KMT Elects New Chairman in Attempt to Regain Youth Votes
By: Russell Hsiao and Ingrid Bodeen

Russell Hsiao is the executive director of the Global Taiwan Institute and the editor-in-chief of the Global Taiwan Brief. Ingrid Bodeen is currently a student at George Washington University and an intern at the Global Taiwan Institute.

In the first significant temperature taken of the political climate within Taiwan after the January 2020 presidential and legislative elections, the Nationalist Party (Kuomintang or KMT) held a special by-election on March 7 to elect the Party’s new chairman. Eligible party members had to choose between two candidates: former Taipei mayor Hau Lung-bin (郝龍斌, b. 1952) and legislator Johnny Chiang (江啟臣, b. 1972). The election—scheduled after the former chairman and members of the Party’s Central Standing Committee (CSC) resigned—saw Chiang emerge as the clear victor. With 68.80 percent (or 84,860) of the total votes cast, Chiang scored an overwhelming election victory over his opponent, seemingly reflecting, at the very least, party members’ imminent desire for a candidate with a clear plan indicating how they are going to steer the party in a new direction—particularly when it comes to party reforms and perhaps even the KMT’s policy towards Beijing.

During a time of domestic social-economic changes, cross-Strait tension, and global uncertainty, the KMT as a political party has been grappling with internal political cohesion, while competing factions vie to determine the party’s future relations with China. The Party’s electoral defeats in the 2016 and 2020 presidential elections have at the very least exacerbated these tensions, and have now compelled the younger members of the Party to call for reforms. In turn, this has highlighted the generational gap in thought and opinion on cross-Strait relations and Beijing’s “One-China” principle. While the new chairman’s election seems to portend the party’s shift in a certain direction, there are several factors that militate against this move.

Another Chairman in Mid-2021 Before Local Elections?
First, the recently-held chairmanship election is a special by-election—as was the case in 2016 after Eric Chu (朱立倫, b. 1961) stepped down as the chairperson following his loss
to President Tsai in the 2016 presidential election. Another election for chairman will be held in the middle of 2021 at the conclusion of what would have been the former chairman Wu Den-yih’s (吳敦義, b. 1948) four-year term. Indeed, Chiang was elected to serve the remaining term of Wu, which began in August 2017 and ended in January 2020 after he stepped down to take responsibility for the KMT’s defeat in the 2020 presidential election. Chiang does not have a sure path to win the next chair election as there are no guarantees that there will not be any challengers to Chiang (there were several challengers to the incumbent in the 2017 elections).

Without an election to win within Chiang’s immediate term to validate the electoral significance of any reforms he may initiate—the next local elections are not scheduled until 2022—he will likely have to negotiate and compromise with the different factional leaders and power bases to enact the reforms ostensibly called for by his election. Although, this factor may at least make it easier for Chiang to make the case that party members should stick with him to see through the reforms. Lastly, it is even questionable at this point whether he would even want to remain the chairman after the conclusion of this current term.

Furthermore, of the 345,971 eligible electors for the KMT chairman—which includes 251,848 local chapter members, 83,307 Huang Fu-hsin chapter members, and 10,816 overseas chapter members)—only 35.85 percent (or 124,019) cast votes, a remarkably low turnout percentage. This is around 6 percent lower than the 2016 special by-election and far less than 276,423 votes cast in the 2017 chairmanship election. This low voter turnout will cut against any narrative that Chiang’s election was a clear mandate and may not provide him with the political capital necessary to carry out reforms.

Waning Influence of the KMT Chairman?

Second, while party members and outside observers may hope to see a strong new chairman single-handedly carry out the necessary measures to reform the party, the influence of the position is arguably not that strong within the party’s political ecosystem. It is worth recalling that the former chairman’s victory in 2017 seemed to point to a less radical orientation and portended the return of the control of the establishment wing of the party. Yet, as one of GTI’s authors previously wrote of the 2017 chairmanship election:

“While the KMT chairperson election seems to indicate party members’ preference for a more mainstream orientation, whether the Party is able to connect with the changing demographics in Taiwan remains to be seen. The 2016 election was prefaced by a groundswell of youth activism manifested in the 2014 Sunflower Movement. Public engagement by Taiwanese youths, as stakeholders in the country’s national politics, must now be seriously addressed by political parties.”

