

SECTION 2: TAIWAN

Abstract

In 2023, China accelerated its multifaceted political, military, economic, and information pressure campaign against Taiwan, continuing to raise international concerns about the possibility of Beijing initiating military aggression. Beijing's coercion is aimed at influencing the outcome of the presidential election in January 2024. President Tsai Ing-wen's Administration continues to adopt measures to inoculate Taiwan against these coercive efforts, especially in the security and economic spheres; however, the results of these measures will not be apparent for some time. Reforms to Taiwan's military and efforts to root out election-related disinformation are contributing to greater resilience of the island, even as China's People's Liberation Army (PLA) has intensified gray zone activities and rehearsals for possible military action. Taiwan's economy remains stable despite the global dip in demand for semiconductors and punitive measures from Beijing aimed, again, at influencing the upcoming election. Over the last year, Taiwan has sought to draw even closer to the United States through new initiatives, strengthening its security and economic ties through the Biden Administration's announcement of drawdown authorities for faster arms transfers and the U.S.-Taiwan Initiative on 21st Century Trade.

Key Findings

- In the runup to the 2024 elections, Beijing is accelerating its multifaceted coercion campaign against Taiwan. The PLA has continued to ratchet up military activity around Taiwan, continuing a trend over the past five years of increased military coercion that reflects a rising risk of conflict.
- Taiwan's four major presidential candidates have attempted to differentiate their China policies from one another while tailoring their positions to reflect popular consensus among the island's voters. Taiwan's electorate has overwhelmingly rejected the Chinese Communist Party's (CCP) "one country, two systems" framework, with no major candidate advocating for moving the cross-Strait relationship forward under that paradigm.
- Taiwan's military continues to develop its capabilities to resist a PLA military campaign, announcing plans to enhance both its training and equipment. Taiwan continues to grow its proficiency with advanced U.S.-supplied weapons and is integrating lessons observed in Russia's war against Ukraine. Taiwan's military has begun the process of reforming training for its conscripted members and extending conscripted military service from four months to one year.

- Beijing has stepped up its economic pressure campaign by continuing to ban targeted imports in addition to threatening to roll back decades-old preferential cross-Strait trade arrangements. A drop in global demand for its key exports caused Taiwan's economy to temporarily slip into recession in early 2023, raising concerns that while the economy has stabilized, it may still be susceptible to the impact of economic coercion.

Recommendations

The Commission recommends:

- Congress should direct the U.S. Department of Defense (DOD) to expand the training of Taiwan's military to locations in the United States for the purpose of conducting weapons familiarization with systems that have been ordered by, but not yet delivered to Taiwan in order to speed Taiwan's adoption of those systems once delivered. Congress should authorize DOD to station standing observer teams from Taiwan at U.S. training installations and bases to observe and participate in such training.
- Congress should pass legislation establishing a joint "center of excellence" operated by the United States and Taiwan to uncover, analyze, and counter China's disinformation and offensive cyber operations against Taiwan. This center could be modeled on the NATO Cooperative Cyber Defense Center of Excellence and foster cooperation, capabilities, and information sharing on disinformation and cyber security through education, training, and research.
- Congress direct the U.S. Department of State and relevant agencies to produce an unclassified report examining the expected economic impact of a PLA blockade and/or quarantine of Taiwan. The report should seek to assess the following under each scenario: (1) the impact on global trade and output on timelines up to one year; (2) the top ten sectors that will be most disrupted by a sustained blockade; and (3) expected impact on the domestic economies of each G7 country from such action.

Introduction

In April 2023, Taiwan President Tsai met with then Speaker of the U.S. House of Representatives Kevin McCarthy in California, the first such meeting between a Taiwan president and a Speaker of the House on U.S. soil since the break in official relations in 1979.¹ Despite then Speaker McCarthy's decision to lower the profile of the meeting by holding it in the United States rather than in Taiwan, upon President Tsai's return to the island, China launched a series of joint military exercises in the air and waters around Taiwan lasting three days.² Such actions put into stark relief Beijing's long-running efforts to isolate Taiwan from the world and to cow its elected leadership into accepting unification on CCP terms through the threat of military force. At the same time, Beijing has increased its efforts in the political sphere to sway Taiwan's January 2024 presidential elections.³ The outcome of that election will have consequences not only for the cross-Strait relationship but also for the U.S.-China and

U.S.-Taiwan relationships.⁴ This section analyzes developments in Taiwan's security, external relations, and economy between late 2022 and late 2023. It is based on the Commission's consultations with experts, open source research, and portions of its March hearing on "China's Global Influence and Interference Activities."

Cross-Strait Relations Remain Frosty ahead of Taiwan's 2024 Election

Relations between mainland China and Taiwan remain at a low point, owing to the CCP's suspension of official communications with the Democratic Progressive Party (DPP)-led government and Beijing's continued military aggression toward the island.* Beijing has acknowledged no major shifts in official policy this year and appears to be waiting to see how the consequential next election in Taiwan will transpire, even as it works to influence that outcome. Chinese government officials have expressed extreme antipathy at the prospect of another DPP government while holding a number of meetings with Kuomintang (KMT) leaders on the Mainland.⁵ Meanwhile, Beijing continues to covertly interfere in Taiwan's political environment in the runup to the election but notably has not issued direct private or public threats warning against any specific outcome as unacceptable to Beijing.⁶

Chinese Leadership Indicates Continuity of Taiwan Policy

Beijing's rhetoric and official policy toward Taiwan in 2023 continued to emphasize its declared preference for "peaceful reunification"† while preparing for and reserving the right to use force against Taiwan. At the same time, Beijing blames so-called "separatists" in the DPP and "external interference" by foreign powers for tensions in cross-Strait relations.‡⁷ In speeches made by General Secretary of

*After President Tsai refused to endorse Beijing's interpretation of the 1992 Consensus in 2016, Beijing cut official communication with Taiwan's DPP government. The 1992 Consensus is an understanding allegedly reached at a 1992 meeting between representatives of two quasi-official organizations that manage cross-Strait relations, China's Association for Relations Across the Taiwan Straits (ARATS) and Taiwan's Straits Exchange Foundation (SEF) (then associated with a government under the KMT's one-party rule). The term "1992 Consensus" was coined in the year 2000 by then Mainland Affairs Council (MAC) Chairman Su Chi under the KMT administration of Lee Teng-hui, who said that it referred to the idea that both sides agreed there is only "one China" but that each side maintained its own, differing interpretation of the meaning of "one China" (leaving open the question of whether that "China" was the Republic of China under the KMT or the People's Republic of China under the CCP). The 1992 Consensus was first adopted by the KMT in 2008 under the administration of Ma Ying-jeou and most recently reaffirmed in 2021 under current KMT chairman Eric Chu. Leaders of the DPP have questioned the existence of the 1992 Consensus and argued that it does not reflect the will of the Taiwan public, since it was reportedly reached prior to the island's democratization. In a 2019 speech, General Secretary Xi equated the 1992 Consensus with "one country, two systems." Since that time, CCP events and statements have clarified that when they refer to the 1992 Consensus it means accepting Taiwan's unification with the Mainland. Beijing maintains that the agreement does not allow for different interpretations of "one China" in the first place. Derek Grossman, "Where Does China's 'One Country, Two Systems' Stand in 2020?" *RAND*, February 13, 2020; Derek Grossman and Brandon Alexander Millan, "Taiwan's KMT May Have a Serious '1992 Consensus' Problem," *RAND*, August 9, 2004; Jessica Drun, "The KMT Continues to Grapple with Its '1992 Consensus,'" *Global Taiwan Institute*, September 21, 2022; John Dotson, "The CCP Commemorates the 30th Anniversary of the '1992 Consensus'—and Seeks to Change Its Meaning," *Global Taiwan Institute*, September 21, 2022.

†Beijing has claimed that it desires "re-unification" with Taiwan, which implies that Taiwan has historically been part of China, a claim Taiwan and the international community have rejected. Instead, this report uses "unification" to describe Beijing's revisionist ambitions, except where quoting Xi Jinping or other leaders, and in those cases leaves "re-unification" in quotations.

‡Deng Xiaoping, the former leader of China, initiated the policy of "peaceful reunification" with Taiwan in 1979. Under this framework, China opposes "independence" and "separatism" in Taiwan and prefers peaceful reunification but will not renounce the use of force to "re-unify" with the island. China has proposed the one country, two systems model for Taiwan—similar to that

the CCP Xi Jinping at the 20th Party Congress in October 2022 and the National People's Congress in March 2023, he portrayed Beijing's actions toward Taiwan over the past five years as a series of achievements based on fundamentally sound assessments of the strategic environment.⁸ At the 20th Party Congress, Xi claimed that Beijing had foiled efforts to promote Taiwan's independence, promoted its One China principle* within the international community, and asserted that China continues to maintain the "initiative" to steer cross-Strait relations in its preferred direction.⁹ He also reaffirmed the "one country, two systems" framework † as well as the relatively new "overall strategy for resolving the Taiwan question in the new era" ‡ first introduced in late 2021.¹⁰ The noticeable omission of "one country, two systems" from Chairman of the Chinese People's Political Consultative Conference (CPPCC) Wang Huning's speeches at both the 2023 Taiwan Work Conference in May and the 15th annual Straits Forum in June, however, show that Beijing is deemphasizing the "one country, two systems" framework in messaging about Tai-

which was to be employed in Hong Kong—in which Taiwan would retain a degree of autonomy. In the years since the passage of Hong Kong's National Security Law, the people of Taiwan have increasingly rejected the one country, two systems framework. China also adheres to the One China principle, which asserts that there is only one China and that Taiwan is part of it. CCP General Secretary Xi Jinping has stated that "secession aimed at 'Taiwan independence' is the greatest obstacle to national reunification and a grave danger to national rejuvenation." Speaking on cross-Strait relations, he has expressed that "blood runs thicker than water" and that the issue of Taiwan is an "internal matter" only for the Chinese people on both sides of the Strait to resolve. Lindsay Maizland, "Why China-Taiwan Relations Are So Tense," *Council on Foreign Relations*, April 18, 2023; Xi Jinping, "Full Text of Xi Jinping's Report at 19th CPC National Congress," *China Daily*, November 4, 2017; Xi Jinping, "Full Text of President Xi's Speech at Meeting Marking 1911 Revolution," *Xinhua*, October 13, 2021.

*The One China principle refers to the Chinese government's position that Taiwan is an inalienable part of the state called "China" ruled by the People's Republic of China. By contrast, the One China policy refers to the U.S. government position that the PRC—rather than the Republic of China government on Taiwan—is the sole legal government of China and acknowledges, but does not agree with, the Chinese position that Taiwan is part of China. Many other countries which maintain official ties with Beijing use the phrase "One China policy" to describe their stance of officially recognizing the People's Republic of China (PRC) while simultaneously not recognizing the Republic of China (ROC).

†One country, two systems is the Chinese government's proposed political framework for unification with Taiwan. Under one country, two systems, Chinese officials claim Taiwan can enjoy a high degree of autonomy in exchange for recognizing the existence of "one China" and Taiwan's role as a constituent part of it. China's crackdown on the rights and freedoms of people in Hong Kong has shown that its promises of autonomy under the framework are empty, however. In 2019, General Secretary Xi equated one country, two systems to the 1992 Consensus, leading President Tsai to emphatically reject the framework. For more, see Derek Grossman, "Where Does China's 'One Country, Two Systems' Stand in 2020?" *Diplomat*, February 13, 2020; China's Ministry of Foreign Affairs, *A Policy of "One Country, Two Systems," on Taiwan*, 2014.

‡CCP officials and media have promoted the Party's "overall strategy for resolving the Taiwan question in the new era" as a novel, comprehensive, and theoretically profound framework for achieving Taiwan's unification with the Mainland. Most of the strategy is consistent with the policy of "peaceful reunification." According to commentary by Taiwan Affairs Office Director Liu Jieyi in July 2022, the strategy encompasses five lines of effort. First, China views "reunification" as an "inevitable requirement" of national rejuvenation and will promote both aims at the same time, aiming to "create a favorable environment in the Taiwan Strait" and to rely on "our growing comprehensive strength and significant institutional advantages." Second, China continues to view "peaceful reunification and one country, two systems" as the best policy option but still reserves the option to use force as required. Third, China maintains that the One China principle and 1992 Consensus are the political foundation of cross-Strait relations and the precondition for any official dialogue with Taipei. Fourth, China will continue to promote cross-Strait integration and development, namely through economic initiatives and cultural exchanges. Finally, China will continue its efforts to deter Taiwan politicians from declaring independence and foreign countries from "interfering" in any matter China regards as its internal affairs. For more, see U.S.-China Economic and Security Review Commission, Chapter 4, "Taiwan," in *2022 Annual Report to Congress*, November 2022, 592, 596–597.

wan ahead of the 2024 election because it has become so unpopular among Taiwan's populace and mainstream politicians.*¹¹

Beijing continues to attempt to isolate the Tsai government and the ruling DPP, blaming them for all problems in cross-Strait relations.¹² In response to the April transit of President Tsai through the United States, China's Ministry of Foreign Affairs accused Tsai of "putting cross-Strait relations in serious difficulty" by encouraging "separatist rhetoric."¹³ At the annual Shangri-La Dialogue in June, then Defense Minister General Li Shangfu blamed the DPP for tensions in the Taiwan Strait, stating that the root cause of tensions across the Taiwan Strait is "the DPP authorities soliciting foreign support for independence."¹⁴ Beijing has also accused DPP presidential candidate and current Vice President "William" Lai Ching-te of machinating for independence, preemptively demonstrating its anticipated unwillingness to engage constructively with Lai if he is ultimately elected by Taiwan's populace.¹⁵ An editorial published in July by China's embassy in the United States attempted to undercut Vice President Lai's stated support for maintaining the cross-Strait status quo by accusing him of a concealed pro-independence agenda.¹⁶ The editorial also characterized his proposal to enhance Taiwan's deterrence capabilities as a way to "resist by force the motherland's reunification," a choice of words that attempted to portray Taiwan's defensive measures as inherently provocative and offensive.¹⁷

CCP officials also continued to engage the KMT, hosting visiting KMT dignitaries throughout 2023.¹⁸ The trips represent an effort by Beijing to show willingness to engage with a KMT-led Taiwan as opposed to the shutdown of dialogue it initiated after Tsai's election.¹⁹ In March 2023, former Taiwan President and KMT member Ma Ying-jeou visited the People's Republic of China (PRC), becoming the first former Taiwan president to do so since the CCP's takeover of the Mainland in 1949.²⁰ Ma visited five mainland Chinese cities and met with Chinese officials, such as Taiwan Affairs Office head Song Tao, the official heading the body in charge of implementing Beijing's policy toward Taiwan.†²¹ Song praised what Chinese state media referred to as Ma's "significant contribution" to the development of cross-Strait relations.‡²² Ma's trip occurred at the same time as President Tsai's stopover in New York City, highlighting to Taiwan's voters the contrast between how Beijing would interact

*Wang Huning is currently the chairman of the Chinese People's Political Consultative Conference (CPPCC) and has been a member of the CCP's Politburo Standing Committee since 2017. A political theorist, Mr. Wang has been regarded as the leading ideologist in the country since the 1990s. *China Daily*, "Wang Huning Elected Chairman of China's Top Political Advisory Body," March 11, 2023; Eduardo Baptista and Michael Martina, "Newsmaker: China's Wang Huning, A Backstage Ideologue and Political Survivor," *Reuters*, December 11, 2022.

