation; Taiwan's Ministry of National Defense, *Press Release*, February 27, 2019. Translations; Taiwan's Ministry of National Defense, *Press Release*, January 22, 2019. Translation. <https://bit.ly/2p4NxxG>; Joseph Yeh, "Military Aware of PLA Aircraft, Vessel Operations near Taiwan," *Central News Agency*, December 18, 2018; Taiwan's Ministry of National Defense, *Press Release*, May 25, 2018. Translation. <https://bit.ly/2Z3AEsy>; *Xinhua*, "China Sends Su-35 Fighter Jets for Island Patrol," May 11, 2018; *Global Times*, "PLA Sends Planes round Taiwan for Second Time in a Week," *China Military Online*, April 27, 2018; Zhao Lei, "PLA Air Force Tests Abilities over Water," *China Daily*, March 26, 2018; Taiwan's Ministry of National Defense, *Press Release*, March 26,

2018. Translation. <https://bit.ly/2AZmbiG>; Lu Hsin-hui and S.C. Chang, "PLA Air Force Unit Passes through Bashi Channel," *Central News Agency*, February 21, 2018.

13. China's State Council Information Office, *China's National Defense in the New Era*, July 2019.

14. Linda Lew, "Chinese Warship Collides with Taiwan Freight Vessel Then Sails Away, Says Island's Coastguard," *South China Morning Post*, August 1, 2019.

15. Keoni Everington, "Update: Crash Knocked Chinese Mystery Warship's Secret Tech onto Taiwan Freighter," *Taiwan News*, August 14, 2019.

16. U.S. Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2019*, May 2, 2019, 14.

17. Franz-Stefan Gady, "Russia Kicks off Delivery of China's Second S-400 Air Defense Regiment," *Diplomat*, July 25, 2019; TASS Online, "Russia Completes Deliveries of Su-35 Fighter Jets to China," April 16, 2019; Franz Stefan-Gady, "Russia to Begin Delivery of China's Second S-400 Air Defense System Regiment in July," *Diplomat*, April 3, 2019.

18. U.S. Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2019*, May 2, 2019, 83–85, 88–89.

19. China's State Council Information Office, *China's National Defense in the New Era*, July 2019; China's State Council Information Office, *China's Military Strategy*, May 2015.

20. China's State Council Information Office, *China's National Defense in the New Era*, July 2019.

21. China's State Council Information Office, *China's National Defense in the New Era*, July 2019.

22. China's State Council Information Office, *China's National Defense in the New Era*, July 2019.

23. American Institute in Taiwan, *Taiwan Relations Act (Pub. L. No. 96-8)*.

24. Shirley A. Kan, "Reagan's Memo and its Prequel on Arms Sales to Taiwan," *Global Taiwan Institute*, October 9, 2019; Ronald W. Reagan, *Memorandum: Arms Sales to Taiwan*, August 17, 1982. <https://www.ait.org.tw/wp-content/uploads/sites/269/08171982-Reagan-Memo-DECLASSIFIED.pdf>; American Institute in Taiwan, *U.S.-PRC Joint Communiqué (1982)*; American Institute in Taiwan, *Joint Communiqué of the United States of America and the People's Republic of China (Normalization Communiqué)*; American Institute in Taiwan, *U.S.-PRC Joint Communiqué (1972)*.

25. Piin-Fen Kok and David J. Firestein, "Threading the Needle: Proposals for U.S. and Chinese Actions on Arms Sales to Taiwan," *EastWest Institute*, 2013, 59–60.

26. Alan D. Romberg, "Rein-In at the Brink of the Precipice," *Henry L. Stimson Center*, 2003, 134–136; Shirley A. Kan, "China/Taiwan: Evolution of the 'One China' Policy—Key Statements from Washington, Beijing, and Taipei," *Congressional Research Service*, October 10, 2014, 43–44.

27. *Radio Free Asia*, "Taiwan Warns of Chinese Influence Tactics in Run-up to Presidential Poll," May 2, 2019.

28. Wang Cheng-chung and William Yen, "China May Try to Influence Taiwan Public Opinion in 2020: NSB," *Central News Agency*, April 22, 2019.

29. J. Michael Cole, "Will China's Disinformation War Destabilize Taiwan?" *National Interest*, July 30, 2017.

30. Paul Huang, "Chinese Cyber-Operatives Boosted Taiwan's Insurgent Candidate," *Foreign Policy*, June 26, 2019.

31. Liu Li-jen and William Hetherington, "CtiTV Gave 70% of May Airtime to Han Kuo-yu," *Taipei Times*, July 18, 2019; Kathrin Hille, "Taiwan Primaries Highlight Fears over China's Political Influence," *Financial Times*, July 16, 2019.