“On balance, the 69-year old incoming chairman of the KMT presents a stark contrast to the firebrand politics of his immediate predecessor. However, in a primary that seemed more focus on the candidates’ experience than policy differences, Wu’s capabilities as a seasoned politician may have been more of a salient factor than his policies for party members. A native Taiwanese, Hakka-minority, and considered part of the party’s local faction (本土派), Wu can speak and play to these political advantages in appealing to a general audience.”

Even Wu was apparently unable or unwilling to control the various party factions and raise the profile of the youth wing of the party—and fell short of expectations.

The Role of the KMT Central Standing Committee

Third, in addition to the chairman, the Party is directed by the Central Standing Committee (CSC). The election for the members of the CSC was voted on by KMT Central Committee members alongside the chairmanship election on March 7. Sixteen of the 17 current CSC members that sought re-election were elected. The Nationalist Party’s Constitution stipulates that the CSC must have at least 39 members and a maximum of 44 members. Thirty-two members are elected by Central Committee members. Out of a total of 48 people registered for the election, 31 were new candidates.

The two most popular CSC members—those who received the most number of votes—are current member Chen Tsung-hsing (陳宗興, b 1962) and Hualien County Chief Hsu Chen-wei (徐榛蔚, b. 1968), who tied for first place, each receiving 1,034 votes. Among the top 32 vote-getters for the CSC race, 8 were women (25 percent), and 3 were youths (9 percent), and one aboriginal (3 percent). It is debatable whether the less than ten percent of CSC members representing the youth wing of the party would be sufficient to help the new chairman carry out the reforms that he appears to want to carry out.
Influence of Huang Fu-Hsin Faction

Fourth, and perhaps most notably, the influential Huang Fu-hsing (黃復興) chapter of the party accounts for around 80,000 of the 346,000 eligible electors within the KMT—more than 20 percent of all eligible KMT members. This chapter is known for its ability to mobilize members during elections and boasted that it would mobilize no less than 60-70 percent turnout rate amongst its members in this special by-election. While the breakdown of KMT voters are not available, it appears that voter turnout for this segment was significantly lower than expected as well. To be sure, there had been an expectation of lower turnout due to the party’s brutal defeat in the presidential election and fears of the coronavirus outbreak. Hau Lung-bin, the former mayor of Taipei, is very much representative of the KMT old guard and this wing of the party. Hau comes from a well-connected political family; his father, Hau Pei-tsun (郝柏村, b. 1919) had served as the chief of the general staff of the party for eight years before serving as Premier between 1990-1993. Despite the loss of their candidate, the apparent low turnout does not mean that this faction is no longer a significant political force within KMT politics.

Youth Is the Key

Fifth, with the election of Chiang as chairman—whose campaign for chair focused on appealing to youth voters—there seems to be a clear recognition in the higher echelons of the party that youths are key to the Party’s rejuvenation. Not only were youths the key variable in the 2014 Sunflower movement that generated the political tidal wave that voted the KMT out of office in 2014 and then 2016, they were also a crucial factor in the 2020 elections. According to one researcher from Academia Sinica, 72 percent of voters below the age of 40 had cast their ballot for Tsai in 2020, while more than 60 percent of college graduates had also chosen to re-elect the president. Chiang seems to understand the challenge facing the KMT. In an interview, Chiang noted that if the country’s voting age is revised down to 18 years old, the current 16-year-olds will be able to vote in 2 years, adding about 800,000 first-time voters. These young voters could well decide the fate of the KMT in the 2022 local elections. Will they look to the KMT as their political party of choice? Chiang underscored the challenge facing the KMT when he also revealed that there are only roughly 9,000 members under the age of 40 in the party. He noted the KMT will face greater challenges in the county and mayor elections in 2022 if it does not reform.

To be sure, Chiang is relatively young. At 47, he is able to make a case that he is better suited to reach out to young voters. Furthermore, he is a powerful figure in the Taichung Red Faction of the party. However, as a post-1949 Taiwanese local, he will be opposing powerful elites in the party who emigrated with or are descendants from the KMT exodus that came from China in 1949. Most previous KMT chairs have been descendants of so-called “mainlander elites,” potentially meaning that China has lost some of its influence in Taiwan with the election of Chiang. He has emphasized a need to “redesign and adjust” core values, policies, and nomination process of the party. While those hoping for party reforms have a reason for cautious optimism, it remains to be seen whether Chiang has the political clout and adeptness to navigate an increasingly complex party system under strain and increasing pressure from within and also from China to undertake the necessary reforms.