†Song Tao, a veteran Chinese diplomat with close ties to Xi Jinping, previously served as foreign vice-minister and head of the International Liaison Department, a Party organization that manages ties with other countries' political parties. Mr. Song served as ambassador to Guyana and the Philippines; counselor at the Chinese Embassy in India; and special envoy to North Korea, Vietnam, and Cuba. Mr. Song was a member of the 19th CCP Central Committee from 2017 to 2022. J. Michael Cole, "Veteran Chinese Official Song Tao Assumes the Taiwan Portfolio," *Global Taiwan Institute*, January 11, 2023.

‡Ma's trip drew criticism from both the DPP and some Chinese online commentators. Upon his return to Taiwan, Ma gave a speech in which he framed the upcoming presidential election as a choice between "peace and war," blaming the ruling DPP Administration for leading Taiwan to danger and suggesting that the KMT would be able to engage with the PRC. Ann Wang and Yimou Lee, "Taiwan Faces Choice of Peace and War; Ex-President Says after China Trip," *Reuters*, April 7, 2023; Cheng Long, "Song Tao Met with Ma Ying-jeou and His Party in Wuhan" (宋涛在武汉会见马英九一行), *People's Daily*, March 31, 2023. Translation; Hemant Adlakha, "Ma Ying-jeou's Trip to China Sparks Pushback—From Taiwanese and Chinese Alike," *Diplomat*, March 29, 2023.

with future KMT and DPP governments.²³ KMT Vice Chairman Andrew Hsia also made two trips to mainland China in February and June, meeting with CPPCC chairman Wang and Taiwan Affairs Office director Song on the first occasion and participating alongside Wang in a presentation at the annual Straits Forum at the second.*²⁴

Beijing Seeks to Influence Taiwan's Upcoming Election

Beijing will continue to target Taiwan with disinformation† and united front‡ work to amplify societal divisions to divide and demoralize Taiwan society ahead of the January 2024 election (for more on disinformation and united front work, see Chapter 2, Section 2, “Battling for Overseas Hearts and Minds: China’s United Front and Propaganda Work”). According to Taiwan-based organizations Doublethink Lab and the Information Operations Research Group (IORG), Taiwan was heavily targeted by Chinese state-sponsored disinformation operations during the November 2022 local elections.²⁵ These Chinese disinformation operations emphasized cultural unification, attacked the Taiwan government’s integrity and the United States’ credibility, and promoted China’s claims that Taiwan belongs to China under its One China principle.²⁶ Puma Shen, chairman of Doublethink Lab, who testified before the Commission in March 2023, has separately stated that Chinese disinformation and united front-related influence operations toward Taiwan had increased in the first few months of 2023 and are expected to increase ahead of the election.²⁷

CCP disinformation directed at Taiwan aims to amplify social divisions and is becoming increasingly sophisticated.²⁸ The CCP is using Artificial Intelligence (AI) technologies to create biased online content using voice generators that mimic Taiwan voices and present subtitles in the specific writing system used in Taiwan in an effort to obscure the mainland origins of these articles.§²⁹ Persistent themes in disinformation on Taiwan include amplifying fears of U.S. abandonment and questioning the intent of U.S. support of Taiwan.³⁰ For example, one video circulated on the popular LINE messaging app in 2023 featured a White House press conference with a caption falsely stating that the press secretary had said that

* At the Straits Forum, Vice-Chairman Hsia stated that the KMT would adhere to the 1992 Consensus, oppose “Taiwan independence,” and promote cross-strait exchange. Before its delegation departed for the Straits Forum, the KMT issued a statement vowing to act as a “bridge between the two sides of the Taiwan Strait.” *People’s Daily*, “The 15th Straits Forum Conference Held in Xiamen” (第十五届海峡论坛大会在厦门举行), June 18, 2023. Translation; Liu Kuan et al., “KMT Vice Chair Urges Return of Cross-Strait Exchanges to Pre-COVID Levels,” *Focus Taiwan*, June 17, 2023; Flor Wang and K.T. Liu, “KMT Vows to Act as Taiwan Strait Bridge before Start of Straits Forum,” June 14, 2023; Jason Pan, “Andrew Hsia Defends Trip to China after Protests,” *Taipei Times*, February 19, 2023.

† Disinformation refers to politically motivated messaging designed to engender public cynicism, uncertainty, apathy, distrust, and paranoia, which has the effect of depressing citizen engagement. Dean Jackson, “Issue Brief: Distinguishing Disinformation from Propaganda, Misinformation, and ‘Fake News,’” *National Endowment for Democracy*, October 17, 2017.

‡ United front work is a way of managing relationships with important groups and individuals outside of the CCP that is based on Russian revolutionary Vladimir Lenin’s concept of forming a “united front,” or a temporary alliance with one’s friends and lesser enemies, to defeat greater enemies. Contemporary united front work encapsulates the various activities of CCP organs, Chinese government agencies, and their affiliates to coopt or coerce groups outside of the CCP into comporting with the Party’s demands and advancing Chinese national interests as the CCP defines them. For more, see Section 2, Chapter 2, “Battling for Overseas Hearts and Minds: China’s United Front and Propaganda Work.”

§ Taiwan uses traditional Chinese characters to write Mandarin Chinese, the standard written language of the Republic of China, established before changes were made to the official standard writing system in Mainland China in the 1960s.

“the United States will forsake Taiwan in case of an invasion.”³¹ Another video circulated on the social media platform TikTok—subsequently identified by Taiwan’s Ministry of Foreign Affairs as disinformation—alleged that the United States intended to provoke a war over Taiwan in order to contain China.³² Local Taiwan newspapers propagated allegations, likely originating from mainland China, claiming that the United States had asked Taiwan to develop biological warfare agents, a claim refuted by the U.S. Department of State and Taiwan’s Executive Yuan.³³ Distrust of the DPP government is also highlighted by disinformation efforts, with misleading stories circulated by Chinese state media alleging that the 2023 Han Kuang exercises were an “escape rehearsal” for President Tsai and U.S. citizens in the event of a PLA invasion.³⁴

China’s increasingly successful use of disinformation operations may stymie efforts by Taiwan’s government and civil society organizations to maintain unity and uncover electoral interference. In the leadup to 2022’s November local elections, Taiwan’s Ministry of Justice Investigative Bureau released information on an alleged Chinese state-sponsored effort to disseminate fake news in Taiwan through mainland investment in Taiwan-based media companies.³⁵ A revision to Taiwan’s All-Out Defense Mobilization Readiness Act was proposed earlier this year that would have mandated greater media cooperation with government orders while increasing penalties for spreading misinformation during times of emergency.[†]³⁶ However, the proposal was withdrawn after opposition parties and others raised press freedom concerns.³⁷ A number of nongovernmental organizations in Taiwan have stepped in to combat disinformation, such as the Taiwan Fact Checking Center, which publishes fact checks on issues ranging from consumer scares to geopolitical propaganda.³⁸

China’s government has attempted to intimidate Taiwan citizens from exercising their right to free speech. In April 2023, China’s Supreme People’s Procuratorate announced the formal arrest of Taiwan activist Yang Chih-yuan, who had already been held incommunicado since August 2022 under “residential surveillance at a designated location” in Zhejiang Province.³⁹ Mr. Yang became the first Taiwan national to be arrested for a crime under the Mainland’s National Security Law when he was first detained in 2022.⁴⁰ The Wenzhou Municipal People’s Procuratorate arrested Mr. Yang under “suspicion of secession,” making his case the first time a person from Taiwan would face separatism charges in a mainland court, according to the *South China Morning Post*.⁴¹ According to Lee Ming-cheh, a prodemocracy activist, Yang’s activism all took place in Taiwan. Mr. Lee said Mr. Yang’s arrest “is intended to warn Taiwanese that advocating independence won’t be consequence-free.”⁴²

*Of note was that the Chinese company involved used a U.S.-registered subsidiary to purchase additional media companies in Taiwan, likely in an effort to both heighten its credibility and obfuscate connections with the originating Chinese company. Russell Hsiao, “Political Warfare Alert: The PRC’s Evolving Information Operations Targeting Provincial and Local Media Intermediaries,” *Global Taiwan Institute*, January 11, 2023.

†The All-Out Defense Mobilization Readiness Act is a law enacted in Taiwan in 2001 that established a national defense mobilization system. The act is divided into two phases: the Mobilization Preparation Phase and the Mobilization Implementation Phase. The former refers to mobilization preparation, the latter refers to the time period of assembling reserve forces for active duty. The law consolidates civil and military command and control in times of war or national emergency as authorized by Taiwan’s president. See Taiwan (ROC) Ministry of Justice, *All-Out Defense Mobilization Readiness Act*, June 19, 2019.

Presidential Race Previews Future of Cross-Strait Relations

Taiwan's tense winner-take-all presidential election in 2024 could have a significant impact on cross-Strait relations.*⁴³ The presidential race currently involves candidates from the DPP, the KMT, and the Taiwan People's Party (TPP). Foxconn founder Terry Gou also publicly announced a bid as an independent candidate, and as of October claimed to have gathered the 300,000 signatures required to be placed on the ballot as an independent.⁴⁴ Each candidate holds differing views of how Taiwan should conduct its relationship with the Mainland.⁴⁵ Historically, Taiwan's political divide has centered around the "Pan-Green" parties, of which the DPP is most prominent, and the "Pan-Blue" parties, of which the KMT is most prominent.[†]⁴⁶ While local issues were at the forefront of Taiwan's 2022 midterm elections, cross-Strait relations have historically mattered more to Taiwan's voters in presidential elections.⁴⁷ As the island's voters prepare to head to the polls, they are facing not only an increasingly belligerent threat from across the strait but also a cooling economy, high housing costs, intraparty scandals, and the realignment of political coalitions. As of August 2023, the major candidates had expressed the following positions:

- *DPP candidate "William" Lai Ching-te, current vice president of Taiwan:* ‡ Lai has indicated that he plans to follow the Tsai Administration's policy on cross-Strait issues and signaled he will not pursue de jure independence, stating that "Taiwan is already an independent and sovereign nation, and thus we do not have a need to further declare Taiwan independence."⁴⁸ Lai has committed to continuing the defense reforms that were started under President Tsai and is expected to broadly follow policies from the Tsai Administration.⁴⁹ Lai has pushed back against former KMT President Ma's framing of the 2024 election as a vote between "peace" and "war," arguing instead that "it's about choosing between democracy and autocracy."⁵⁰ Lai has also stated he believes that "Taiwan and China can coexist as brothers," a remark designed to allay concerns among the electorate that he would take a confrontational approach.⁵¹ Polls conducted in September show Lai could receive between 31.4 and 34 percent of the vote.⁵²
- *KMT candidate Hou You-yi, current mayor of New Taipei City:* Hou has echoed KMT narratives that the DPP could provoke conflict with China, and suggested that a KMT administration

*Taiwan has held presidential elections with more than two mainstream candidates in 1996, 2000, and 2016. As Taiwan's presidential election operates under a "first-past-the-post" simple majority system, the candidate with the most votes will win the election, with no further runoffs required after the vote in January of 2024. Seamus Boyle, "For Taiwan's DPP, an Unprecedented '3-peat' Depends on a Third Party" *Diplomat*, June 8, 2023; Sean O'Connor and Ethan Meick, "Taiwan Opposition Party Wins Presidency and Legislative Majority in Historic Elections," *U.S.-China Economic and Security Review Commission*, January 28, 2016; *Reuters*, "Factbox: How Does a Taiwan Election Work?" January 7, 2020.

†Originally, pan-Green parties in Taiwan favored local democracy and a unique Taiwan identity, while the pan-Blue sought policies that favored eventual unification of a greater China and maintaining a Chinese identity on Taiwan. Both camps of parties have moderated through successive election cycles with the need to reach voters in the middle. Jessica Drun, "A Green Wave?" *Center for Strategic and International Studies*, November 22, 2022.

‡In 2017, Lai described himself as a "political worker for independence" while serving as Taiwan's premier. Yip Wai Yee, "Taiwan's Ruling Party DPP Names William Lai as Its Presidential Candidate," *Straits Times*, April 12, 2023.

will be able to maintain stable relations with China.⁵³ He has also stated his opposition to both “one country, two systems” and independence.⁵⁴ In August, Hou dismissed the idea of holding official negotiations with China on Beijing’s terms, stating that any such proposals were not feasible at present and blaming Chinese military activity in the Taiwan Strait and fewer contacts between the two sides for an atmosphere of reduced trust.⁵⁵ Hou has stated he would support a version of the 1992 Consensus so long as it conformed with Taiwan’s constitution.⁵⁶ In July, Hou suggested that if he were elected, he would reverse the Tsai Administration policy that extends military conscription to one year.⁵⁷ Clarifying his statement days later, Hou said he only objected to specific aspects of the new one-year system and would work to return the conscription period to four months only after peaceful cross-Strait relations had been achieved.⁵⁸ Hou has also stated that the United States is Taiwan’s strongest ally and that he would continue to strengthen Taiwan’s national defense through U.S. arms purchases if elected.⁵⁹ Polls conducted in September show Hou trailing Lai with between 15.7 and 21 percent of the vote.⁶⁰

- *TPP candidate Ko Wen-je, former mayor of Taipei between 2014 and 2022:** Ko’s position on cross-Strait relations has tended to emphasize the importance of cultural ties and dialogue between China and Taiwan while recognizing their de facto political separation.†⁶¹ Ko was accused by some Taiwan political observers of harboring pro-unification sentiments after his 2015 statement that “both sides of the Taiwan Strait are one family,” a phrase that has been used by CCP leadership.⁶² Ko suggested that he referred to Taiwan and China as part of the same family in order to engage in dialogue with China, and he maintains that Beijing needs to clarify its definition of the 1992 Consensus.⁶³ Since 2018, Ko has publicly favored a practical approach to relations with China, embracing the need for Taiwan to build up its deterrent capabilities even as it engages in dialogue with China.⁶⁴ In announcing his candidacy, Ko also expressed the view that Taiwan should not be a “chess piece” between the United States and China but rather a facilitator of dialogue between the two countries.⁶⁵ Polling conducted in September shows Ko capturing between 22 and 23.1 percent of the vote.⁶⁶
- *Independent candidate “Terry” Gou Tai-ming, founder of Foxconn Technology Group:* On August 28, Gou announced an independent campaign for Taiwan’s presidency.⁶⁷ Gou, the founder of Taiwan tech manufacturing company Foxconn, had previously angled for the KMT nomination in the presidential elections of 2019 and 2023 but was unsuccessful in securing the

*The newcomer to Taiwan’s national-level races, the Taiwan People’s Party was founded in 2019 by Taipei City Mayor and current TPP presidential candidate Ko Wen-je; the TPP seeks to position itself as a pragmatic party able to attract disaffected voters from both major parties. See Seamus Boyle, “For Taiwan’s DPP, an Unprecedented ‘3-peat’ Depends on a Third Party,” *Diplomat*, June 8, 2023.