32. Richard McGregor, "Beijing's Ground Game in Taiwan Is Growing Smarter," *Bloomberg*, November 26, 2018; Aaron Tu, Lin Ching-chuan, and William Hetherington, "PRC Funding of Campaigns Probed," *Taipei Times*, October 23, 2018.

33. Chris Horton, "Specter of Meddling by Beijing Looms over Taiwan's Elections," *New York Times*, November 22, 2018.

34. Wang Cheng-chung and William Yen, "China May Try to Influence Taiwan Public Opinion in 2020: NSB," *Central News Agency*, April 22, 2019.

35. Yan Zhenkai, "Complete Recording Revealed! China's CPPCC Chairman Wang Yang Scoffs 'Taiwan's Government Cannot Even Guarantee Things That Will Happen Two Years from Now.' Senior Taiwan Media Professionals Laugh" (完整錄音檔曝光! 中國政協主席汪洋譏諷「台灣當局連兩年後的事都保證不了」台媒高層陪笑), *Storm Media*, May 11, 2019. Translation.

36. You Kaixiang, "National Security Bureau: CCP Provides News to Partnered Media in Taiwan to Shape Discourse" (國安局: 中共對台灣同路媒體放消息帶風向),

Central News Agency, May 2, 2019. Translation; Ryan Drillsma, "Security Report Confirms Chinese Communist Party Has Infiltrated Taiwanese Media," *Taiwan News*, May 2, 2019; Huang Hsin-po and Sherry Hsiao, "Media Outlets 'On the Same Path' as China: Bureau," *Taipei Times*, May 3, 2019.

37. Kathrin Hille, "Taiwan Primaries Highlight Fears over China's Political Influence," *Financial Times*, July 16, 2019.

38. Yimou Lee and I-hwa Cheng, "Paid 'News': China Using Taiwan Media to Win Hearts and Minds on Island—Sources," Reuters, August 9, 2019.

39. Kathrin Hille, "Taiwan Primaries Highlight Fears over China's Political Influence," *Financial Times*, July 16, 2019.

40. Liu Li-jen and William Hetherington, "CtiTV Gave 70% of May Airtime to Han Kuo-yu," *Taipei Times*, July 18, 2019.

41. Kathrin Hille, "Taiwan Primaries Highlight Fears over China's Political Influence," *Financial Times*, July 16, 2019.

42. Yimou Lee, "Taiwan Sharply Boosts Defense Budget amid China Tension," *Reuters*, August 15, 2019.

43. U.S.-China Economic and Security Review Commission, *2015 Annual Report to Congress*, November 2015, 508–509; Bonnie Glaser and Anastasia Mark, "Taiwan's Defense Spending: The Security Consequences of Choosing Butter over Guns," *Center for Strategic and International Studies Asia Maritime Transparency Initiative*, March 18, 2015.

44. Duncan DeAeth, "Taiwan's NCSIST Ordered to Expedite Missile Production Programs," *Taiwan News*, August 10, 2019; Duncan DeAeth, "Taiwan Begins Production of Cloud Peak Missiles And Mobile Launch Platforms," *Taiwan News*, August 9, 2019; Hong Zhezhen, "Navy Says There Are Six Companies in Taiwan That Can Build Small Attack Craft" (承造微型飛彈突擊艇 海軍稱六家船廠有能力), *United Daily News*, April 26, 2019.

45. Taiwan's Ministry of National Defense, *National Defense Report 2017*, December 2017, 86–87.

46. *Kyodo News*, "Taiwan Begins Work on 1st Indigenous Submarine Facility," May 9, 2019; Elaine Hou and Joseph Yeh, "Taiwan Completes 1st Phase of Indigenous Submarine Project: Defense Minister," *Central News Agency*, March 28, 2019.

47. Franz-Stefan Gady, "Taiwan Unveils Model of Indigenously-Designed Diesel-Electric Attack Submarine," *Diplomat*, May 9, 2019.

48. Hong Zhezhen, "Air Force Announces First Group of F-16 Fighters in Phoenix Rising Upgrade Program Delivered" (空軍宣布 鳳展計畫構改F-16戰機首批已交機), *United Daily News*, March 18, 2019. Translation.

49. Northrop Grumman, "APG-83 Scalable Agile Beam Radar (SABR) AESA for the F-16"; Kyle Mizokami, "The F-16V, the Newest Version of the Iconic Fighter, Takes Flight," *Popular Mechanics*, October 21, 2015; Lockheed Martin, "F-16V Takes Flight," October 21, 2015.