The main point: While those hoping for reforms have a reason for cautious optimism, it remains to be seen whether the new KMT chairman, Johnny Chiang, has the political clout and adeptness to navigate a com-
plex party system under strain and increasing pressure from within and without from China to undertake the necessary reforms to rejuvenate the party.

Implications of Coronavirus Outbreak on Taiwan’s Campaign for the World Health Organization

By: I-wei Jennifer Chang

I-wei Jennifer Chang is a research fellow at Global Taiwan Institute.

With the outbreak of the novel coronavirus (COVID-19) from Wuhan, China, that has already killed at least 3,800 and infected more than 108,000 worldwide, including 1 death and 45 confirmed cases in Taiwan (as of March 9), Taiwan has gained yet another opportunity to amplify its decades-long campaign to join the World Health Organization (WHO), or at least obtain observer status to join WHO meetings. Taiwan’s government recently renewed its call to participate in the WHO and gain access to WHO updates on the coronavirus. “Like all other countries, Taiwan is currently facing the risk from this global pandemic,” Taiwan’s President Tsai Ing-wen (蔡英文) said on January 30. “We have the capability and the responsibility to do our part for the international community, and we hope that the WHO will not exclude Taiwan for political reasons,” Tsai said. “The WHO must make room for Taiwan’s participation,” she said, expressing gratitude to the United States, Canada, and Japan for their sustained support for Taiwan’s membership in the global health organization.

In a small step forward, Taipei was allowed to join a WHO technical meeting in an online capacity on February 11 to 12. Beijing claimed that it gave permission for Taipei to attend the meeting, though Taipei retorted that the meeting was arranged in direct talks with the WHO, backed by support from the United States and Japan. Amid international criticism over its handling of the coronavirus epidemic that originated inside its borders, Beijing faces mounting challenges on both domestic and international fronts that are testing the leadership of the Chinese Communist Party (CCP) and undermining the country’s image as a responsible stakeholder. The coronavirus crisis also drew unwanted attention to Beijing and the health organization’s cozy relationship, particularly when the WHO’s Director-General Tedros Adhanom Ghebreyesus was widely seen as pandering towards Beijing. The Chinese government will likely be strongly opposed to Taipei’s more extensive participation in the WHO, knowing that giving Taipei more international space would likely boost the popularity of President Tsai, who was re-elected in January 2020 for another four years.

During each global health crisis, Taiwan’s government has repeatedly argued that the island needs to obtain comprehensive information from the WHO on the epidemic in an urgent and timely manner in order to save lives and prevent the epidemic from spreading. During the Severe Acute Respiratory Syndrome (SARS) outbreak in 2002-2003, the WHO, under pressure from Beijing, did not respond in a timely manner to Taipei’s requests for help, recounted Foreign Minister Joseph Wu (吳釗燮). In any case, Taiwan, accustomed to being excluded from the WHO during the past several health crises in Asia, has been tackling the Wuhan coronavirus largely on its own. Taiwan’s Foreign Ministry posted on Twitter on March 2: “Officials in Taiwan are mobilized and determined to protect the country, with or without help from the WHO.” Compared to the more than 7,300 infections including more than 50 deaths in South Korea and at least 397 cases including 7 fatalities in Japan (as of March 8), Taiwan is doing comparatively well in keeping the infection rate and mortality rate on the lower end. [1] Taiwan’s self-reliance and public health measures have served it well even without membership in the WHO, but the island also wants to provide assistance to the rest of the world to fight the coronavirus.