†Ko has espoused the “Five Mutuals” of cross-Strait relations, which will guide his administration’s interactions with China. These include mutual acknowledgement, mutual understanding, mutual respect, mutual cooperation, and the most difficult to establish, according to Ko—mutual forgiveness. Duncan DeAeth, “Ko Wen-je Outlines Platform on China ahead of Taiwan Presidential Election,” *Taiwan News*, April 3, 2023.

party's nomination both times.⁶⁸ Gou has blamed the DPP for provoking China and rejecting the 1992 Consensus and said Taiwan and China should “not behave as enemies.”⁶⁹ Gou has also alleged that the DPP has harmed the economic livelihood of Taiwan's populace and called to expand economic ties with China.⁷⁰ Gou has written that Taiwan owes much to the United States but should not allow the relationship to exhibit an “unhealthy dependency.”⁷¹ While Gou's high profile lends his campaign weight, he will have to collect 300,000 signatures before November 2 to qualify as an independent candidate.⁷² Polls conducted in September show Gou trailing the other three candidates with between 9 and 10.5 percent of the total projected vote.⁷³

KMT Factions Fight over the Party's Position on China

The KMT's traditional stance on relations with China has become less appealing to the electorate over time, as Taiwan's population increasingly views itself as “Taiwanese” and expresses broad opposition to Beijing's “one country, two systems” framework.*⁷⁴ The “old guard” members of the KMT, known as the Mainlander faction,† such as Ma Ying-jeou, have resisted calls to moderate their stance on China, defending the 1992 Consensus as essential for ensuring cross-Strait peace.⁷⁵ This older KMT generation mostly identifies as Chinese, opposes Taiwan's independence, and holds hope for eventual unification.⁷⁶ There exists a younger generation, the local Taiwanese faction of the KMT with leaders such as Johnny Chiang who espouse views closer to former Taiwan President and once KMT Chairman Lee Tung-hui.⁷⁷ This generation sees itself as more “Taiwanese” and advocate for a more pragmatic, “Taiwan-centric” approach to cross-Strait relations.⁷⁸

These ideological divisions impacted the KMT's internal primary process for a 2024 presidential candidate. Eric Chu, Terry Gou, and Hou You-yi were seen as the original contenders for the KMT nomination.⁷⁹ Hou You-yi, the mayor of New Taipei City, had long been the strongest polling candidate but lacked support from the KMT's “old guard.”⁸⁰ Hou also refused to commit to a strong ideological stance on cross-Strait relations, which did not sit well with the KMT's conservative, pro-China base, though it may have contributed to his more mainstream appeal among the Taiwan electorate.⁸¹ Hou was ultimately chosen as the KMT's presidential candidate, likely in the hope that his more moderate stance would make him more electable.⁸² It appears that even after Hou's nomination, he continues to struggle with low polling numbers and will likely be competing for the same voters as Terry Gou.⁸³

* Surveys tracking how Taiwan's population self-identifies have changed over time, with respondents increasingly seeing themselves as solely “Taiwanese” in identity rather than “both Taiwanese and Chinese” or “Chinese.” National Chengchi University Election Study Center, “Taiwanese / Chinese Identity (1992/06-2023/06),” July 12, 2023.

† A reference to those who fled the Mainland in 1948, after the Chinese civil war, and their children.

Polling Shows Continued Support for Taiwan's Autonomy, Growing Will to Fight

Public opinion polls in Taiwan indicate that most of Taiwan's population wishes to maintain the island's de facto autonomy while not explicitly declaring de jure "independence" from China.*⁸⁴ Polling shows conflicting views of how the major parties will handle the cross-Strait relationship with China as well as how well Taiwan's military can defend the island.

- A poll conducted by Taiwan's Mainland Affairs Council in July 2023 found that 87 percent of respondents in Taiwan support "maintaining the status quo in a broader sense," which included respondents who answered "yes" to "maintaining the status quo and deciding on independence or unification later," "maintaining the status quo and for unification later," "maintaining the status quo and independence later," and "maintaining the status quo indefinitely."⁸⁵
- A poll conducted by Taiwan's Mainland Affairs Council in July 2023 found that more than 80 percent disapproved of the "one country, two systems" framework, Beijing's proposed arrangement for unification.⁸⁶
- A March 2023 poll conducted by the Taiwan Public Opinion Foundation found that among Taiwan's adults aged 20 years and older, a strong majority of 68.6 percent do not agree with the statement that "DPP will bring war while KMT will bring peace," while 18.9 percent agree with it.⁸⁷
- A February 2023 poll conducted by the 21st Century Foundation in Taiwan found that 79 percent of respondents supported the extension of military conscription to one year.⁸⁸ A poll conducted by the Taiwan Public Opinion Foundation (TPOF) found that 73 percent of respondents favored the extension.⁸⁹
- A September 2022 poll conducted by the Taiwan Public Opinion Foundation found that 47.4 percent of Taiwan's populace believed Ukraine would win the Russia-Ukraine War.⁹⁰ That same poll found that 43.6 percent of respondents expressed the belief that Taiwan's response to PLA military intimidation has been too weak, with 51.5 percent reporting lack of confidence in the DPP government's ability to defend Taiwan.⁹¹ However, when polled in February 2023 about the results of a potential Chinese invasion of Taiwan, 45 percent expressed confidence that Taiwan's military had the ability to defend Taiwan.⁹²
- Polling indicates consistency in Taiwan's will to fight a possible PLA invasion. One poll conducted in March 2022 by the Taiwan International Strategic Study Society claimed 70 percent of respondents were willing to defend Taiwan, a substantial increase from a poll published in December 2021 by the same organization in which 40 percent said they were willing to fight.⁹³ In December 2022, the Taiwan Foundation for Democracy published

*Taiwan's "status quo" is defined by de facto independence without acknowledging de jure statehood. Lev Nachman and Brian Hioe, "No, Taiwan's President Isn't 'Pro-Independence,'" *Diplomat*, April 23, 2020.

a poll wherein 70 percent of respondents expressed willingness to defend Taiwan.⁹⁴

Taiwan's Government Attempts to Increase Population's Resilience against Political Interference

The Tsai Administration remained consistent in its final term by emphasizing the importance of strengthening Taiwan's democracy ahead of the 2024 election.⁹⁵ The Administration's actions include the following:

- In June 2023, Taiwan's government formed a cross-ministry security task force to examine possible voting interference in the upcoming election.⁹⁶ The task force will likely pay particular attention to illicit Chinese money flows into Taiwan to fund candidates favored by China.⁹⁷ Taiwan has previously established a task force to combat disinformation, consisting of representatives across different areas of government, including education, cybersecurity, digital, the Central Election Commission, equipment, and procurement.⁹⁸
- Citing an internal Taiwan government report, Reuters reported that one of Taiwan's security agencies warned in March that it expects China will target a range of Taiwan politicians, businesspeople, and public opinion leaders in various fields to build support for closer ties with the Mainland, using methods such as exchange programs and all-expenses-paid trips to China.⁹⁹ These tactics are frequently associated with the CCP's united front work (for more, see Chapter 2, Section 2: "Battling for Overseas Hearts and Minds: China's United Front and Propaganda Work").¹⁰⁰
- In April, Taiwan's Ministry of Justice Investigation Bureau detected increased amounts of money flowing from Taiwan companies operating in China to certain political candidates, apparently under orders from Beijing.¹⁰¹ According to a Taiwan official, Chinese authorities pressure Taiwan businesspeople with business interests on the Mainland via threats of audits, tax evasion charges, and other legal trouble to force them to channel money toward KMT candidates or candidates who advocate China's "one country, two systems" model and oppose Taiwan independence.¹⁰²

Military Situation in the Taiwan Strait Remains Tense

The PLA accelerated its daily pressure campaign against Taiwan, embarking on a joint exercise in April to signify Beijing's displeasure with President Tsai's transit through the United States.¹⁰³ Taiwan announced major shifts to its conscription system this year, signifying resolve in the face of Chinese aggression.¹⁰⁴

Beijing's Military Activities near Taiwan in 2023

Frequent PLA Intrusions into Air, Waters around Taiwan

The PLA continued to expand its provocative operations in the air and waters around Taiwan in 2023, frequently violating the is-

land's air defense identification zone (ADIZ)* and crossing the median line† to normalize its presence and signal its displeasure with geopolitical events.¹⁰⁵ According to a database currently maintained by defense analysts Alex Kung and Ben Lewis that compiles data published by Taiwan's Ministry of National Defense, PLA aircraft made approximately 1,390 sorties into Taiwan's ADIZ between January 1 and October 6, 2023, over 8 percent more than the 1,286 sorties than occurred over the same period in 2022.‡¹⁰⁶ However, during the April in which the Tsai-McCarthy meeting took place, the PLA only made 259 incursions into Taiwan's ADIZ, a figure 42 percent smaller than the 446 that occurred after then Speaker of the House of Representatives Nancy Pelosi's August 2022 trip to Taiwan.¹⁰⁷ Since September 2022, the PLA has also conducted long-range drone flights into and around Taiwan's ADIZ.¹⁰⁸ In 2023, the first reported drone flight that went around the island and within the ADIZ occurred in April, with two subsequent flights repeating that maneuver in May.¹⁰⁹ In July, shortly before Taiwan's annual Han Kuang military exercises,§ Taiwan's Ministry of National Defense reported an upsurge of PLA activity in the vicinity of Taiwan between July 11 and 13, with 73 ADIZ incursions by PLA aircraft.¹¹⁰ During that timeframe, 16 PLA warships were detected in the waters around Taiwan between July 14 and 15, but they were not reported to have taken the escalatory measure of entering Taiwan's contiguous zone.¶¹¹¹

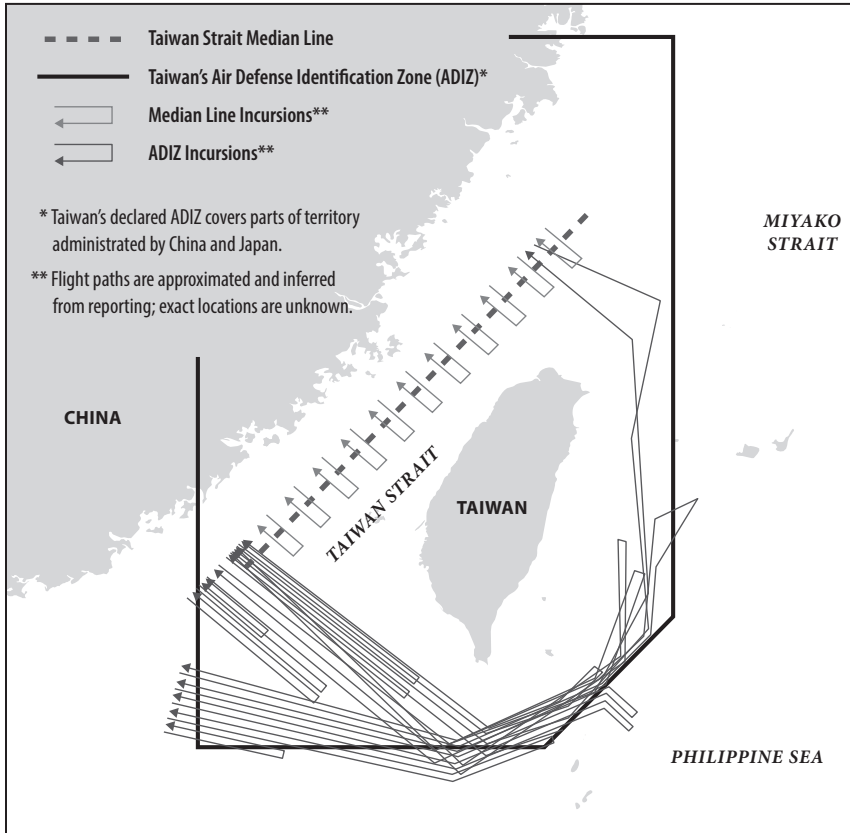
*An air defense identification zone (ADIZ) is as an area of airspace over land or water in which the ready identification and location of all aircraft is required in the interest of a nation's national security. While Taiwan's claimed ADIZ covers large portions of mainland China, its Ministry of National Defense only reports on aircraft that enter Taiwan's de facto ADIZ. Ben Lewis, "2022 in ADIZ Violations: China Dials Up the Pressure on Taiwan," *Center for Strategic and International Studies*, March 23, 2023; Federal Aviation Administration, "ENR 1.12 National Security and Interception Procedures."

†The median line, also known as the center line, is an informal demarcation extending down the middle of the Taiwan Strait. The line was drawn in 1955 by General Benjamin O. Davis, then commander of the U.S. Air Force's Taiwan-based 13th Air Force. While the Chinese government in Beijing never formally agreed to the establishment of the median line, both the PLA and Taiwan's military observed the line in practice. In the decades immediately following the drawing of the median line, Taiwan's military superiority made it too dangerous for PLA aircraft to cross the line. In fact, the Taiwan military also never publicly acknowledged the median line until 1999, when the PLA's first deliberate crossing occurred. With the shift in the cross-Strait military balance in China's favor over the last two decades, Taiwan is no longer able to prevent PLA planes from crossing the line. In 2019, two Chinese fighter aircraft intentionally crossed the median line for the first time since 1999. China's continued median line crossings constitute a unilateral change to the cross-Strait status quo. While China's foreign ministry said in September 2020 that the median line did not exist, Taiwan's defense ministry described its existence as a "fact" in August 2022. For more, see U.S.-China Economic and Security Review Commission, Chapter 5, "Taiwan," in *2019 Annual Report to Congress*, November 2019, 449; Ralph Jennings, "What Is the Median Line between China and Taiwan?" *Voice of America*, October 28, 2020.

‡The PLA aircraft sent into Taiwan's ADIZ are typically multirole strike fighters such as the J-11, J-10, or SU-30. However, the PLA has also sortied anti-submarine warfare aircraft such as the Y-8, bombers such as the H-6, and various electronic warfare and reconnaissance aircraft such as the Y-9. Gerald C. Brown, Ben Lewis, and Alex Kung, "Taiwan ADIZ Violations," October 9, 2023.

§The Han Kuang exercises are the annual joint military exercises held by Taiwan armed forces, with the live-maneuver portion occurring each summer. The largest training event in Taiwan's Ministry of National Defense yearly calendar, Han Kuang is intended to simulate Taiwan's response to an invasion by the PLA. Joseph Yeh, "2023 Han Kuang Drills to Test Response to Latest PLA Threats: MND," April 26, 2023; John Dotson, "An Overview of Taiwan's 2023 Han Kuang Military Exercise," *Global Taiwan Institute, Global Taiwan Brief* 8:15 (August 9, 2023); Eric Cheung, "Taiwan Holds Massive Han Kuang Military Drills as Tensions with China Build," *CNN*, July 29, 2022.

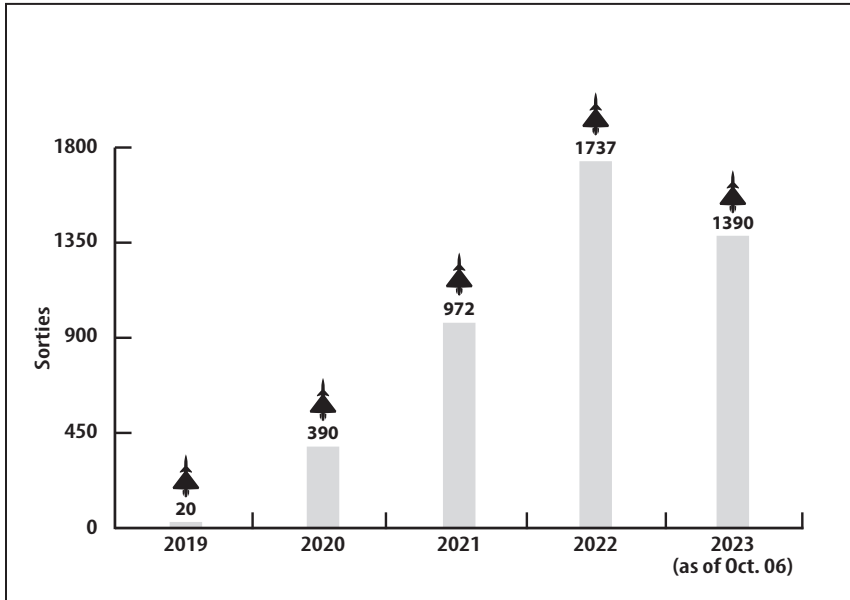
¶Consistent with UN Convention on the Law of the Sea (UNCLOS) regulations, Taiwan defines its territorial sea as beginning 12 nautical miles from its coast, and its contiguous zone as beginning 24 nautical miles from its coast. UN Convention on the Law of the Sea, Part II, "Territorial Sea and Contiguous Zone," Section 4, Article 33.