50. *Asia Times*, "Heavier Penalties for Spies in Taiwan," May 8, 2019.

51. Peter Mattis, "Spy Games in the Taiwan Strait: Taipei's Unenviable Espionage Problem," *Global Taiwan Brief*, September 28, 2016.

52. Matthew Strong, "Retired Taiwanese Generals Can Lose Pension over China Activities," *Taiwan News*, July 3, 2019.

53. Aaron Tu and William Hetherington, "Defense Bureau to Tackle Propaganda from China," *Taipei Times*, March 4, 2019.

54. Lo Tien-pin and William Hetherington, "MND Halts China 'Fake News' Hack," *Taipei Times*, May 30, 2017.

55. China's State Council Information Office, *China's National Defense in the New Era*, July 2019.

56. U.S. Defense Security Cooperation Agency, *Taipei Economic and Cultural Representative Office in the United States (TECRO)—F-16C/D Block 70 Aircraft and Related Equipment and Support*, August 20, 2019; Piin-Fen Kok and David J. Firestein, "Threading the Needle: Proposals for U.S. and Chinese Actions on Arms Sales to Taiwan," 2013, 74–79.

57. U.S. Defense Security Cooperation Agency, *Taipei Economic and Cultural Representative Office in the United States (TECRO)—M1A2T Abrams Tanks and Related Equipment and Support*, July 8, 2019; Defense Security Cooperation Agency, *Taipei Economic and Cultural Representative Office in the United States (TECRO)—Stinger Missiles and Related Equipment and Support*, July 8, 2019.

58. Matt Yu and Evelyn Kao, "Taiwan Welcomes Reported Shift in U.S. Arms Sales Policy," *Focus Taiwan*, June 5, 2018; U.S. House of Representatives Foreign Affairs Committee Subcommittee on Asia and the Pacific, *Hearing on the Future of U.S.-Taiwan Relations*, written testimony of Bonnie S. Glaser, February 11, 2016.

59. *Reuters*, “China Bridles at Rare Meeting between Taiwan and U.S. Security Officials,” May 26, 2019.

60. Taiwan’s Ministry of National Defense, *Press Release*, September 20, 2019. Translation. <https://bit.ly/2VumjQB>; Ben Werner, “USS Green Bay Transits Taiwan Strait,” *USNI News*, August 23, 2019; Ben Werner, “U.S. Cruiser Transits Taiwan Strait after China Calls to Stop Foreign Interference on Island,” *USNI News*, July 25, 2019; John Power, “U.S. Warships Made 92 Trips through the Taiwan Strait since 2007,” *South China Morning Post*, May 3, 2019.

61. Sam LaGrone, “Two U.S. Warships Pass Through Taiwan Strait in 7th Transit since 2018,” *USNI News*, April 29, 2019; Ben Werner, “USS Green Bay Transits Taiwan Strait,” *USNI News*, August 23, 2019.

62. Cheng Jiawen, “Once a Month? U.S. Special Operations Transport Aircraft Passes over Taiwan Strait Again” (每月一次? 美特戰運輸機再越台海), *United Daily News*, September 27, 2019. Translation; Joseph Trevithick, “USAF MC-130J Spec Ops Transport Flies through Taiwan Strait with U.S. Spy Plane Nearby,” *Drive*, August 29, 2019; Keoni Everington, “U.S. P-8A Sub-Hunting Jet Flies over Taiwan Strait to Watch Chinese Carrier,” *Taiwan News*, June 21, 2019.

63. Lin Chia-nan, “‘Sally Ride’ Berths at Port of Keelung,” *Taipei Times*, August 24, 2019; Hung Ting-hung, Aaron Tu, and Jonathan Chin, “Ministry Downplays Presence of U.S. Ship,” *Taipei Times*, October 17, 2018.

64. Joseph Yeh, “Taiwan Hosting FBI Law Enforcement Conference for First Time,” *Central News Agency*, June 10, 2019; Su Zhonghong, “U.S. FBI Alumni Retraîner Held in Taiwan. Investigation Bureau: Will Help to Strengthen International Law Enforcement” (美FBI校友複訓營在台舉行 調查局: 有助強化國際執法), *Storm Media*, June 10, 2019. Translation; Zhang Hongye and Cheng Jiawen, “FBI Alumni Will Hold Gathering for First Time in Taiwan Next Week. Female Taiwan Investigator Shines” (FBI校友下周首在台聚會 我女調查官亮眼), *United Daily News*, June 6, 2019. Translation.