Taiwan’s Campaigns for Participation in the WHO

When the representatives of Chiang Kai-shek (蔣中正) were expelled from the United Nations in October 1971, Taiwan was concurrently ousted from the UN’s specialized global health agency, the WHO. Since 1997, successive Taiwanese administrations have lobbied to either gain membership in the WHO or gain “observer” status at the World Health Assembly (WHA) meetings held in Geneva each May. It was not until a warming in cross-Strait relations under Taiwan President Ma Ying-jeou’s (馬英九) administration that Taiwan was able to dispatch its health minister to attend the WHA meetings as an “observer” under the title of “Chinese Taipei” from 2009 to 2016. However, Beijing later retracted Taipei’s observer status following the 2016 election of Tsai Ing-wen of the opposition Democratic Progressive Party (DPP), who refused to accept Beijing’s “One-China” principle. Subsequently, Taiwan sent delegations to Geneva to meet with foreign officials and experts on the sidelines of the WHA sessions in 2017 through 2019 to protest its exclusion.
Taipei’s level of access to the WHO has been influenced by Beijing’s attitudes towards Taiwanese participation in international organizations. Beijing is most opposed to Taiwan’s involvement in international organizations such as the United Nations, which are potent symbols of state sovereignty that would directly challenge the legitimacy of “one China.” On the whole, Beijing is less opposed to Taipei’s participation in functional organizations such as economic organizations. For example, Taiwan is a member of the Asia-Pacific Economic Cooperation (APEC), the World Trade Organization (WTO), and the Asian Development Bank (ADB). However, Beijing’s criteria for what constitutes an acceptable or unacceptable international institution for Taiwanese participation are not necessarily clear-cut. The WHO is a case in point.

Entry into the WHO, a functional UN agency, has not only been a public health concern but a key diplomatic objective for Taiwan. Taipei’s WHO bid resembles the island’s decades-long unsuccessful campaign to join the United Nations, but on a much smaller scale. Successive Taiwanese governments have, from time to time, shifted the island’s official designation from “Republic of China” and “Taiwan” to later “Chinese Taipei” and “health entity” (衛生實體) in order to increase its acceptability to both Beijing and the WHO. While Taiwan’s goals vis-à-vis the WHO have mostly focused on gaining observer status, for President Chen Shui-bian’s (陳水扁) administration, observer status in the WHA meetings was only a stepping stone towards full membership into the WHO—and not the ultimate diplomatic objective. In 2004, Taiwan’s Foreign Minister Chen Tang-shan (陳唐山) said Taiwan’s nine diplomatic allies requested the WHO to consider Taiwan’s application to join the global health body. In 2007, Taipei unsuccessfully applied for membership in the WHO under the name “Taiwan.”

Chen’s push for WHO membership gave China yet another reason to exclude Taiwan from the UN agency and further constrict Taiwan’s international space and recognition. Beijing continued its tough stance on Taiwan even during the avian flu epidemic in 2005-2006. The WHO and the PRC signed a secret Memorandum of Understanding (MOU) in 2005 that curtailed WHO contact with Taiwanese officials, who could only participate with approval by Beijing. Subsequently, Taiwan’s representatives were allowed to attend only 21 of around 1,000 WHO technical meetings held between 2005 and 2008.

**Taiwan Gains Observer Status**

During a temporary thaw in cross-Strait relations under the Ma administration, the Chinese government relaxed its notion of state sovereignty regarding Taiwan’s participation in WHO meetings from 2009 to 2016. In 2009, the WHO Secretariat sent an invitation to “the Department of Health, Chinese Taipei” to attend the WHA as an observer without voting rights. Taiwan’s then Health Minister Yeh Ching-chuan’s (葉金川) attendance at the WHA ended Taiwan’s 38 years of exclusion from the body. President Ma cited three factors leading to the WHO invitation: joint efforts of the public and political parties, international support from Taiwan’s diplomatic allies and other friendly countries, and the goodwill of the Chinese government. “There is a clear link between cross-Strait relations and our international space,” Ma said. “We’re not asking for recognition; we only want room to breathe,” he said. Ma shifted Taiwan’s focus towards attending WHA meetings rather than joining the WHO. Ma, however, was criticized for negotiating with Beijing without broader consultations with other political parties or the public. “This came about through black box negotiations,” said Hsiao Bi-khim (蕭美琴), who was then DPP’s international affairs director. “We are concerned that our government has given out political concessions,” she said. There was concern that accepting this gesture from Beijing would actually harm Taiwan’s sovereignty. Subsequently in 2011 and 2012, the WHO informed the Taiwanese delegation that its title would change to “Taiwan, province of China.” In both years, Taiwan’s then Health Minister Chiu Wen-ta (邱文達) attended the WHA meetings in Geneva even with this title change, though he also submitted formal letters protesting the WHO’s designation change for the island.