Figure 1: Flight Paths of PLA Incursions in Taiwan's ADIZ, 2023

Source: Taiwan's Ministry of National Defense, compiled by Gerald C. Brown, Ben Lewis, and Alex Kung. See Gerald C. Brown, "Taiwan ADIZ Violations," last updated October 9, 2023.

The PLA also practiced several military operations in 2023 relevant to a Taiwan conflict, which variously aimed to deter intervention by outside parties, practice new military skills, and make routine its presence in the Taiwan Strait. These included a series of exercises carried out by the PLA Eastern Theater Command that it dubbed Joint Sword between April 8 and 10, shortly after President Tsai's meeting with then Speaker McCarthy, with the following elements:¹¹²

- Military forces from the PLA Army, Navy, Air Force, and Rocket Force reportedly practiced seizing control of the sea, air, and information domains around Taiwan.¹¹³ Forces involved reportedly used a "joint combat system" to coordinate simulated strikes on "foreign military targets" in the waters off Taiwan's southwestern coast.¹¹⁴
- A PLA amphibious landing ship carried out live-fire exercises in Luoyuan Bay, just 30 miles from the Taiwan-administered Matsu Islands, reportedly firing shells at land and sea targets.¹¹⁵

Figure 2: PLA Incursions in Taiwan's ADIZ, 2019 to October 6, 2023

Source: Taiwan's Ministry of National Defense, compiled by Gerald C. Brown, Ben Lewis, and Alex Kung. See Gerald C. Brown, "Taiwan ADIZ Violations," last updated October 9, 2023.

- PLA Navy ships practiced close-range combat maneuvers and air defense drills.¹¹⁶ Chinese military commentators asserted that the forces involved in the exercise were capable of both neutralizing on-island targets before combat began as well as denying access of "external military reinforcements," reflecting the longstanding PLA focus on building a capability to execute coordinated strike and air defense operations against intervening U.S. forces.¹¹⁷
- PLA fighter jets and bombers carried out simulated strike drills and air combat drills with the support of early warning aircraft, electronic warfare jammers, and refueling aircraft.¹¹⁸ Though the April 2023 Joint Sword exercise was shorter in length than the exercises observed after then Speaker Pelosi's August 2022 trip to Taiwan, the tempo of PLA air operations around Taiwan was more intense.¹¹⁹ From April 8 through 10, 2023, a total of 134 ADIZ violations were reported by Taiwan's Ministry of Defense, an amount greater than any three-day period of the August 2022 exercises.¹²⁰
- PLA Rocket Force conventional missile brigades coordinated with naval and air assets to conduct simulated strikes.¹²¹
- The PLA Navy aircraft carrier *Shandong* sailed through the area south of Miyako Island to locations east of Taiwan and launched 80 fighter missions, demonstrating the PLA's increasing ability to conduct carrier operations.¹²² J-15 fighter aircraft launched from the *Shandong* conducted ADIZ violations across the southeast of Taiwan's ADIZ for the first time; this coincid-

ed with land-based KJ-200 airborne early warning and control aircraft that launched incursions into Taiwan's west ADIZ.*¹²³

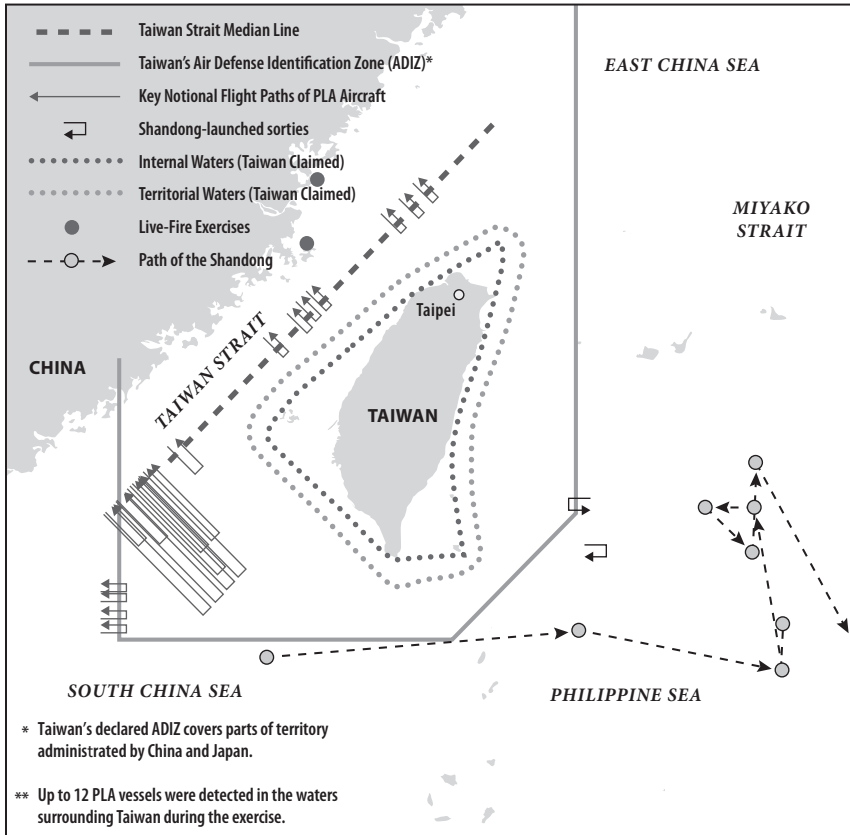
The PLA also engaged in a significant series of military drills around Taiwan in September 2023. A naval force consisting of the PLA's *Shandong* aircraft carrier and a total of 42 PLA vessels conducted drills in the Western Pacific as large numbers of aircraft conducted sorties from the Mainland.¹²⁴ Japan's Minister of Defense reported that naval drills conducted on September 13 and 14 consisted of several rounds of aircraft performing takeoff and landing exercises from the *Shandong*.¹²⁵ The PLA's Eastern Theater Command stated on its WeChat account that its pilots and ground crews were taking part in long-distance, cross-theater exercises.¹²⁶ From September 17 to 18, the PLA launched another series of aircraft drills, with Taiwan's Ministry of National Defense reporting 103 PLA aircraft within the vicinity of Taiwan in a 24-hour period.¹²⁷ These drills demonstrate Beijing's attempts to normalize its military presence around Taiwan, with Zhou Chenming, a researcher at Beijing-based Yuan Wang military science and technology think tank, stating that such "island encirclement patrols" and "cross-theater drills" around Taiwan and in the Western Pacific have become routine.¹²⁸ Lin Yin-yu, an assistant professor at Taiwan's Tamkang University, argued that China's aircraft carrier drills in the Western Pacific enable the PLA to test capabilities needed to resist a potential intervention by the United States and its allies in a Taiwan conflict.¹²⁹

Chinese Thinkers Study Lessons of the Ukraine Conflict

Prominent Chinese state-linked think tanks are studying the implications of the war in Ukraine for a potential conflict over Taiwan as well as lessons about the U.S. deterrence strategy. In a May 2022 article, Zuo Xiyang of China's Renmin University opined that although U.S. deterrence efforts did not dissuade Russia from attacking Ukraine, the fact that the United States followed through on its threats to sanction Russia and provide military aid to Ukraine increased the credibility of U.S. deterrence efforts vis-à-vis Taiwan, recommending that Chinese policymakers study in depth how the United States conducts deterrence.¹³⁰ Scholars such as Dr. Zuo and Zhang Gaoyuan of Peking University highlighted the importance of intelligence in the Russia-Ukraine War.¹³¹ Dr. Zhang noted the effective use of dual-use technology such as drones and Starlink satellites, open source social media information, and efforts by noncombatants in enhancing Ukraine's intelligence posture.¹³² Dr. Zuo wrote on the United States' use of its own intelligence capabilities to influence the information environment prior to the invasion and to enhance Ukraine's military effectiveness, citing reports of U.S. intelligence assistance in the sinking of the Russian warship *Moskva*.¹³³ Dr. Zuo argued that the United States is exaggerating a decline in its own conventional deterrence capabilities while expanding its "toolbox" of methods for "containing" China.¹³⁴

*The limited radar range of J-15s requires supplemental radar coverage to operate effectively. Airborne early warning and control (AEW&C) aircraft, such as the KJ-500 and the KJ-200, can provide the needed radar coverage. *Center for Strategic and International Studies*, "By Air, Land, and Sea: China's Maritime Power Projection Network," September 15, 2021; U.S. Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2022*, November 29, 2022, 82.

Figure 3: PLA Activity in the Vicinity of Taiwan during the April 2023 Joint Sword Exercise



Source: Bonny Lin et al., "Tracking the Fourth Taiwan Strait Crisis," *Center for Strategic and International Studies*, August 5, 2022; Akhil Kadidal and Ridzwan Rahmat, "Chinese Wargames End with Massed Incursions, Carrier Aircraft in Taiwan's ADIZ," *Janes*, April 12, 2023.

In February 2023, the influential Ministry of State Security-affiliated think tank China Institutes for Contemporary International Relations (CICIR) published an article expressing concerns that the United States and Taiwan may now be in a better strategic position, arguing that the United States had used the war in Ukraine to strengthen its regional network of allies and partners.¹³⁵

PLA Learns Operational Lessons from War in Ukraine

Writers and academics associated with the PLA and the Chinese defense industry are also studying the potential operational implications of the war in Ukraine for a Taiwan conflict. Analysis in a Chinese military journal discussed Russian helicopter operations in the current conflict in Ukraine and assessed that helicopters will no longer be able to safely conduct combat missions independently due to the proliferation of man-portable anti-aircraft systems, but neither will drones be able to fully replace them, necessitating the develop-

ment of tactics that utilize both systems.¹³⁶ A January article in the *PLA Daily* discussed Russia's proposed military reforms and poor performance by its ground forces in Ukraine; the article concluded that maintaining an effective ground force is still central to victory in modern warfare.¹³⁷ A Chinese military-affiliated journal wrote specifically about countering the U.S.-developed High Mobility Artillery Rocket System (HIMARS) in a Taiwan conflict, highlighting the importance of achieving air supremacy and information superiority in order to locate high-value systems such as HIMARS and destroy them via precision strikes; noting the importance of reconnaissance drones in this mission.*¹³⁸

China's Gray Zone Activity around Taiwan Continues

China's continued gray zone† activities around Taiwan's outer islands disrupt the lives of Taiwan citizens. Taiwan's National Communication Commission has accused two Chinese-flagged vessels, a fishing ship and a container ship, of deliberately cutting the two undersea internet cables that provide internet connectivity to Taiwan's outlying Matsu Island in February 2023.¹³⁹ The severing of the cables left the island's 14,000 residents without internet service for over two months.¹⁴⁰ According to the National Communication Commission, this was the 27th incident of cable-cutting that has been observed in the last five years.¹⁴¹ The Associated Press reported that Su Tzu-yun of the Taiwan government-supported Institute for National Defense and Security Research stated it could not be ruled out that the cables were cut on purpose.¹⁴² Geoff Huston of the Asia Pacific Network Information Center noted that the level of breakage observed was "highly unusual for a cable, even in the shallow waters of the Taiwan Strait."¹⁴³

China uses its coast guard and maritime forces to assert Beijing's territorial claims over Taiwan. In April, China's Fujian maritime safety administration launched a three-day "special joint patrol and inspection operation" in the central and northern parts of the Taiwan Strait that reportedly involved *Haixun 6*, the China Coast Guard's first large-scale patrol vessel in the Taiwan Strait, as well as vessels from the East China Sea Rescue Bureau and the East China Sea Maritime Security Center.¹⁴⁴ Chinese authorities reportedly tasked maritime law enforcement officials with practicing onsite inspections aboard vessels in the Taiwan Strait, although there were no reports of any such inspections taking place.¹⁴⁵ Taiwan's Maritime and Port Bureau issued a statement in April indicating that it had told Taiwan shipping companies to refuse these inspections.¹⁴⁶

*The Ukrainian military's employment of the U.S.-supplied High Mobility Artillery Rocket System (HIMARS), a medium-range mobile rocket artillery system, has proven to be a highly significant weapon in its conflict with Russia. Lyle Goldstein and Nathan Waechter, "China Considers Countermeasures to US HIMARS Missile System," *Diplomat*, June 22, 2023; Matt Yu and Joseph Yeh, "Taiwan to Receive HIMARS One Year Earlier than Expected: Military," *Focus Taiwan*, May 10, 2023.

†A 2019 RAND Corporation study defined the "gray zone" as "an operational space between peace and war, involving coercive actions to change the status quo below a threshold that, in most cases, would prompt a conventional [kinetic] military response, often by blurring the line between military and nonmilitary actions and the attribution for events." Gray zone tactics can occur through military intimidation, paramilitary activity, the economic activities of state-owned enterprises or private proxies, information operations, diplomacy, and economic coercion. Lyle J. Morris et al., "Gaining Competitive Advantage in the Gray Zone: Response Options for Coercive Aggression below the Threshold of Major War," *RAND*, 2019, 8, 30–40.