65. Xinhua, *Join in a Common Struggle for Realizing the Nation’s Great Rejuvenation and Promoting the Motherland’s Peaceful Reunification—Speech at the Rally to Commemorate the 40th Anniversary of Issuing the “Letter to Taiwan Compatriots”* (为实现民族伟大复兴推进祖国和平统一而共同奋斗——在“告台湾同胞书”发表40周年纪念会上的讲话), January 2, 2019; Jing Huang, “Xi Jinping’s Taiwan Policy: Boxing Taiwan in with the One-China Framework,” in Lowell Dittmer, ed., *Taiwan and China: Fitful Embrace*, University of California Press, 2017, 240, 243–246; Alan D. Romberg, “From Generation to Generation: Advancing Cross-Strait Relations,” *Hoover Institution*, March 14, 2014.

66. Jianwei Wang, “Hu Jintao’s ‘New Thinking’ on Cross-Strait Relations,” *American Foreign Policy Interests* No. 29 (2007): 23–34.

67. China’s State Council, *Report on the Work of the Government* (政府工作报告), March 16, 2019. Translation.

68. Xinhua, *Join in a Common Struggle for Realizing the Nation’s Great Rejuvenation and Promoting the Motherland’s Peaceful Reunification—Speech at the Rally to Commemorate the 40th Anniversary of Issuing the “Letter to Taiwan Compatriots”* (为实现民族伟大复兴推进祖国和平统一而共同奋斗——在“告台湾同胞书”发表40周年纪念会上的讲话), January 2, 2019. Translation; Alan D. Romberg, “Tsai Ing-wen Takes Office: A New Era in Cross-Strait Relations,” *Hoover Institution*, June 16, 2016.

69. Qiu Junqin, “Wu Dun-yih: What Xi Jinping Said Is Not the Original Content of the 92 Consensus” (吳敦義: 習近平講的不是九二共識當年內容), *Central News Agency*, January 4, 2019. Translation.

70. Richard Bush, “Taiwan’s January 2016 Elections and Their Implications for Relations with China and the United States,” *Brookings Institution*, December 2015, 5–6, 17.

71. Richard Bush, “Taiwan’s January 2016 Elections and Their Implications for Relations with China and the United States,” *Brookings Institution*, December 2015, 5–6, 17.

72. Taiwan’s Office of the President, *President Tsai Issues Statement on China’s General Secretary Xi’s “Message to Compatriots in Taiwan,”* January 2, 2019.

73. *China Daily*, “Reunification Is Goal as Chinese Mainland to Deepen Democratic Consultation with Taiwan,” March 2, 2019.

74. Ralph Jennings, “Official: China Planning Series of New Moves to Unify with Resistant Taiwan,” *Voice of America*, March 5, 2019.

75. Taiwan’s Office of the President, *President Tsai Issues Statement on China’s President Xi’s “Message to Compatriots in Taiwan,”* January 2, 2019.

76. Miao Zong-han and Emerson Lim, “Big Majority Reject ‘One Country, Two Systems’ Survey,” *Central News Agency*, March 21, 2019.

77. Taiwan’s Office of the President, *President Tsai Issues Statement on China’s President Xi’s “Message to Compatriots in Taiwan,”* January 2, 2019.

78. Taiwan's Office of the President, *President Tsai Issues Statement on China's President Xi's "Message to Compatriots in Taiwan,"* January 2, 2019.

79. Nick Aspinwall, "Taiwan's President Holds off Primary Challenge in Race That's All about China," *Washington Post*, June 13, 2019.

80. Yeh Tzu-kang and Christie Chen, "'One Country, Two Systems' in Taiwan 'Over My Dead Body': Han Kuo-Yu," *Central News Agency*, June 15, 2019.

81. Kensaku Ihara, "Taiwan Candidates Quickly Shun China after Hong Kong Protests," *Nikkei Asian Review*, June 21, 2019.

82. U.S.-China Economic and Security Review Commission, *Hearing on U.S.-China Relations in 2019: A Year in Review*, written testimony of Bonnie S. Glaser, September 4, 2019.

83. Chen Chun-hua and Ko Lin, "Taiwan Passes Bill for Referendum on Cross-Strait Agreements," *Central News Agency*, May 31, 2019.

84. Abby Huang, "Three Readings by Legislative Yuan: Threshold for 'Cross-Strait Agreement' at Level of Amending Constitution. National Sovereignty Not Allowed to Be Included in Negotiations" (立法院三讀: 「兩岸協議」門檻比照修憲等級, 國家主權不得列入談判), *News Lens*, May 31, 2019. Translation.