**China Retracts Taiwan’s Observer Status**

After seven years of participation as a WHO observer, Taiwan was no longer invited to the WHA meetings beginning in 2016. China used Taiwan’s past observer status to punish the Tsai administration for refusing to accept the “One-China” principle. China’s Health Minister Li Bin (李斌) stated, “Only when the political basis that reflects the ‘One-China’ principle has been confirmed can the regular exchanges across the strait be sustained. And only then can the two sides of the Taiwan Strait resume their consultations regarding the possibility of Taiwan’s participation in the World Health Assembly.” In 2019, Jonathan Moore, acting assistant secretary of the State Department’s Bureau of International Organization Affairs, argued that Taiwan’s past participation as an observer at the WHA is sufficient to...
demonstrate that “there is no legal barrier to Taiwan’s participation,” and that “because of the results of a free and fair democratic election in Taiwan, China decided to block Taiwan’s further participation, applying pressure on WHO leadership to exclude Taiwan despite the fact that China contributes less.”

Moving Forward

Going into the spring of 2020, Taiwan will likely double down on its campaign for observer status at the WHA meeting in Geneva, drawing from the momentum created by the novel coronavirus. The Taiwanese government will need the support of bigger powers, notably the United States, which has traditionally played a key role in exerting pressure on China over Taiwan’s participation in the WHO. At the same time, China is likely to object to Taiwan’s inclusion as anything but separate from the Chinese delegation and will seek to project a strong and capable international image as it seeks to battle the Wuhan coronavirus domestically. This time around, the WHO will need to decide whether it will continue to acquiesce to Chinese pressure on Taiwan or will actually provide universal health representation for all.

The main point: The emergence of the Wuhan coronavirus has provided a tangible reason not to exclude Taiwan from the World Health Organization. In the past, Taiwan’s WHO campaigns took many different forms but were consistently blocked by Beijing, except for a brief period where Taipei was allowed observer status from 2009 to 2016.

[1] Japan counts its national infections and deaths separately from (1) returnees from China on Japanese chartered flights (11 infection cases) and (2) passengers on the Diamond Princess cruise ship (6 fatalities). These numbers are current as of March 8, 2020.

Reinvigorating Taiwan’s Role as Asia’s NGO Hub

By: J. Michael Cole

J. Michael Cole is a senior non-resident fellow at the Global Taiwan Institute.

Soon after entering office in May 2016, the Tsai Ing-wen (蔡英文) administration signaled its intention of turning Taiwan into a regional hub for non-governmental organizations (NGO). Nearly four years later, little has happened and very few international NGOs have established regional offices in Taiwan. The current lackluster situation is not due to lack of interest among foreign organizations. In fact, the circumstances could not have been more favorable for Taiwan to open its doors to international NGOs (INGOs) wishing to establish a presence in the region or relocate to Taiwan from their current location. In the spring of 2016, Chinese authorities passed the Law of the People’s Republic of China on Administration of Activities of Overseas Non-Governmental Organizations in the Mainland of China (中华人民共和国境外非政府组织活动管理条例), a new measure that severely restricted the ability of INGOs to operate in China. Around that time, the political environments in other countries in the region including Vietnam, Cambodia, and the Philippines also saw tighter restrictions—and in some instances crackdowns—on NGOs and foreign organizations, forcing them to draw down their operations or to resettle, often temporarily, in a neighboring country.

Arguably the most liberal and permissive democracy in the entire Indo-Pacific region, Taiwan is an alluring alternative for NGOs wishing to continue their work in the region without fears of harassment, intimidation, or other forms of government obstruction. Moreover, the ongoing global reassessment of the risks and costs of dealing with authoritarian China, accompanied by a renewed interest by the United States and likeminded countries in engaging with Taiwan on various fronts, created an unprecedented opportunity for Taiwan. Facing rekindled efforts by Beijing to block Taiwan’s access to international governmental organizations and peel away its official diplomatic allies, NGOs could provide an alternative pathway to international engagement, playing to its strengths while benefiting from China’s increasingly hostile environment for such organizations. However, this has not been the case.

A Missed Opportunity

It would be invidious to claim that the Tsai administration altogether failed to take advantage of the opportunities created by the current environment to reach out to likeminded INGOs. For one thing, in cooperation with the US Department of State, it helped to develop the Global Cooperation and Training Framework (GCTF) while organizing several conferences and workshops at the Track 1.5 and Track 2 levels. These events brought together various experts, government officials both active and retired, and academics from around the world to tackle important issues, such as religious freedom and combating disinformation, to name just two. Those initiatives were a clear example of what can be accomplished when the Taiwanese government
successfully assesses the intentions of partners within the international community and balances its desire for engagement with respect for those partners’ limits due to their respective “One-China” policies and fears of angering Beijing. Furthermore, the success of programs like GCTF and other efforts undoubtedly played a role in mitigating China’s attempts to isolate Taiwan internationally.