Taiwan Military Reforms Advance in Last Year of Tsai Administration

Throughout its tenure, the Tsai Administration has worked to enhance Taiwan's military preparedness and redress a growing imbalance in cross-Strait military forces.¹⁴⁷ High-profile efforts to do this include a Strengthening All-People's Defense Military Force Restructuring Plan, introduced by President Tsai in December 2022, which entails reforms to the conscription system and a reorganization of troop types within Taiwan's military.¹⁴⁸ Taiwan's annual Han Kuang military exercise this year continued to demonstrate priorities in Taiwan's ongoing defense reforms, while the Tsai Administration hopes to continue defense spending increases through 2024.¹⁴⁹

In late December 2022, the Tsai Administration announced plans to restore the 2013 conscription length for young men, bringing the mandatory service period from four months to one year.¹⁵⁰ Set to begin in January 2024, this change represents potentially major shifts for both Taiwan's military and society.¹⁵¹ Under the current conscription system, recruits serve just four months, with many observers commenting the training received is both outdated and too short to learn essential combat skills.¹⁵² These changes are designed to provide Taiwan's military with higher-quality conscripts and, according to Chieh Chung of the National Policy Foundation, may increase the number of troops available for the island's 169,000-strong active force by up to 70,000 annually starting in 2027.*¹⁵³ The year-long service period for new conscripts will reportedly involve more civil defense training, including medical training, air defense evacuation, and emergency rescue training that will help to increase the resiliency of Taiwan's society by increasing the number of citizens trained in civil defense skills.¹⁵⁴ The increased service period will include greater weapons familiarization for the individual conscript, increasing the number of rounds fired during basic training, training with advanced weapons, and conducting exercises based on conscripts' military specialization.¹⁵⁵

While the plan is the product of the current Administration—and a significant expenditure of political capital—there appears to be broad support for the measure across the political spectrum in Taiwan.¹⁵⁶ The Taiwan government has taken steps to socialize the changes to future conscripts and the general populace of Taiwan, including publishing a manga-style information booklet to educate the general populace of the island on the importance of conscription.¹⁵⁷ The government also announced changes to Taiwan's reserve system including a program to allow female veterans to serve in the reserves and increasing the monthly salary for active conscripts.¹⁵⁸ The plan announced by President Tsai also involves a new division of duties among four newly designated categories of troops, which is designed to better assimilate the increased number of conscripts

*Taiwan's active force (including active conscripts) numbers 169,000, with reserve manpower numbering 1,657,000. Former conscripts are enrolled in the reserves after their active period and are required to report for duty only once every two years for five to seven days of refresher training, equating to as little as 20 days of training spread out over eight years. According to DPP lawmaker and member of Taiwan's defense committee Wang Ting-yu, as of late September 2022, the number of combat-ready reservists is only about 300,000. International Institute for Strategic Studies, "The Military Balance," February 14, 2023, 291; Ian Easton et al., "Transformation of Taiwan's Reserve Force," *RAND Corporation*, 2017, 6; Huizhong Wu, "Military Reserves, Civil Defense Worry Taiwan as China Looms," *AP News*, September 4, 2022.

into a conventional force structure with an increased emphasis on civil defense while integrating reserve troops into defense plans.*¹⁵⁹ It remains to be seen what effect these reforms will have on Taiwan's military or how a new administration in 2024 would manage their implementation. Released in September, Taiwan's 2023 National Defense Report † showcased lessons from the Russia-Ukraine War that Taiwan's Ministry of National Defense intends to integrate into its defense strategy, such as ramping up its asymmetric military capabilities, establishing defense in depth, and decentralizing command and control in preparation for a possible conflict with China.¹⁶⁰ The report includes numerous systems that Taiwan's military wishes to acquire, including a fleet of 7,000 commercial and 700 military drones by 2028.¹⁶¹

Taiwan Public More Confident in U.S. Military Support in a Cross-Strait Conflict

According to a February 2023 poll by the Taiwan Public Opinion Foundation (TPOF), a DPP-leaning organization, the proportion of Taiwan citizens who believe the United States will come to Taiwan's defense in the event of a PLA attack increased from 34.5 percent in 2022 to 42.8 percent in 2023.¹⁶² The TPOF poll indicated that 51.6 percent of Taiwan's public feared Taiwan would become a "second Ukraine" (down from 59.7 percent a year before), with 43.6 percent not worried by the possibility (up from 37.5 percent).¹⁶³ The survey also asked how much confidence the public has in Taiwan's own military to successfully resist a Chinese attack if it were to occur tomorrow. According to the poll, the replies were almost evenly divided, with 45.3 percent expressing confidence in Taiwan's military and 47.2 percent holding little trust in Taiwan's armed forces.¹⁶⁴ The poll results varied widely based on respondents' political party affiliation, with 72 percent of supporters of the DPP government expressing faith in Taiwan's military and 73 percent of opposition KMT backers holding the view that Taiwan's military would not be able to resist a PLA invasion.¹⁶⁵ A RAND report released in June 2023 found that belief in U.S. intervention in a Taiwan conflict scenario could be critical in bolstering the Taiwan public's will to resist.¹⁶⁶

*According to the plan, "main battle troops" will encompass the volunteer personnel of the active-duty military (currently at 169,000 personnel with an end goal of 210,000) who will be responsible for most major front-line combat operations. "Garrison troops" will comprise "mandatory service personnel" (conscripts); these soldiers will be primarily responsible for infrastructure protection and territorial defense duties. The "civil defense system" will be formed by central and local government agencies; this system is to integrate "alternative military service personnel" and private sector resources. Aside from assisting in military support operations, it will be responsible for disaster relief, medical treatment, public safety, emergency repairs, and other unspecified tasks necessary for societal resilience. The revamped "reserve system" will be intended to "replenish our main battle force with retired volunteer soldiers, and our garrison force with former mandatory servicemembers." Office of the President, Republic of China (Taiwan), *President Tsai Announces Military Force Realignment Plan*, December 27, 2022; International Institute for Strategic Studies, "The Military Balance," February 14, 2023, 291.

†The National Defense Report is published biannually by Taiwan's Ministry of National Defense, and is intended to convey military readiness and defense policies to both domestic and international audiences. This is the 17th edition, and the second to be published simultaneously in both Chinese and English. Republic of China (Taiwan) Ministry of National Defense, *National Defense Report*, September 2023, 7; John Dotson, "The 2021 National Defense Report and Its Assessment of Taiwan's Security Environment," *Global Taiwan Institute*, December 1, 2021.

Taiwan's 2023 Han Kuang exercises focused on homeland defense, force preservation, and civil-military coordination, reflecting the continued evolution of the exercise to focus on distributed operations, counter-amphibious invasion, and protection of key infrastructure.¹⁶⁷ According to Taiwan's Ministry of Defense, the exercises occurred from July 24 to 29 and focused on troop preservation, naval interdiction operations, key infrastructure protection, and command and control resiliency.¹⁶⁸ The exercise simulated an attack on Taiwan by the PLA and the Taiwan military's efforts to preserve its forces against anticipated amphibious assaults, long-range precision strikes, and airborne assaults on key infrastructure.*¹⁶⁹ Notable elements included:

- Antiblockade escort operations to forestall a PLA blockade, including Taiwan Navy warships that practiced naval minelaying operations.¹⁷⁰
- Distributed command and control to increase survivability in anticipation of long-range PLA strikes targeting Taiwan's leadership.¹⁷¹
- Reported provision of fuel, maintenance, repair, and refueling by the nation's defense industries.¹⁷²
- Air Force units that rehearsed relocation operations aimed to distribute and preserve Taiwan's airpower in the event of an attack by the PLA, which would likely target Taiwan's airbases early in a conflict.¹⁷³
- A 40-minute antitakeover operation held at Taiwan Taoyuan International Airport during which commercial air traffic was suspended, the first time such a drill had been staged at Taoyuan Airport since it opened in 1979.¹⁷⁴
- Counter-ballistic missile drills and the public deployment of vehicle-mounted surface-to-air missile systems to locations at key facilities around the island involving military and civil defense personnel to simulate the response to missile attacks against infrastructure targets such as airports and harbors.¹⁷⁵
- An antilanding exercise held on a beach in New Taipei City's Bali District, which featured the use of drones and Javelin missile systems to defeat a simulated hostile amphibious landing.¹⁷⁶
- Exercise locations included oil refineries, power plants, port facilities, oil supply centers, key traffic arteries, train stations, and other vulnerable points, with police and firefighters also contributing, such as an exercise within Taipei's main subway station by Taiwan military and police units against simulated hostage-takers.¹⁷⁷

Taiwan's proposed defense budget for 2024 indicates willingness on the part of the government to allocate increased resources for Taiwan's defense. In August, Taiwan's Cabinet approved a fiscal

*Reflecting the priority of enhanced survivability against strikes on leadership, Taiwan announced an additional 5,000 military police would be stationed in Taipei starting in January 2024 to enhance "decapitation resistance." Jono Thompson, "Taiwan to Station 5,000 More Troops in Taipei to Boost 'Decapitation Resistance,'" *Taiwan News*, August 7, 2023.

year 2024 budget proposal that includes a record \$19 billion (New Taiwan dollars [NTD] 606.8 billion)* for defense spending.¹⁷⁸ This would represent a 3.5 percent increase compared to Taiwan's Legislative Yuan-approved defense budget for 2023 and represents a 38 percent increase in the base defense budget over the course of eight years since President Tsai took office in 2016.¹⁷⁹ The proposed budget includes a base amount earmarked for the defense budget of \$13.9 billion (NTD 440 billion) and three special budgets: one for improving air and sea strike capabilities worth \$1.54 billion (NTD 49 billion); one for advanced fighter jets worth \$1.42 billion (NTD 45 billion); and a "non-operating special fund," likely to pay for military infrastructure, housing, and defense production, worth \$2.26 billion (NTD 71.9 billion).¹⁸⁰ The 2024 budget proposal will need to be approved by Taiwan's Legislative Yuan, which typically occurs by the end of the calendar year.¹⁸¹

Taiwan Military Cooperates with the United States, Five Eyes

U.S. President Joe Biden has authorized the unprecedented use of Presidential Drawdown Authority—which allows for the delivery of U.S. defense equipment pulled directly from the current stock of weapons and munitions in service with the U.S. military—as a new means to provide military aid to Taiwan.[†]¹⁸² The United States also continues to assist Taiwan's defensive capabilities with increased intelligence sharing and military training.¹⁸³

In July 2023, the Biden Administration announced a new weapons aid package for Taiwan valued at up to \$345 million via the Presidential Drawdown Authority.¹⁸⁴ This represents the first time such authority was invoked to supply Taiwan with defense articles.¹⁸⁵ Transferring equipment in this manner allows the United States to donate defense articles directly from U.S. Department of Defense inventories rather than providing weapons through the lengthy foreign military sales process, accelerating the transfer of inventory.¹⁸⁶ This approach serves as a stopgap measure to partially alleviate a \$19 billion backlog in arms sales for Taiwan, which is in part due to production backlogs stemming from U.S. industrial base constraints.¹⁸⁷ It is currently unclear what weaponry or equipment will be in the drawdown package, as the announcement did not detail its contents.¹⁸⁸ Pentagon spokesperson Lt. Col. Martin Meiners said the package "includes self-defense capabilities that Taiwan will be able to use... to bolster deterrence now and in the future."¹⁸⁹ He added that the systems include "critical defensive stockpiles, multi-domain awareness, anti-armor and air defense capabilities."¹⁹⁰ The \$345 million aid package comes on top of the over \$1.6 billion in foreign military sales to Taiwan announced by the Defense Security Cooperation Agency since December 2022 and may

*This section uses the following exchange rate throughout: \$1 U.S. Dollar = 31.94 NTD.

†The use of the Presidential Drawdown Authority to direct a drawdown to provide military assistance under section 506(a)(1) of the Foreign Assistance Act (FAA) allows for the speedy delivery of defense articles and services from current Department of Defense stocks to foreign countries and international organizations to respond to unforeseen emergencies. Such assistance can begin arriving within days—or even hours—of approval. After initial engagement with Congress, the secretary of state requests the president's authorization to notify Congress of the intent to exercise the drawdown authority under section 506(a)(1) of the FAA and seeks delegated authority from the president to make the necessary determinations and to direct the drawdown. U.S. Department of State, Bureau of Political-Military Affairs, *Use of Presidential Drawdown Authority for Military Assistance for Ukraine*, July 25, 2023.

indicate the willingness to use this authority again as an additional channel for regular support to Taiwan.* Congress authorized up to \$1 billion worth of materiel to be sent to Taiwan via Presidential Drawdown Authority in the National Defense Authorization Act for Fiscal Year 2023.¹⁹¹ In August, the Biden Administration notified Congress that it had approved an arms transfer to Taiwan under the Foreign Military Financing (FMF)† program in the amount of \$80 million, but it did not specify what systems or equipment the financing would be for.¹⁹²

The U.S. military continues to advise and train the Taiwan military to increase its preparedness for a potential conflict. According to media reports published in February 2023, the U.S. military planned to send 100–200 U.S. military trainers to Taiwan in 2023, up from 39 noted in Defense Department data in 2021.¹⁹³ The U.S. military instructors are reportedly being assigned to boot camps and reserve brigades to observe Taiwan’s training and provide practical consultations on training methods.¹⁹⁴ While the American Institute in Taiwan did not confirm the training, Taiwan’s Ministry of National Defense spokesman Sun Li-fang expressed the ministry’s appreciation to the United States for “boosting the nation’s armed forces by means of military training.”¹⁹⁵ In early April, U.S. military instructors reportedly entered Chiashan Air Force Base in Hualien County to evaluate the survivability of hardened structures where fighter planes and ammunition are stored and proposed methods to strengthen facilities and increase survivability.¹⁹⁶ An unknown number of Taiwan troops were reported to have taken part in the annual Northern Strike multinational exercises held at Camp Grayling, Michigan, in August with U.S. National Guard and Reserve forces.¹⁹⁷

Finally, in 2023, Taiwan officials confirmed Taiwan is actively sharing intelligence with Five Eyes countries‡ to better understand China’s military and leadership plans.¹⁹⁸ Taiwan National Security Bureau Director Tsai Ming-yen said in April that Taiwan was upgrading its information technology infrastructure to establish an “instant online reporting and communication mechanism” to connect with foreign countries, including the Five Eyes intelligence alliance, and said that the bureau has already been sharing intelligence with these partners “in real time.”¹⁹⁹ Reporting by the *Financial Times* in June indicated that the United States, Taiwan, and Japan also plan to share real-time data gathered from their respective drone fleets, giving all three access to a common operating picture, a claim that Taiwan’s Ministry of Defense has since denied.²⁰⁰

Taiwan’s External Relations

In 2023, Taiwan’s government continued to seek out opportunities to strengthen ties with the countries that maintain official recogni-

*See Appendix for total foreign military sales to Taiwan announced by the Defense Security Cooperation Agency since December 2022.

†Foreign Military Financing is the largest military assistance account managed by the State Department and primarily provides grant assistance to foreign governments for the purchase of U.S. defense equipment and military training under the Foreign Military Sales program. FMF is a source of financing and may be provided to a partner country on either a grant (nonrepayable) or direct loan basis. Defense Security Cooperation Agency, *Foreign Military Financing (FMF)*.

‡The Five Eyes Alliance is an intelligence-sharing arrangement between five English-speaking democracies: the United States, the UK, Canada, Australia, and New Zealand. Five Eyes Alliance members share intelligence and cooperate on security matters. Public Safety Canada, *Five Country Ministerial*, June 29, 2023.

tion of Taiwan and its many unofficial partners despite a forceful, sustained effort by China to isolate it from the international community. Tensions in the Taiwan Strait have spurred many countries to more closely focus on their stance toward Taiwan and consider ramifications of a potential conflict. China continued a strategy of “checkbook diplomacy” to entice the countries that maintain official relations with Taiwan to switch recognition to Beijing, offering to sponsor large infrastructure development projects and cash infusions to their governments.²⁰¹ On the international stage, China again used its clout in organizations like the World Health Organization to pressure other members to reject Taiwan’s recognition or inclusion. Taiwan has sought to resist Beijing’s efforts by pursuing a new, pragmatic diplomatic approach, gaining support from unofficial partners when and where it could by reminding countries of Taiwan’s centrality to the global economy and its contributions to global public goods.²⁰²

China Continues Its Longstanding Campaign to Isolate Taiwan

In 2023, China continued its longstanding efforts to isolate Taiwan from the international community by attempting to poach its remaining official diplomatic partners. China also continued pressuring other countries to refrain from supporting Taiwan’s participation in international fora.

Taiwan Loses Honduras, Reducing Its Diplomatic Partners to 13

On March 15, Honduras became the ninth country since 2016 to terminate official relations with Taiwan, reducing the count of countries with which Taipei maintains official diplomatic ties to 12 plus the Holy See.*²⁰³ A statement from the Honduran Foreign Ministry read that “Taiwan is an inalienable part of the Chinese territory,” echoing verbatim remarks from Nicaragua’s foreign ministry when it switched recognition from Taiwan to China at the end of 2021.²⁰⁴ Honduras joins Nicaragua, El Salvador, Panama, and the Dominican Republic as Latin American and Caribbean countries Beijing has successfully peeled away from Taiwan in the past five years, leaving Belize, Guatemala, Paraguay, Haiti, St. Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.²⁰⁵ Honduras is the second-largest central American country behind Guatemala both in terms of population and gross domestic product (GDP), and it is home to Soto Cano Airbase used by the U.S. military for humanitarian and antinarcotic operations in the region (for more on China’s inroads in Latin America, see Chapter 1, Section 2, “U.S.-China Security and Foreign Affairs”).²⁰⁶ In response to Honduras breaking ties, President Tsai said in a statement, “[Taiwan] will not engage in a meaningless contest of dollar diplomacy with China.”²⁰⁷

*The countries that formally recognize the government of Taiwan are Belize, Eswatini, Guatemala, Haiti, Marshall Islands, Nauru, Palau, Paraguay, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Tuvalu, and Vatican City (Holy See). *Reuters*, “And Then There Were 13: Taiwan’s Diplomatic Allies,” March 25, 2023.