85. Tsai Ing-wen (@iingwen), "We stand with all freedom-loving people of #Hong-Kong. In their faces, we see the longing for freedom, & are reminded that #Taiwan's hard-earned democracy must be guarded & renewed by every generation. As long as I'm President, "one country, two systems" will never be an option," Twitter, June 9, 2019, 6:54 a.m.

86. Stacy Hsu, "Thousands Join Rally in Taipei to Demand Bill's Withdrawal," *Central News Agency*, June 16, 2019.

87. Cui Zhiyun, "Conflicts between Mainland and Hong Kong Students Repeatedly Occur at Lennon Walls' at Soochow University and Chinese Culture University. Pan Wenzhong: Violators Should Be Dealt with According to School Rules" (東吳文大「連儂牆」陸、港生接續爆衝突 潘文忠: 違規者應依校規處置), *ETtoday*, September 25, 2019. Translation; Cai Sipei, "'Lennon Wall' Supporting Hong Kong Appears in National Taiwan University Gongguan Underground Walkway. Hongkongers Leave Messages Calling on Taiwan People to Not Make the Wrong Choice in 2020" (台大公館地下道現挺港「連儂牆」 港人留言籲2020別選錯), *Liberty Times*, August 18, 2019. Translation.

88. Chris Horton, "Hong Kong and Taiwan Are Bonding over China," *Atlantic*, July 5, 2019.

89. *Reuters*, "Solomons to Have 'Unprecedented' Development Opportunities, China Says," September 17, 2019.

90. Yimou Lee, "Taiwan Says China Lures Kiribati with Airplanes after Losing Another Ally," *Reuters*, September 20, 2019.

91. *Taiwan Today*, "MOFA Condemns China for Blocking Taiwan's WHA Participation," May 7, 2019; Scarlett Chai and Y.F. Low, "MOFA Rejects Beijing's 'One China' Claim On WHA Issue," *Central News Agency*, May 22, 2017.

92. Joseph Yeh, "Taiwan Will Not Bid To Host 2020 Central American Bank Meeting: MOF," *Central News Agency*, March 13, 2019; Miaojung Lin and Samson Ellis, "Taiwan Courts Bank to Loosen China Diplomatic Squeeze, Sources Say," *Bloomberg Quint*, March 13, 2019; Stephen Dziedzic, "Beijing Intensifies Lobbying of Pacific Nations to Recognize Taiwan as Part of One China," *Australian Broadcasting Corporation*, February 13, 2019.

93. Flor Wang, "Taiwan Protests Spain Sending 94 Telecoms Suspects to China," *Central News Agency*, June 7, 2019.

94. Yu-Jie Chen and Jerome Cohen, "Beijing and Taipei Should End Their Tug of War over Repatriation of Criminal Suspects," *South China Morning Post*, September 28, 2016.

95. Stacy Hsu, "Taiwan, India Sign Updated Bilateral Investment Pact," *Taipei Times*, December 19, 2018.

96. *Kyodo*, "Japan Supports Taiwan's Bid to Attend World Health Assembly in Move That Could Anger China," May 9, 2019.

97. Joseph Yeh, "Germany, Australia Voice Support of Taiwan's WHA Bid," *Central News Agency*, May 9, 2019.

98. Joseph Yeh, "Another Canadian Warship Passes through Taiwan Strait," *Central News Agency*, September 10, 2019; Joseph Yeh, "Canada Confirms Naval Vessels Pass through Taiwan Strait," *Central News Agency*, June 20, 2019; Kathrin Hille and Victor Mallet, "China Accuses France of Illegally Sailing Warship in Taiwan Strait," *Financial Times*, April 25, 2019.

99. Kathrin Hille and Victor Mallet, "China Accuses France of Illegally Sailing Warship in Taiwan Strait," *Financial Times*, April 25, 2019.

100. Matthew Fischer, "Canada's Transit of the Taiwan Strait," *Canadian Global Affairs Institute*, June 2019.

101. *Liberty Times*, "The First Time the AIT Director Went to the Ministry of Foreign Affairs for a Press Conference. 'A Brand New U.S.-Taiwan Dialogue Mechanism Is Not Meant to Provoke China,'" March 19, 2019.

102. American Institute in Taiwan, "The United States and Taiwan to Launch Indo-Pacific Democratic Governance Consultations," March 19, 2019.

103. American Institute in Taiwan, "The Inaugural Session of the U.S.-Taiwan Consultations on Democratic Governance in the Indo-Pacific Region," September 12, 2019.