Yet, nearly all of these initiatives involved governmental counterparts at some point, with civil society playing an auxiliary role at best. During that period, Taiwan largely failed to attract NGOs to open offices in its territory. Only one prominent international NGO, the Paris-headquartered Reporters Without Borders (RSF), opened its regional bureau in Taiwan, though this was only after much deliberation (the organization had initially hoped to set up its office in Hong Kong). Moreover, the RSF “success” was arguably the result of ad hoc measures rather than the outcome of deliberate policy on the part of the Tsai administration.

Nevertheless, the intention was certainly there. In the fall of 2016, the Taichung City government, then under Mayor Lin Chia-lung (林佳龍), proposed setting up a hub for international NGOs in Wufeng District. Efforts would be made to attract international NGOs involved in three areas—human rights and democracy; ecology; and women’s rights. Signaling her support for the initiative, President Tsai appointed Vice Premier Lin Hsi-yao (林錫耀) to coordinate with the Taichung City government.

This initiative saw early successes. In March 2018, when the center was officially launched, two German NGOs operating in the field of search-and-rescue—BRH-Bundesverband Rettungshunde e.V. (German Search and Rescue Dog Association) and International Search and Rescue Germany (ISAR Germany)—officially opened branches in Wufeng District. However, there was very little success after this. This was in part due to the location of the INGO center, which suffered from incomplete infrastructure and, while located in a major city, is nevertheless too far from the political center of gravity of Taipei. While the location may be appropriate for the training of rescue dogs, it is far from ideal for international organizations that seek to lobby governments and work on regional issues. Additionally, Mayor Lin’s defeat in the November 2018 elections may have put the brakes on the initiative. His successor, Lu Shio-yen (盧秀燕) of the Kuomintang (KMT), does not appear to have shown much interest in continuing the project, let alone coordinating with the central government to ensure its expansion.

Even more problematic, however, was the fact that the Taiwanese government’s efforts were largely aspirational and limited to providing, as one observer put it at the time, the “hardware”—i.e., physical facilities—while failing to ensure that the “software” was appropriate. By revamping the oft-antiquated regulatory environment for INGOs to set up shop in Taiwan and providing incentives such as tax breaks, the government could have more effectively encouraged INGOs to invest in the project. Such work needed to be done. Simply signaling the intent to turn Taiwan into an INGO hub was insufficient.

Getting it Done

A number of highly visible INGOs involved in human rights promotion and protection, such as the US-based International Republican Institute (IRI), National Democratic Institute (NDI), and Human Rights Watch have run afoot of local (authoritarian) authorities in the region in recent years. Those developments have compelled them to move their operations to a temporary location (in NDI’s case from Cambodia to Thailand) and to look for alternatives to relocate on a more permanent basis. Several European INGOs, such as the German Marshall Fund, RSF, and European Values, have also begun to focus more on Asia and could contemplate strengthening their Indo-Pacific efforts by opening satellite offices there.

In recent months the Ministry of Foreign Affairs (MOFA) has created some momentum in that direction. In coordination with partners in Taiwan, it has begun to identify INGOs that may be interested in having a presence in Taiwan. However, MOFA cannot make this happen on its own, as it does not have the ability to write or alter regulations. As such, there needs to be political will on the part of the Presidential Office, the Executive Yuan, and the Ministry of the Interior. In addition, there must be proper coordination with legislators who can propose bills and amendments and pass those in the Legislative Yuan, where the ruling Democratic Progressive Party (DPP) has a majority of seats. Moreover, on the “hardware,” or infrastructure side, those efforts will likely be of little avail unless the proposed site for an INGO center is located in the capital of Taipei. This is not elitist, but rather a practical matter: international organizations that deal with high politics, human rights, women’s rights, and other matters will want to be located in Taipei, where they can quickly reach officials or travel to other parts of the region. Making facilities available to them in Taichung is simply not attractive enough.
The Tsai administration now, at the outset of a second term, has the chance to make its INGO aspirations a reality. With every expectation that Beijing will continue, if not intensify, its efforts to isolate Taiwan internationally over the next four years, Taipei must continue to counteract those by asymmetrical means. While initiatives such as GCTF will continue, Taipei must now act on the INGO front and implement the necessary regulatory adjustments to make this aspiration a reality. The process of opening regional offices should no longer be adjudicated on a case-by-case basis as it is currently, but rather determined clearly and systematically. In addition to the benefits of creating further connections between Taiwan and the international community, the presence of a number of high-profile INGOs in Taiwan would create employment opportunities for local and foreign professionals that currently do not exist. In turn, this could have a trickle-down effect on the work environment in Taiwan, which currently undermines its ability to attract—and retain—foreign talent.