Taiwan Continues to Be Shut Out of International and Regional Fora

In 2023, Taiwan's attempts to participate in the World Health Organization annual assembly and other international and regional fora were again met with a sustained pressure campaign from China directed at multilateral organizations and participant countries.*²⁰⁸ In May, despite a joint statement of support from the United States, the UK, Australia, France, Japan, Lithuania, Canada, the Czech Republic, and Germany, the assembly rejected Taiwan's request to participate at the onset of the nine-day annual gathering in Geneva.†²⁰⁹ China and Pakistan spoke against participation for Taiwan in open floor remarks, with China claiming that nearly 100 countries affirmed its "one China principle" as defined by Beijing.²¹⁰ Beyond using its membership and clout to exclude Taiwan from participation, China relentlessly campaigns against those that do include Taiwan, such as the WTO, to use its preferred nomenclature "Chinese Taipei" to designate the island.²¹¹ In April, the United States and Taiwan convened a working group on Taiwan's participation in international bodies, including the WHO and International Civil Aviation Organization (ICAO), another organization Taiwan has participated in previously but has been excluded from since 2016.²¹² On August 21, Taiwan was expelled from the Central American Parliament—an organization in which it had been an observer for over two decades—and its position was given to China.²¹³ The Parliament cited UN General Assembly Resolution 2758‡ as the rationale for Taiwan's expulsion, a resolution Beijing falsely attests is an endorsement by the international community of its interpretation of "one China."²¹⁴

Taiwan Continues Outreach to the World

Taiwan has abandoned its previous efforts to compete directly with China's checkbook diplomacy in the face of the massive, unrelenting resources Beijing continues to devote to undermining its international standing.²¹⁵ Instead, Taiwan is leaning into advocating its track record and capability to provide tailored, high-quality development assistance to partner countries.²¹⁶ At the same time, Taiwan is seeking to strengthen unofficial relations with Western

*Taiwan is not a recognized member of the UN or any of its specialized agencies, though it is a member of the WTO and other mostly regional intergovernmental organizations and an observer to 25 other international government organizations such as the Organization for Economic Cooperation and Development. Taiwan Ministry of Foreign Affairs, *Foreign Affairs*.

†In recent years, Taiwan has sought to build support for inclusion in the annual meeting of the World Health Organization's World Health Assembly, a forum Taiwan previously was invited to attend during the Ma Administration. The government's swift response at the onset of COVID-19 kept case counts well below global averages for the first two years of the pandemic, and Taiwan argues that its track record of public health development assistance programs and a domestic healthcare system that tops some international rankings exemplify the substantive benefit it would bring if given a seat. Erin Hale, "How Taiwan Used Simple Tech to Help Contain Covid-19," *BBC*, February 25, 2022; Keoni Everington, "Taiwan's Health Care Ranked No. 1 in World for 2021," *Taiwan News*, January 19, 2021; Yu-Jie Chen and Jerome A. Cohen, "Why Does the WHO Exclude Taiwan?" *Council on Foreign Relations*, April 9, 2020.

‡The UN General Assembly (UNGA) passed Resolution 2758 on October 25, 1971, recognizing the PRC as the, "sole legitimate representative of China to the United Nations" while simultaneously expelling representatives of Taiwan's government under Chiang Kai-shek. As member states were unable to reach a conclusion regarding the legal status of Taiwan, Resolution 2758 solely addressed the question of China's representation in the UN and did not address Taiwan sovereignty. Jessica Drun and Bonnie Glaser, "The Distortion of UN Resolution 2758 and Limits on Taiwan's Access to the United Nations," *German Marshal Fund*, March 24, 2022; Restoration of the Lawful Rights of the People's Republic of China in the United Nations, 1971.

countries and democracies that have become more receptive to showing support for Taiwan given its critical industries and its role as a beacon of democracy.²¹⁷

President Tsai Visits Remaining Partners in Latin America

President Tsai visited Guatemala and Belize from March 31 to April 4, 2023, against the backdrop of Honduras ending official relations two weeks earlier.²¹⁸ During her three-day visit to Guatemala, she met with Guatemalan President Alejandro Giammattei.²¹⁹ On the final day of her visit, the two leaders toured a hospital built with support from Taipei, reaffirming their close diplomatic ties.²²⁰ President Tsai then arrived in Belize for her second visit to the English-speaking Central American country of 400,000 since taking office.²²¹ She had high-level meetings with Belize Prime Minister John Briceño as well as the Ministry of Foreign Affairs.²²² She also addressed the National Assembly, stating that while “there are countries that seek to insert a wedge into this friendship, we have remained close because of our common values and our shared vision for a more prosperous and peaceful future.”²²³ Prime Minister Briceño spoke on Taiwan-Belize cooperation, listing off development projects funded by Taiwan, including farming programs and funds to build key infrastructure like hospitals.²²⁴ Paraguay’s president-elect, Santiago Peña, visited President Tsai in Taipei in July and committed to maintaining diplomatic ties with Taiwan.²²⁵ Peña stated that once he assumed office, he would “work for the next few years to convey to the people of Taiwan, mainly to the business community, that investing in Paraguay not only responds to a diplomatic interest but also responds to both nations’ mutual economic benefit.”²²⁶

Pacific Partners Face Mounting Pressure

The lengths to which Beijing is willing to go to cut Taiwan’s ties to other countries have been on full display in far-flung Pacific Island countries in recent years. Taiwan currently maintains official diplomatic relations with four Pacific Island countries: the Marshall Islands, Nauru, Palau, and Tuvalu.²²⁷ In 2019, the Solomon Islands—Taiwan’s most populous partner country in the region—switched official recognition to China amid allegations that Prime Minister Manasseh Sogavare’s government accepted bribes from Chinese officials and companies.²²⁸ In February 2023, Daniel Suidani, premier of the Solomon Islands’ most populous province Malaita, was ousted by a no confidence vote his proponents claim was orchestrated by the ruling party for his criticism of the Sogavare government’s increasingly close relationship with China.²²⁹ The move reignited street protests that were first seen in December 2021, fueled in part at the time by discontent over the breaking of ties with Taiwan.²³⁰ One of the key points of contention Premier Suidani had with Prime Minister Sogavare’s government was over the April 2022 security pact with China that opened the door for increased Chinese military presence on the island and even would allow Chinese security forces to be mobilized by the island’s government to put down internal unrest.²³¹

In Palau, China engaged in a multiyear pressure strategy to first increase the percentage of mainland tourists to the island

country from 1 percent of total visitors in 2008 to over 50 percent in 2017 before imposing an abrupt ban on visitations, citing the absence of diplomatic ties as the reason for the move.²³² Palau stood by Taiwan despite hardship posed to the tourism-based economy from empty hotels and resorts in the years following.²³³ In attempting to recover from the pandemic tourism slump, however, Palau President Surangel Whipps in June 2023 expressed the difficulty of resisting China's offers to increase flights to and investment in the island.²³⁴ President Whipps visited Taiwan in February, and in April he appeared to walk a fine line by welcoming increased relations with China while boldly calling for a unified stance in the region against Beijing's pressure, stating: "We have no problem having diplomatic relations with China. What we have a problem with is China telling us that we cannot have diplomatic relations with Taiwan."²³⁵

Europe and Taiwan Government Officials Exchange Visits

The EU and individual European governments are reexamining their Taiwan policies and beginning to reckon with the question of what their interests would be in the event of a conflict over Taiwan.²³⁶ Taiwan's top trade negotiator also sought to promote Taiwan's economic interests in Europe, mainly by pushing for progress on a bilateral investment agreement with the EU, which has been stalled since 2015.²³⁷ In June, Taiwan's Foreign Minister Joseph Wu traveled to Europe in an effort to help deepen unofficial ties with European countries and to encourage them to do more to support Taiwan.²³⁸ Minister Wu visited Prague (Czechia), Brussels (Belgium), and Milan (Italy), meeting directly with lawmakers in all three cities.²³⁹ Taiwan has been attempting to build informal ties in Europe in recent years, with its efforts being particularly well received in Eastern European countries.²⁴⁰ Minister Wu sought to encourage further rhetorical support for the status quo in the Taiwan Strait to help deter invasion by Beijing, reminding his European audiences of their real interests in continued peace and stability in the Taiwan Strait, including how damaging a conflict would be to their trade throughout the region.²⁴¹ In his statements, Minister Wu drew an explicit link between the Russia-Ukraine War and China's continued military aggression toward Taiwan, highlighting a deepening relationship between Russia and China: "What we are witnessing is that the two authoritarian forces are collaborating with each other, trading ever more with each other, and feeding more into the hunger for expansion."²⁴² China's Ministry of Foreign Affairs warned ahead of the trip that European countries should not have official interactions and should not support "separatist" forces in Taiwan.²⁴³ During Minister Wu's visit in Prague, he spoke at the same think tank conference as Czech President Petr Pavel.²⁴⁴ While Wu watched Pavel's speech from the front row, Pavel left before Wu's speech, with neither officially meeting or speaking with the other.²⁴⁵ President Pavel's speech at the event struck a tone similar to Minister Wu's, warning against Beijing's desire to "change the world to better fit its interests."²⁴⁶

Despite statements by some high-level European officials that Taiwan is not a European problem, Minister Wu's trip to Europe

appears to have been well received by a diversity of European lawmakers.²⁴⁷ Returning from a visit to China in April this year, French President Emmanuel Macron suggested that Europe steer clear from Taiwan issues and not get “caught up in crises that are not ours, which prevents it from building its strategic autonomy.”²⁴⁸ Signaling that President Macron does not speak for all of Europe, during her trip to China in April, German Foreign Minister Annalena Baerbock stated that “a unilateral, violent change of the status quo in Taiwan by China would not be acceptable for us Europeans.”²⁴⁹ Lithuania’s foreign minister tweeted: “We are capable of defending Europe without Chinese help. Instead of requesting assistance we should be projecting our strengths” (for more on Europe’s approach to Taiwan, see Chapter 5, Section 1, “Europe-China Relations; Convergence and Divergence in Transatlantic Cooperation”).²⁵⁰ Signaling support for Taiwan, a number of European delegations visited Taiwan in 2023. In January, parliamentary delegations from Germany and Lithuania visited Taiwan, meeting with President Tsai.²⁵¹ The Lithuanian delegation reportedly discussed national security and defense as well as economic ties with Taiwan government representatives, while the German delegation voiced support for the status quo in the Taiwan Strait.²⁵² In June, a delegation from the European Parliament’s Taiwan Friendship Group also visited Taiwan, with Lithuanian Member of the European Parliament Rasa Juknevičienė praising Taiwan’s response to cyberattacks and disinformation in the protection of its democratic system.²⁵³

Taiwan Leaders Visit the United States

President Tsai transited through the United States twice in late March and early April of 2023 on her way to Central America, her seventh visit to the United States since becoming president.²⁵⁴ A defining and critically watched aspect of her trip was the meeting with then Speaker McCarthy and other congressional leaders at the Ronald Reagan Presidential Library and Museum.²⁵⁵ President Tsai gave a speech there emphasizing the “unprecedented challenges” facing Taiwan’s democracy and the island’s importance in keeping “the beacon of freedom shining.”²⁵⁶ In response, China’s Taiwan Work Office issued sanctions on Hsiao Bi-khim, Taiwan’s representative to the United States, the leaders of Taiwan’s Prospect Foundation, and the Council of Asian Liberals and Democrats.²⁵⁷ China’s Ministry of Foreign Affairs also announced sanctions against organizations that hosted President Tsai while she transited the United States, including the Hudson Institute, the Ronald Reagan Presidential Library, and specific administrators at each organization.²⁵⁸

As Taiwan’s election draws closer, leading candidates have undertaken visits to the United States. TPP chairman and presidential candidate Ko Wen-je visited in April for three weeks, traveling to New York City; Boston; Washington, DC; and Houston.²⁵⁹ Mr. Ko reportedly met with think tanks, expatriates, biomedical companies, and U.S. government officials at the American Institute in Taiwan headquarters. In conjunction with a state visit to Paraguay, DPP candidate and current Taiwan Vice President Lai transited through the United States in August, stopping in New York City and San

Francisco.²⁶⁰ Speaking in San Francisco, Vice President Lai touted Taiwan's key role in the global technology supply chain, stated plans to turn Taiwan into Asia's Silicon Valley, and asserted that he would conduct cross-Strait relations in ways consistent with the Taiwan populace's preference for peace.²⁶¹ China responded to Vice President Lai's transit by launching a three-day military exercise in the East China Sea, with China's Ministry of Foreign Affairs accusing Lai of advocating a separatist position for "Taiwan independence" and calling him a "troublemaker through and through."²⁶² KMT candidate Hou You-yi visited the United States in September, stopping in New York City; Washington, DC; and San Francisco.²⁶³ During these stops, he met with Members of Congress and with American Institute in Taiwan Chair Laura Rosenberger.²⁶⁴ While in New York City, Hou stated that his intention for the trip was to raise awareness about ensuring peace in the Taiwan Strait and to ask for Washington's assistance on economic and trade matters.²⁶⁵ Hou stated his support for both boosting Taiwan defense capabilities and increasing exchanges and dialogues between Taiwan and the Mainland.²⁶⁶

U.S. Congress Continues to Demonstrate Support for Taiwan

In 2023, the United States Congress took steps to support Taiwan through legislation, reflecting members' concern about threats to the island. In July, the House and Senate passed legislation to implement the first phase agreement of the U.S.-Taiwan Initiative on 21st Century Trade.²⁶⁷ In recognition of the hindrance double taxation places on U.S. and Taiwan businesses operating in one another's marketplace due to Taiwan's lack of treaty status, both the House and Senate have put forward bipartisan proposals to address the issue.²⁶⁸ When lawmakers in the House and Senate passed their respective versions of the fiscal year 2024 National Defense Authorization Act in July 2023, both drafts contained several provisions relevant to U.S. support of Taiwan.²⁶⁹ The act directs the Department of Defense to establish a comprehensive training, advising, and institutional capacity-building program for Taiwan's military, which includes enhancing U.S.-Taiwan military interoperability through bilateral exercises.²⁷⁰ The act as proposed also includes provisions for increased military cybersecurity cooperation with Taiwan as well as numerous reports to assess Taiwan's capability to defend itself.²⁷¹ In April, the House of Representatives' Select Committee on the CCP conducted a tabletop exercise with the Center for a New American Security, a Washington, DC-based think tank.²⁷² Lawmakers played out a scenario in which China attempted to take Taiwan by force.²⁷³ The exercise reportedly underscored the need for Washington to shore up basing agreements with regional allies and establish Pacific munitions stockpiles, and it highlighted the severe effects on the global economy that would result from such a conflict.²⁷⁴

Taiwan's Economy Remains Stable under Strain

Taiwan's economy began the year in a short-lived recession after facing dampened demand for its key export industries, but it is now in mild recovery and has maintained relatively healthy underlying fundamentals. In the second quarter of 2023, the economy grew at a modest 1.36 percent year-on-year following two successive quarters of negative growth, but this tenuous recovery comes at a moment when China is observably increasing economic pressure against Taiwan ahead of the consequential 2024 presidential election.²⁷⁵ If the economic recovery falters or reverses, Taiwan may find itself in a precarious position as China steps up its economic pressure campaign. Continuing a tactic from years prior, China has recently applied punitive bans on specific products imported from Taiwan timed around events it deems provocative. Separately, in retaliation for President Tsai's transit visit with then Speaker McCarthy, China filed a sweeping trade investigation—claiming 2,455 of its export products are subject to unfair barriers by Taiwan—on a timeline that conveniently coincides with the presidential election and implicitly threatens further deterioration of cross-Strait trade arrangements.²⁷⁶