104. Overseas Private Investment Corporation, "OPIC Acting President & CEO Bohigian Leads Delegation to Taiwan," July 1, 2019.

105. Joseph Yeh, "U.S. Investment Agency to Work with Taiwan to Help Its Allies," *Central News Agency*, June 27, 2019; Overseas Private Investment Corporation, "OPIC Acting President & CEO Bohigian Leads Delegation to Taiwan," July 1, 2019.

106. Taiwan's National Statistics from the National Statistical Bureau, *Principle Figures*.

107. Taiwan's National Statistics from the National Statistical Bureau, *Principle Figures*.

108. Taiwan's National Statistics from the National Statistical Bureau, *Principle Figures*.

109. Taiwan's National Statistics from the National Statistical Bureau, *Labor Force Statistical Analysis*.

110. Taiwan's National Statistics from the National Statistical Bureau, *Labor Force Table 10: Unemployment Rate by Age*.

111. Taiwan's National Statistics from the National Statistical Bureau, *Earnings and Productivity Statistical Analysis*.

112. Taiwan's Bureau of Foreign Trade, *Trade Statistics*.

113. Taiwan's Bureau of Foreign Trade, *Trade Statistics*.

114. Taiwan's Bureau of Foreign Trade, *Trade Statistics*.

115. Taiwan's Bureau of Foreign Trade, *Trade Statistics*.

116. Office of the U.S. Trade Representative, "USTR Announces Next Steps on Proposed 10 Percent Tariff on Imports from China," August 13, 2019.

117. Eric Chiou, "The U.S.-China Trade War Escalates, May Send North American Notebook and PC Markets into Turmoil," *Trendforce*, May 14, 2019.

118. Eric Chiou, "The U.S.-China Trade War Escalates, May Send North American Notebook and PC Markets into Turmoil," *Trendforce*, May 14, 2019.

119. Taiwan's Bureau of Foreign Trade, *TW's Top 10 Trade Partners*, October 31, 2018.

120. Taiwan's Bureau of Foreign Trade, *Trade Statistics*.

121. Taiwan's Bureau of Foreign Trade, *Trade Statistics*.

122. Taiwan's Bureau of Foreign Trade, *Trade Statistics*.

123. Judy Lo, "Taiwan's Top Telecoms to Stop Selling Huawei Smartphones," *Taiwan News*, May 22, 2019.

124. Taiwan's Bureau of Foreign Trade, *Trade Statistics*.

125. Cheng Ting-Fang and Kensaku Ihara, "Trade War Fuels Taiwanese Producers' Withdrawal from China," *Nikkei Asian Review*, August 18, 2019; Cheng Ting-Fang and Debby Wu, "Apple Suppliers Face Manufacturing Woes in China," *Nikkei Asian Review*, January 24, 2018.

126. Matthew Strong, "Taiwan President Praises Success of Plan to Encourage Return of Taiwanese Firms," *Taiwan News*, August 8, 2019; Chen-Dong Tso and Gratiana Jung, "Taiwan's New Southbound Policy: One-Year Economic Performance Review," *National Bureau of Asian Research*, January 18, 2018.

127. Taiwan's Ministry of Economic Affairs, Investment Commission, *Monthly Report*, April 2019.

128. Taiwan's Ministry of Economic Affairs, Investment Commission, *Monthly Report*, April 2019.

129. Taiwan's Ministry of Economic Affairs, Investment Commission, *Monthly Report*, July 2019.

130. Taiwan's Ministry of Economic Affairs, Investment Commission, *Monthly Report*, July 2019; Taiwan's Ministry of Economic Affairs, Investment Commission, *Monthly Report*, December 2018.

131. *Taiwan News*, "Taiwanese Investment in China Drops: MOEA," August 21, 2019; Taiwan's Ministry of Economic Affairs, Investment Commission, *Monthly Report*, July 2019; Taiwan's Ministry of Economic Affairs, Investment Commission, *Monthly Report*, July 2018.