Seeking to buffer itself from exposure to an increasingly hostile Mainland, Taiwan has turned to its second-largest trading partner, the United States, to strengthen trade relations. By doing so, it hopes to open the path for increased engagement with other countries. Trade representatives from the United States and Taiwan reached a first stage agreement on the U.S.-Taiwan 21st Century Trade Agreement in May and are poised to build on these negotiations over successive rounds to expand market access, incentivize bilateral investment, and further integrate their business communities.²⁷⁷

Taiwan's Economy Dips into Recession at the Start of 2023

The recent contraction led policymakers at Taiwan's central bank to pause interest rate increases, yet stable domestic consumption alongside industry forecasts of a rebound in export demand have thus far staved off the need to stimulate growth with more aggressive monetary policy.²⁷⁸ Taiwan's export-oriented economy specializes in semiconductors* and digital and consumer electronics as well as industrial machinery parts and chemical products.²⁷⁹ In 2022, Taiwan's exports accounted for 62.7 percent of GDP.²⁸⁰ A heightened worldwide demand for consumer electronics during the pandemic provided a boon for the island's core industries in recent years. In 2021, Taiwan's overall exports rose 29 percent year-on-year, with exports of semiconductors in particular up 27 percent.²⁸¹ Annual GDP surged 6.53 percent that year but then tapered at 2.42 percent in 2022.²⁸² In the final quarter of 2022, Taiwan posted negative growth for the first time since 2016, followed by the steepest quarterly decline since 2009 (-3.3 percent decline year-on-year) in the

*Taiwan manufactures 60 percent of the world's semiconductors and nine in ten advanced chips, with information and communications technology (ICT) comprising 50 percent of the island's manufacturing by value and 17 percent of total GDP. *Economist*, "Taiwan's Dominance of the Chip Industry Makes It More Important," March 6, 2023; Atradius, "Industry Trends Information and Communication Technology (ICT)," June, 2022, 15.

first quarter of 2023.²⁸³ The recent contraction of Taiwan's economy prompted the Directorate General of Budget, Accounting, and Statistics (a government bureau) to revise downward the expected GDP for 2023 from 2.04 percent to 1.61 percent.²⁸⁴

The slump coincides with a worldwide decline in demand for semiconductors, sales of which were down 17.3 percent year-on-year worldwide in Q2 2023.²⁸⁵ On an April 2023 earnings call, the CEO of Taiwan Semiconductor Manufacturing Company (TSMC) pointed to “weakening macroeconomic conditions and softening end market demand” as the main causes of declining sales, though he went on to state that his company forecasts sales will recover in the second half of this year.²⁸⁶ This assessment comports with a broader analysis of the current global trade environment. The WTO has projected a below-average merchandise trade growth rate of 1.7 percent year-on-year for 2023 due to geopolitical tensions from the Russian invasion of Ukraine, inflation, high energy and commodity prices, and lingering effects of COVID-19.²⁸⁷ Forward-looking indicators for the information and communications technology (ICT) industry suggest muted demand in the short term as supply shortages alleviate, though according to S&P Global, demand is expected to normalize by 2024 at a higher level than before the pandemic due to persistent shifts toward remote work and the digital economy.²⁸⁸ As adverse impacts on global trade from the disruptive factors WTO identifies wane, world merchandise trade volume is projected to rebound in 2024 at 3.2 percent annual growth.²⁸⁹

In spite of slowing export demand and negative topline growth, Taiwan's economic fundamentals remained sound as consumption picked up and employment indicators stayed strong. On the demand side, household consumption growth rebounded from negative levels during the pandemic to 3.54 percent in 2022 and steadily ticked upward to a robust 12.1 percent in Q2 of 2023.²⁹⁰ Further contributing to this surge in domestic spending is a return of tourism following the end of mandatory COVID quarantines for arrivals to Taiwan in October, 2022.²⁹¹ There were 2.7 million visitor arrivals through the first half of 2023 compared to 140,000 a year earlier, though this is still below half of pre-pandemic levels.²⁹² Inflation, an issue that has plagued most countries during the post-COVID recovery, crept up slightly in Taiwan to a peak of 3.59 percent year-on-year in mid-2022 but has fallen off since then at 2.52 percent in August, nearing a level Taiwan's central bank governor Yang Chin-long characterized as “basically acceptable.”²⁹³ The Taiwan Central Bank's pause of rate hikes in June after moderate hikes in 2022 signal a priority shift from quelling inflation to addressing negative growth.²⁹⁴

Cross-Strait Economic Relations

Taiwan's trade with China has decreased from record highs, though cross-Strait trade and investment in 2023 continue to reflect the historical and geographic reality of the Mainland as Taiwan's largest trading partner. Total cross-Strait trade fell 4 percent year-on-year in 2022, declining by \$9 billion from its peak of \$227 billion in 2021 (see Figure 4).²⁹⁵ So far in 2023, this trend has accelerated,

with exports to mainland China and Hong Kong dropping 24.6 percent through the first half of this year compared to January through July of 2022, outpacing the 17 percent global decline for the same time period.²⁹⁶ This was driven primarily by a precipitous drop in chip-related import orders from Chinese-based manufacturers that use ICT components in consumer electronics.²⁹⁷ Forward-looking investment indicators suggest the decline in trade is likely to continue. While it is difficult to parse out the impact of pandemic-related trade distortions and other macro-trends from policy initiatives, substantial government incentives from the current Administration for Taiwan's businesses have led them to invest \$60 billion between 2019 and late 2022 in projects to consolidate their supply chains at home, according to Taiwan's minister of economic affairs.²⁹⁸ These incentives, in combination with increased cross-Strait tensions, have compelled large Taiwan manufacturers like Foxconn to begin unwinding investment stakes in Chinese companies and to pull back on planning new facilities.²⁹⁹ Annual flows of foreign direct investment (FDI) from Taiwan to mainland China have steadily declined since peaking at \$14.6 billion in 2010 to \$5 billion in 2022, or roughly one-third of Taiwan's total outbound FDI (see Figure 5).³⁰⁰ FDI flows from Taiwan to China in 2022 were down nearly 14 percent year-over-year and declined 4.8 percent year-over-year through July of 2023.³⁰¹

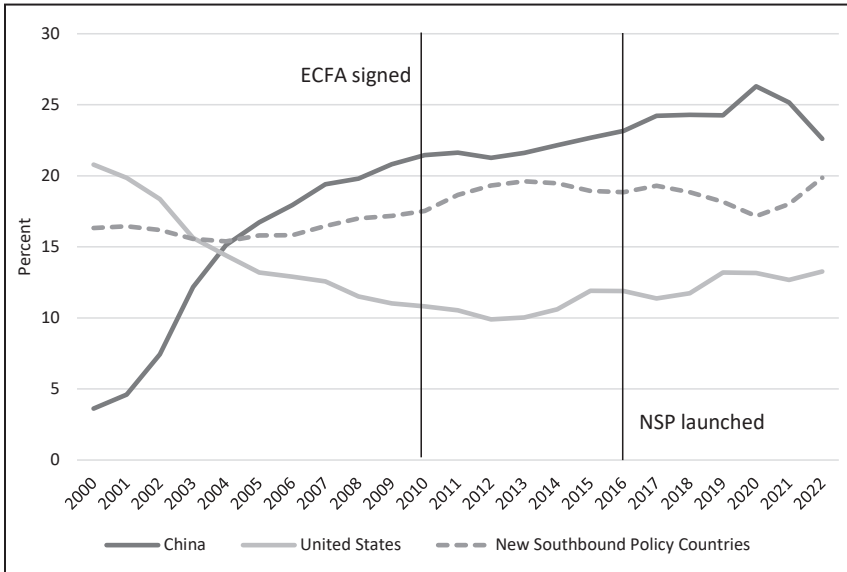
Nevertheless, China has been Taiwan's top trading partner for the better part of two decades, with the Mainland accounting for 25.3 percent of Taiwan's total exports and 19.6 percent of its imports in 2022.³⁰² Total goods trade between the two economies grew steadily during the 2010s following the signing of the Economic Cooperation Framework Agreement (ECFA), a quasi-free trade agreement, in the first year of that decade. As cross-Strait tensions have risen in recent years, the Tsai Administration has sought to reduce Taiwan's trade dependency on China with initiatives like the New Southbound Policy, with Taiwan's combined approved outbound investment in these countries surpassing its investment in China for the first time in 2022.* It is premature to assert that this represents a long-awaited move away from economic dependence on the Mainland in line with Taipei's goals given distortions from the COVID-19 pandemic. However, both flows of outbound FDI and bilateral trade are at their lowest levels since the ECFA was put into place over a decade ago.³⁰³

Beijing Steps Up a Punitive Economic Coercion Campaign

In 2023, Beijing ratcheted up its economic pressure campaign against Taiwan in order to inflict hardship on key constituencies of the ruling party and foment a general sense of discontent with current policies ahead of the 2024 presidential election. Most notably, Chinese leaders broadened a list of export bans meant to harm Taiwan's producers that are heavily reliant on the Chinese market but

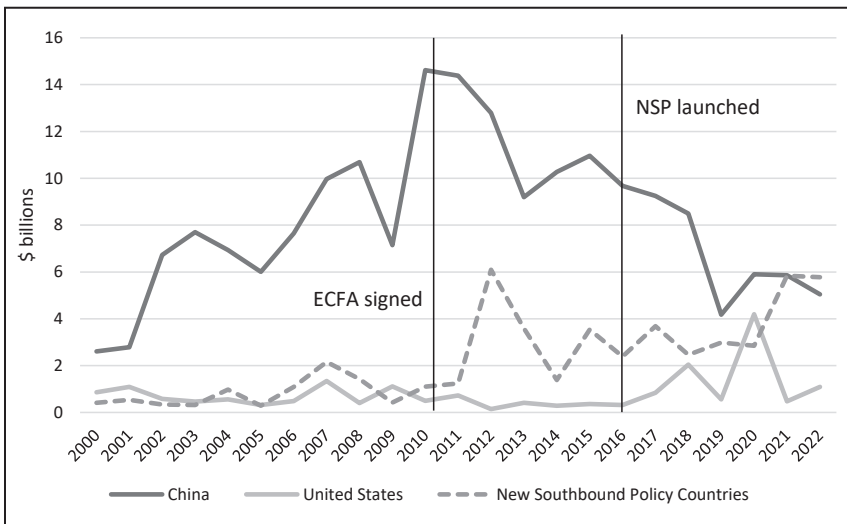
*The Tsai Administration initiated the New Southbound Policy (NSP) in 2016 in an effort to expand regional integration in the Indo-Pacific and establish closer economic and cultural relations with 18 countries identified as potential partners. The 18 nations are: Australia, Bangladesh, Bhutan, Brunei, Burma (Myanmar), Cambodia, India, Indonesia, Laos, Malaysia, Nepal, New Zealand, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, and Vietnam. Center for Strategic and International Studies, "Taiwan's New Southbound Policy," July 2019.

Figure 4: Percentage of Taiwan Total Trade, 2000–2022



Note: Economic Cooperation Framework Agreement (ECFA); New Southbound Policy (NSP).
Source: Taiwan Ministry of Economic Affairs, Bureau of Foreign Trade.

Figure 5: Taiwan’s Approved Outbound Investment, 2000–2022



Note: Economic Cooperation Framework Agreement (ECFA); New Southbound Policy (NSP).
Source: Taiwan Ministry of Economic Affairs.

that pose little cost to mainland business interests. Then on April 12, 2023, one week after President Tsai's transit meeting with then Speaker McCarthy in California, Beijing announced it was launching a trade barrier investigation on 2,455 mainland exports (mainly agricultural, textile, and mineral products) to Taiwan it claims Taiwan unfairly restricts.³⁰⁴ The move marks a departure from previous Chinese economic coercion, as China has refrained from internationalizing cross-Strait trade disputes for fear of contradicting its position that such issues are an "internal affair."³⁰⁵ Taiwan's Trade Representative John Chen-Chung Deng said his government is preparing for escalation based on different outcomes, including new Chinese import bans, the possible reimposition of Chinese tariffs cut under the ECFA, and even a complete departure from the landmark agreement that has benefited Taiwan tremendously.³⁰⁶ It is noteworthy that China's Ministry of Commerce indicated the investigation could be extended past the initial October expiration date to January 12, 2024, one day before the Taiwan presidential election.³⁰⁷ A chronological list of coercive actions are as follows:

- *Import ban on pineapple and sugar apples:* In February 2021, Beijing began a series of import bans on agricultural products that are heavily reliant on the Chinese market by blocking pineapples, followed up by a ban on sugar apples in September of that year.³⁰⁸ The move jeopardized the livelihood of producers mainly in southern rural counties that historically have strongly supported the DPP.³⁰⁹
- *Import ban on grouper fish:* In June, 2022 China banned a variety of fish products after the announcement of then Speaker Pelosi's visit to Taipei, citing instead high levels of chemicals (a claim government officials in Taiwan dispute).³¹⁰ Grouper fish was the largest item on the restriction list, with 91 percent of exports worth over \$50 million going to China.³¹¹ Like the previous bans, producers were largely concentrated in regions that historically support the DPP.
- *Banned item list expanded to over half of imported food products and Chinese exports of sand:* On the eve of then Speaker Pelosi's visit to Taipei in August 2022, Beijing escalated its import ban strategy, expanding the list to 2,000 of 3,200 total food products from Taiwan.³¹² Chinese exports of sand, a raw input for silicon wafer manufacturing, also were curtailed, though with over 99 percent of sand obtained domestically in Taiwan the preceding two years the move had negligible impact.³¹³
- *Beijing adds packaged food products to import ban list:* In December 2022, China's Ministry of Commerce added to the banned items list seafood products (which totaled \$166 million in 2021) along with Taiwan beer and a large number of other beverages.³¹⁴
- *Chinese Ministry of Commerce launches trade investigation into alleged restrictive measures against 2,455 mainland products:* A potential major implication of the move is that it threatens to be a precursor to repeal the 13-year-old ECFA.³¹⁵ Taiwan officials are beginning to prepare for impact from the investigation

and a potential hard departure from the largely uninterrupted cross-Strait economic relations its businesses have come to rely on over the past decades. A government minister who serves as Taiwan's trade representative in the United States said, "We have to ensure that [Taiwan companies] will not be hurt if China takes certain actions."³¹⁶

- *Import restrictions on polycarbonate products and mangos:* During presidential frontrunner Lai Ching-te's visit to the United States from August 12 to August 17, China's Ministry of Commerce imposed temporary antidumping duties on Taiwan's polycarbonate products, a versatile and durable composite material, as well as an import ban on mango imports from the island.³¹⁷

While escalatory in their approach, the actions Beijing has taken against Taiwan industry thus far have been negligible to the overall health of Taiwan's economy, as agriculture accounts for less than 1 percent of total exports to China.³¹⁸ Taiwan has been adept at moving quickly to find alternative sources for banned products. From 2021 to 2022, China fell from the top market for Taiwan's agricultural exports to number three behind the United States and Japan.³¹⁹ However, the trade investigation initiated in April 2023 holds the potential to greatly escalate the souring economic relationship if it results in more systemic shifts away from the beneficial cross-Strait trade relations enjoyed by both sides for over a decade.

Background on the Economic Cooperation Framework Agreement

Cross-Strait trade relations enjoyed a period of relative stability during the administration of former President Ma Ying-jeou and the KMT from 2008 to 2016. The Cross-Strait Economic Cooperation Framework Agreement (ECFA) was signed in 2010 to enhance business activity with a rapidly growing China, at the time reducing tariffs on a list of goods that accounted for 16.1 percent of Taiwan's exports to China and 10.5 percent of imports from the Mainland.³²⁰ Approved outbound investment from Taiwan to mainland China doubled from \$7.1 billion in 2009 to \$14.6 billion in 2010 and \$14.3 billion in 2011.³²¹ Then, in March of 2014, widespread student-led protests erupted in Taipei after the signing of a follow-on agreement to the ECFA, the Cross-Strait Service Trade Agreement. The protesters accused the ruling KMT government of bypassing the legislature and advancing closer ties with the China through undemocratic means.³²² At the root of their grievance was a fear that closer economic ties with China would make Taiwan susceptible to ever-encroaching influence that would ultimately jeopardize its system of self-rule. The protests became known as the Sunflower Movement, and at the end of 2014 polling showed 53.3 percent of Taiwan citizens supported the protestors' grievances.³²³ This event still reverberates throughout Taiwan's society today, as it marked a broader and bolder assertion of Taiwan identity than had previously been demonstrated and led to the ascendancy of Tsai Ing-wen and the return of the DPP to power in the 2016 presidential election.³²⁴

Background on the Economic Cooperation Framework Agreement—Continued

Following this backlash to closer cross-Strait economic ties, Beijing initiated a campaign of economic coercion that has built and evolved to its current form. In testimony before the Commission, National Taipei University professor and Chairperson of Doublethink Lab Puma Shen categorized CCP interference approaches as either “building connections or imposing pressure.”³²⁵ Following the election of President Tsai in 2016, Beijing initially sought to punish Taiwan by dealing a blow to its tourism sector, actively restricting visas and reducing Chinese tour groups to the island, resulting in a decline from over four million visitors from the Mainland in 2015 to 2.7 million in 2019.³²⁶ Then in 2018, Beijing employed softer tactics by implementing successive rounds of preferential economic measures designed to lure Taiwan businesses and persons to establish deeper ties with the Mainland.³²⁷ Over the course of President Tsai’s second term, the PRC has shifted back to a coercive economic pressure campaign in tandem with stepped up military aggression in the Strait.

U.S.-Taiwan Economic and Trade Relations

Heightened cross-Strait tensions have inclined Taiwan to seek stronger economic ties with the United States. U.S.-Taiwan economic and trade relations continued on an upward trajectory in 2022, with increased flows in both directions. Furthermore, tangible progress was made on the U.S.-Taiwan Initiative on 21st Century Trade. A surge in trade during the pandemic moved Taiwan up just behind the UK to the United States’ eighth-largest trading partner in 2021 before being overtaken by India and Vietnam in 2022 to settle into the tenth spot.³²⁸ The United States was Taiwan’s second-largest trading partner in 2022, behind China and ahead of Japan.³²⁹ The United States was the second-largest destination for Taiwan exports in 2022, representing 15.7 percent of total export flows, a year-on-year increase of 11.8 percent.³³⁰ On the import side, 10.6 percent of total imports to Taiwan came from the United States, the third-largest share behind China’s 19.6 percent and Japan’s 12.7 percent and a year-on-year increase of 13.4 percent.³³¹

Taiwan Outbound Investment to the United States

Both the United States and Taiwan have recently taken steps to deepen economic ties through cross-border investment. In May, Taiwan sent the largest of 83 international delegations to the annual SelectUSA Investment Summit hosted by the U.S. Department of Commerce in Washington, DC.³³² Total stock of U.S. FDI in Taiwan stood at \$16.7 billion in 2022, and conversely Taiwan’s direct investment position in the United States was near equivalent at \$16.1 billion.³³³ Approved outbound investment from Taiwan into the United States through the first half of 2023 totaled \$4.8 billion, up 600 percent from \$792 million in the first half of 2022.³³⁴ TSMC’s proposed \$3.5 billion investment in its Phoenix Arizona chip fabrication plant, now set to come online in 2025, accounted

for the majority of this increase.³³⁵ By comparison, U.S. FDI flows into Taiwan were \$398.8 million in 2022, and averaged \$321.7 million annually over the preceding ten years.³³⁶ The Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act of 2022 provides \$52.7 billion over five years to support domestic semiconductor manufacturing in the United States, such as the proposed TSMC investment.³³⁷ Electric vehicle (EV) companies from Taiwan have also sought to increase their U.S. based operations.³³⁸ In the past year, Delta Electronics, Excellence Optoelectronics Inc., and Hota Industrial Manufacturing—automotive parts suppliers for the big three automakers and Tesla—have announced multi-million-dollar plans to build out operations in Texas, Michigan, and New Mexico, respectively.³³⁹ iPhone manufacturer Foxconn has also entered EV production in recent years, announcing plans to begin production of \$30,000 mass market models from an Ohio facility it purchased in 2022 from Lordstown Motors for \$230 million.³⁴⁰

U.S.-Taiwan Initiative on 21st Century Trade

On May 18, 2023, United States Trade Representative Katherine Tai and her Taiwan counterpart John Chen-Chung Deng announced the successful completion of negotiations on the first part of the U.S.-Taiwan Initiative on 21st Century Trade.³⁴¹ The agreement was signed on June 1, 2023, one year to the day after the two parties announced the launch of the initiative, and is intended to offer a path toward economic engagement for Taiwan parallel to the Indo-Pacific Economic Framework for Prosperity (IPEF).³⁴² While absent of new market access commitments, the initial agreement further reduces customs and border restrictions, streamlines regulations around services, improves anticorruption rules, and creates opportunities for small and medium enterprises on each side of the Pacific.³⁴³ Negotiations will now proceed to more difficult areas, including agriculture, digital trade, labor and environmental standards, state-owned enterprises, and nonmarket practices.*³⁴⁴

An important element of the U.S.-Taiwan Initiative on 21st Century Trade is that it sets a precedent, potentially clearing the path for other large trading partners with Taiwan—like Japan and Australia, which fear retaliation from China—to commence bilateral trade negotiations.³⁴⁵ Ambassador Tai's May announcement of successful first round negotiations came just ahead of Commerce Secretary Gina Raimondo's meeting with China's Minister of Commerce Wang Wentao in Washington, DC; the June signing fell on the eve of the Shangri-La Dialogue meeting, attended by Secretary of Defense Lloyd Austin and his Chinese counterpart in Singapore.³⁴⁶ In response, a spokesperson for the Chinese Ministry of Commerce

*Completion of the U.S.-Taiwan Initiative on 21st Century Trade Phase One agreement was announced unilaterally by the Office of the U.S. Trade Representative on May 18, 2023. Congress passed H.R. 4004 in July, which approved implementation of the first-round agreement, but in the bill it asserted the constitutional authority of the legislative branch to approve entrance into binding trade agreements. The president signed H.R. 4004 into law on August 7, with the Administration stating it would treat requirements of the act that would prohibit its ability to negotiate future trade agreements with Taiwan as nonbinding. Inu Manak, "Congress Asserts Its Trade Authority with Taiwan Trade Deal," *Council on Foreign Relations*, August 8, 2023; White House, *Statement from President Joe Biden on H.R. 4004, the United States-Taiwan Initiative on 21st-Century Trade First Agreement Implementation Act*, August 7, 2023.

expressed China's opposition to any countries with which it has diplomatic relations having official exchanges with Taiwan.³⁴⁷

Implications for the United States

The potential for crisis in the Taiwan Strait has garnered substantial international attention this year, and the outcome of the island's 2024 election will have major implications for the future of cross-Strait relations. Russia's unprovoked invasion of Ukraine demonstrated the reality that authoritarian powers seeking revisionist goals can still choose to wage war against democracies they deem a threat to their own legitimacy. The similar dynamic in the Taiwan Strait, alongside Beijing's desires to control Taiwan in its quest for "national rejuvenation," position Taiwan as a key theater in the struggle for maintaining free and open societies amid increasing authoritarian aggression.

The year 2023 will be pivotal for Taiwan given the ongoing presidential election campaign. While cross-Strait relations might not be the factor that weighs heaviest on the minds of Taiwan's voters as they go to the polls in January 2024, the outcome will affect how Taiwan interacts with both the United States and China moving forward. As Beijing may seek to impose costs or limits on the next president of Taiwan, regardless of which candidate wins the presidency, the United States may be placed again in the position of reacting to actions initiated in Taipei and Beijing, where the words and deeds of the United States will be closely analyzed to assess U.S. support for Taiwan in the event of a conflict. A policy softening by Beijing in an attempt to influence or shape a new administration in Taiwan could undermine critical movement being made toward increasing deterrence and resilience and is unlikely to result in any fundamental change in China's policy or goals. In such a scenario, the United States may find itself in the awkward but familiar position of pressing to mature much-needed programs and efforts to ensure continued deterrence, while a Taipei administration is seeking to cool temperatures between Beijing and Taipei and deemphasize its own preparations for war.

The people of Taiwan are no strangers to aggression, having been confronted by threats from China for the past 75 years, but the island's indigenous defense capacity is limited. As PLA exercises continue to enhance China's ability to execute a military campaign against the island, Taiwan will need to make constant adjustments to continue to give Beijing pause, even as General Secretary Xi judges the PLA to be more capable of offering military options. Taiwan's steps toward enhancing its own capabilities to defend itself will likely face challenges in implementation, funding, and follow through, increasing the premium on U.S. demonstrations of support in conjunction with encouraging Taiwan's resistance to the pressure campaign it faces daily. Beijing's attempts to wear down Taiwan's military and to sow divisions within Taiwan and between Taiwan and the United States will challenge cooperation and implementation of reforms in defense and resilience preparations on Taiwan.

A potential crisis in Taiwan would likely be far more severe than the war in Ukraine given Taiwan's proximity to critical shipping lanes and major lines of communication in addition to its centrality

in technology and manufacturing supply chains. A recent study by Rhodium Group, a DC-based economic think tank, estimates that over \$2 trillion dollars of global economic activity would be disrupted in the event of even a limited Chinese action or blockade of the island, before accounting for sanctions and second order effects.³⁴⁸ Continued attention on China's coercion and aggression against Taiwan—not only in Washington and Taipei but also in key countries in the immediate region, across Europe, and elsewhere—support the need to continually strengthen deterrence. Deteriorating cross-Strait relations appear to finally be providing the impetus for Taiwan to reconsider key parts of its trade and investment with the Mainland. If the current recession deepens, however, there will be greater incentive for some leaders in Taiwan to push for easing of cross-Strait economic tensions as well as a potential backlash against the costs of an economic shift to diversify away from Mainland dependency. In this environment, increased focus on engagement, investment, and diversification of Taiwan's supply chains by U.S. business and government will be key to ensuring Taiwan has options and U.S. interests are considered as decisions about critical technology and de-risking are made.

Appendix: U.S. Military Sales to Taiwan, November 2022–August 2023

Date of State Department Approval*	Content of Purchase	Value
December 6, 2022 ³⁴⁹	Possible expansion of the Cooperative Logistics Supply Support Arrangement for stock replenishment supply of nonstandard spare parts, consumables, and accessories and for repair and replacement support for the F-16, C-130, Indigenous Defense Fighter (IDF), and all other aircraft and systems or subsystems of U.S. origin, as well as other related elements of logistics and program support.	\$98 Million
December 6, 2022 ³⁵⁰	Expansion of the Cooperative Logistics Supply Support Arrangement for stock replenishment supply of standard spare parts, consumables, and accessories and for repair and replacement support for the F-16, C-130, Indigenous Defense Fighter (IDF), and all other aircraft and systems or subsystems of U.S. origin, as well as other related elements of logistics and program support.	\$330 million
December 28, 2022 ³⁵¹	M136 Volcano Vehicle-Launched Scatterable Mine System; M977A4 HEMTT 10-ton cargo trucks; M87A1 mine canister (each contains six anti-tank mines and one antipersonnel mine); M88 canister training munitions (practice dummy ammunition rounds); M89 training munitions (test ammunition rounds); organic U.S. Army Depot build of Volcano system permanently mounted on M977A4 HEMTT truck; logistics support packages to include spare parts, spare secondary assemblies, tool kits, and test equipment; technical manuals; organic depot production, integration, and testing; operator and maintenance training; logistics and fielding support; U.S. government technical assistance both inside and outside the continental United States to include engineering services, program management, site surveys, facility, logistics, and maintenance evaluations; quality assurance and deprocessing team; field service representative(s); repair and return services; any transportation charges to execute the program; and related elements of logistical and program support.	\$180 million

*The Foreign Military Sales (FMS) program is a form of security assistance authorized by the Arms Export Control Act (AECA), as amended by 22 U.S.C. 2751, et. seq., and a fundamental tool of U.S. foreign policy. Under section 3 of the AECA, the United States may sell defense articles and services to foreign countries and international organizations when the president formally finds that to do so will strengthen the security of the United States and promote world peace. Under the FMS program, the U.S. government and a foreign government enter into a government-to-government agreement called a Letter of Offer and Acceptance (LOA). The secretary of state determines which countries will have programs. The secretary of defense executes the program. See Defense Security Cooperation Agency, *Foreign Military Sales (FMS)*.

Appendix: U.S. Military Sales to Taiwan, November 2022–August 2023—*Continued*

Date of State Department Approval	Content of Purchase	Value
March 1, 2023 ³⁵²	100 AGM-88B High-Speed Anti-Radiation Missiles (HARM); 23 HARM training missiles; 200 AIM-120C-8 Advanced Medium Range Air-to-Air Missiles (AMRAAM); 4 AIM-120C-8 AMRAAM Guidance Sections; and 26 LAU-129 multipurpose launchers. Also included are LAU-118A missile launchers with Aircraft Launcher Interface Computer (ALIC); HARM missile containers; AIM-120 control sections and containers; AIM-120C Captive Air Training Missiles (CATM); dummy air training missiles (DATM); integration and test support and equipment; munitions support and support equipment; spare parts, consumables, and accessories and repair and return support; classified software; maintenance and maintenance support; classified publications and technical documentation; U.S. government and contractor engineering technical and logistics support services, studies, and surveys; and other related elements of logistical and program support.	\$619 million
June 29, 2023 ³⁵³	30 millimeter (mm) ammunition, including 30 mm High Explosive Incendiary-Tracer rounds, 30 mm multipurpose rounds, and 30 mm training rounds; engineering technical services, including configuration control, production support, ammunition testing, and Load, Assemble, and Pack services; other technical services, including sourcing and acquisition assistance, U.S. Navy civilian personnel costs, contract support services, support on technical data requests, responses to Requests for Information, up to two Program Management Reviews per year, and testing and documentation associated with contract procurements; and other related elements of logistics and program support.	\$332.2 million
June 29, 2023 ³⁵⁴	Cooperative Logistics Supply Support Arrangement (CLSSA) Foreign Military Sales Order II (FMSO II) to support the purchase of spare and repair parts for wheeled vehicles, weapons, and other related elements of program support.	\$108 million

**Appendix: U.S. Military Sales to Taiwan,
November 2022–August 2023—Continued**

Date of State Department Approval	Content of Purchase	Value
August 23, 2023 ³⁵⁵	Infrared Search and Track (IRST) systems; integration and test support and equipment; aircraft and munitions support and support equipment; software delivery and support; spare parts, consumables and accessories, and repair and return support; publications and technical documentation; personnel training and training equipment; studies and surveys; U.S. government and contractor engineering, technical, and logistics support services; and other related elements of logistical and program support.	\$500 million

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