132. Taiwan's Ministry of Economic Affairs, Investment Commission, *Monthly Report*, April 2019.
133. Taiwan's Ministry of Economic Affairs, Investment Commission, *Monthly Report*, July 2019.
134. Taiwan's Ministry of Economic Affairs, Investment Commission, *Monthly Report*, July 2019.
135. Jovina Lai, "China Did Not Eliminate Tour Packages to Taiwan, Says Tourism Bureau," *Taiwan News*, March 10, 2018; Hsu Chih-wei and S.C. Chang, "China Halves Student Quota for Taiwan: Official," *Focus Taiwan*, July 5, 2017.
136. Taiwan's Tourism Bureau, "2018 Visitor Arrivals by Residence"; Taiwan's Tourism Bureau, "2017 Visitor Arrivals by Residence."
137. Taiwan's Tourism Bureau, "2018 Visitor Arrivals by Residence"; Taiwan's Tourism Bureau, "2017 Visitor Arrivals by Residence."
138. Taiwan's Tourism Bureau, "2017 Survey Report on Visitors Expenditure and Trends in Taiwan," September 25, 2018, xv; Taiwan's Tourism Bureau, "2016 Survey Report on Visitors Expenditure and Trends in Taiwan," September 4, 2017, xiii; Taiwan's Tourism Bureau, "2015 Survey Report on Visitors Expenditure and Trends in Taiwan," August 17, 2016, xiii.
139. Taiwan's Tourism Bureau, "2017 Annual Survey Report on Visitors Expenditure Trends in Taiwan," September 25, 2018.
140. Chris Horton, "China, an Eye on Elections, Suspends Some Travel Permits to Taiwan," *New York Times*, July 31, 2019; *Reuters*, "China to Halt Individual Tourism Permits for Taiwan Amid Rising Tension," July 31, 2019.
141. China's Ministry of Culture and Tourism, "Cross-Strait Tourism Exchange Association's Announcement on Temporary Suspension of Experimental Individual Travel Program for Mainland Residents" (海峡两岸旅游交流协会关于暂停大陆居民赴台个人旅试点的公告), July 31, 2019. Translation. https://www.mct.gov.cn/whzx/ggtz/201907/t20190731_845439.htm; *China Daily*, "Tsai's Provocations Come at a Cost," July 31, 2019.
142. *China Daily*, "Tsai's Provocations Come at a Cost," July 31, 2019.
143. Pei Li and Yimou Lee, "China Blocks Movies, Stars from Taiwan's Golden Horse Awards," *Reuters*, August 6, 2019.
144. Simon Denyer, "Taiwan Battles a Brain Drain as China Aims to Woo Young Talent," *Washington Post*, April 15, 2018.
145. CNA, "China's Attempt to Attract Taiwanese Had 'No Obvious Effect': MAC," *Focus Taiwan*, September 6, 2018.
146. State Council of the People's Republic of China, *Guidelines to Promote National Integrated Circuit Industry Development* (国家集成电路产业发展推进纲要), June 26, 2014. Translation. http://www.gov.cn/xinwen/2014-06/24/content_2707360.htm; Kane Wu, Julia Zhu, and Cate Cadell, "Exclusive: Chip Wars - China Closing in on Second \$19 Billion Semiconductor Fund: Sources," *Reuters*, April 26, 2018.
147. Yimou Lee, "China Lures Chip Talent from Taiwan with Fat Salaries, Perks," *Reuters*, September 4, 2018.
148. Yimou Lee, "China Lures Chip Talent from Taiwan with Fat Salaries, Perks," *Reuters*, September 4, 2018.
149. Taiwan National Development Council, *Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan*. https://www.ndc.gov.tw/en/Content_List.aspx?n=286FD0E985C0EA44.
150. CNA, "Cabinet Approves Regulations to Simplify Foreign Investment Procedures," *Focus Taiwan*, January 3, 2019.
151. Taiwan Executive Yuan, *Three Programs to Boost Investment in Taiwan* (投資台灣3大方案—政府挺企業投資台灣), July 15, 2019. Translation. <https://www.ey.gov.tw/Page/5A8A0CB5B41DA11E/af6d44ca-f3df-467e-8538-b4213684bbf6>.
152. Matthew Strong, "Taiwan President Praises Success of Plan to Encourage Return of Taiwanese Firms," *Taiwan News*, August 8, 2019.
153. Ralph Jennings, "Taiwan Is Finally Luring Companies Back from China after More than 15 Years of Trying," *South China Morning Post*, March 21, 2019.
154. Timothy Ferry, "The 5+2 Industrial Innovation Plan," *AmCham Taipei*, May 8, 2017; Taiwan National Development Council, *The Push for Industrial Innovation* (協調推動產業創新計畫). Translation. http://www.ndc.gov.tw/Content_List.aspx?n=9D024A4424DC36B9&upn=6E972F5C30BF198F.
155. Taiwan Smart Machinery, "Machinery Exports Hit All-Time High for 2017 in Taiwan," February 26, 2018. <https://www.twmt.tw/machinery-exports-hit-all-time-high-for-2017-in-taiwan/>; Tsai Ing-wen, "Full Text of President Tsai Ing-wen's National Day Address," *Focus Taiwan*, October 10, 2018.
156. Taiwan Association of Machine Industry, "Exports of Taiwan General Machinery in 2018." http://www.tami.org/st/taiwan_ind_201812.pdf.

157. Taiwan's Executive Yuan, *Forward-Looking Infrastructure Development Program* (前瞻基礎建設計畫), March 11, 2019. Translation. <https://www.ey.gov.tw/Page/5A8A0CB5B41DA11E/9cf2eef1-e2d2-4f37-ba6e-9498deb422b4>.
158. Taiwan's Executive Yuan, *Forward-Looking Infrastructure Development Program* (前瞻基礎建設計畫), March 11, 2019. Translation. <https://www.ey.gov.tw/Page/5A8A0CB5B41DA11E/9cf2eef1-e2d2-4f37-ba6e-9498deb422b4>; Lee Hsin-fang and Sherry Hsiao, "NT\$72.7bn Infrastructure Plan Revealed," *Taipei Times*, July 30, 2018.
159. Taiwan's Executive Yuan, *Forward-Looking Infrastructure Development Program* (前瞻基礎建設計畫), March 11, 2019. Translation. <https://www.ey.gov.tw/Page/5A8A0CB5B41DA11E/9cf2eef1-e2d2-4f37-ba6e-9498deb422b4>.
160. Taiwan's Ministry of Foreign Affairs, *New Southbound Policy Portal*. https://nspp.mofa.gov.tw/nsppe/list_tt.php?unit=376&unitname=Policy-Framework.
161. Taiwan's Bureau of Foreign Trade, *Trade Statistics*.
162. Taiwan's Bureau of Foreign Trade, *Trade Statistics*.
163. Taiwan's Ministry of Economic Affairs, Investment Commission, *Monthly Report*, April 2019.
164. U.S. Census Bureau, *Trade in Goods with Taiwan*; U.S. Census Bureau, *Trade in Goods by Country*; U.S. Census Bureau, "Top Trading Partners," December 2018.
165. U.S. Census Bureau, *Trade in Goods with Taiwan*.
166. U.S. Census Bureau, *USA Trade Online*, February 6, 2018.
167. PJ Huffstutter and Dominique Patton, "Taiwan Signs Deal to Buy \$1.56 Billion in Iowa, Minnesota Soybeans," *Reuters*, September 27, 2018.
168. U.S. Census Bureau, *USA Trade Online*, February 6, 2018.
169. Teng Pei-ju, "Taiwan Ready for Free Trade Agreement with U.S.: Country's Chief Negotiator," *Taiwan News*, June 11, 2019; *Taiwan Today*, "Taiwan Sends Largest Delegation to SelectUSA Investment Summit," June 20, 2018.
170. Taiwan's Executive Yuan Office of Trade Negotiations, *Introduction of Taiwan-U.S. TIFA*. https://web.archive.org/web/20170804033106/https://www.moea.gov.tw/Mns/otn_e/content/Content.aspx?menu_id=6198.
171. Elaine Hou and Frances Huang, "Taiwan Hopes Talks under TIFA Will Resume This Year," *Focus Taiwan*, April 19, 2018.
172. Office of the U.S. Trade Representative, "United States and Taiwan Hold Dialogue on Trade and Investment Priorities," October 6, 2016.
173. American Institute in Taiwan, "Taiwan-U.S. Dialogue Will Help Bilateral Ties," July 26, 2017.
174. Marina Finley, "Taiwan's Current Intellectual Property Rights Challenges," *AmCham Taipei*, June 12, 2017.
175. Office of the U.S. Trade Representative, *2018 Trade Policy Agenda and 2017 Annual Report*, March 2018, 29.
176. Shirley A. Kan and Wayne Morrison, "U.S.-Taiwan Relationship: Overview of Policy Issues," *Congressional Research Service*, April 22, 2014, 34–36.
177. American Institute in Taiwan, "Remarks by AIT Chairman James Moriarty at the Global Taiwan Institute Annual Symposium," September 12, 2018; Shelley Rigger, *Why Taiwan Matters: Small Island, Global Powerhouse*, Rowman and Littlefield, 2011, 191.
178. U.S.-China Economic and Security Review Commission, *2018 Annual Report to Congress*, November 2018, 369.
179. Mike Pompeo (@SecPompeo), "The United States congratulates #Taiwan on another successful round of free and fair elections. Your hard-earned constitutional democracy is an example for the entire Indo-Pacific," Twitter, November 24, 2018, 6:40 p.m.