**The main point:** For almost four years now, the Tsai administration has talked about turning Taiwan into a regional hub for international NGOs. While the government has talked the talk, it hasn’t done nearly enough to turn this aspiration into a reality. President Tsai should use her second term to provide an attractive environment for international organizations by revamping its antiquated regulatory environment.

**An American Perspective on Australia’s Approach to the Taiwan Strait**

By: Michael Mazza

*Michael Mazza is a senior non-resident fellow at GTI. He is also a visiting fellow in foreign and defense policy studies at the American Enterprise Institute (AEI), where he analyzes US defense policy in the Asia-Pacific region.*

Is there a role for Australia to play in preventing conflict in the Taiwan Strait? Brendan Taylor, professor of strategic studies at Australian National University, tackles this question in a recent [policy brief](https://www.gtianstitute.org/) for the Lowy Institute. In sum, Taylor argues that Canberra should proactively advocate for “crisis management and avoidance mechanisms designed both to reduce the risk of inadvertent conflict and to manage a bull-blown Taiwan crisis.” Whether and how Australia can usefully shape cross-Strait dynamics in scenarios short of war receives too little attention in Washington and, according to Taylor, in Canberra. This paper, then, is a valuable contribution to the scholarship surrounding one of Asia’s most complex, most dangerous flashpoints. Yet, while Taylor’s case for a more “activist” Australian approach to the Taiwan Strait is convincing, his recommendations are more restrained than Australian interests merit.

**Why Taiwan Matters**

In his policy brief, Taylor focuses on why a cross-Strait “crisis” (by which he means armed conflict) would be detrimental for Australia. His primary concern appears to be the economic repercussions, which is understandable given China’s role as Australia’s largest trading partner. “A serious Chinese economic downturn,” which a war with the United States over Taiwan’s fate would bring about, “would almost certainly trigger a recession [in Australia].” Elsewhere in the paper, Taylor highlights Taiwan’s role as “a critical link in global supply chains” and notes that Taiwan’s East Asian neighbors—important economic partners for Australia—would be negatively affected by a conflict involving Taiwan. “Major conflict could swiftly reverse this region’s economic miracle, triggering an Australian recession given our considerable trade dependence upon China, with serious consequences for the Australian economy and standard of living.”

Other “potential consequences” for Australia include Chinese retaliation, in the vein of Beijing’s response to Seoul’s decision to host THAAD, should Washington invoke the Australia, New Zealand, United States Security (ANZUS) Treaty and ask Canberra for a military contribution to a fight over Taiwan’s fate. Somewhat oddly, Taylor worries that in the event of a crisis, “Australia’s Taiwanese diaspora—concentrated in Brisbane and numbering in the ‘tens of thousands’—could take to the streets, inspired by the globalization of Hong Kong’s crisis.” If such demonstrators were truly inspired by Hong Kong, any marches would be peaceful unless Australian police modeled their own response on that of Hong Kong law enforcement, which seems unlikely. Noting that “Beijing’s supporters in Australia would almost certainly respond in kind,” Taylor is perhaps worried about communal violence, although he does not explicitly say so.

Taylor’s assessment of Australian interests, however, is arguably incomplete. Although he highlights the implications of a crisis, he does not touch on the outcomes for Australia in the event that a Taiwan Strait crisis ends in Beijing’s favor—which presumably would mean the
People’s Republic of China’s annexation of Taiwan. The strategic consequences of such an eventuality would be significant. In such a scenario, the United States would have either sat out the conflict, proving itself a paper tiger, or would have seen its military defeated in conflict with the People’s Liberation Army (PLA). Either set of circumstances would significantly undermine the US alliance system in Asia and embolden China to act even more assertively vis-à-vis its neighbors, including Australia, in the future.

Second, and related, Chinese annexation of Taiwan would give the PLA easy access to the Pacific Ocean, enabling it to more readily threaten Guam, Hawaii, Alaska, and the Continental United States. Additionally, Chinese control of Taiwan would make Japan far more difficult to defend in the event of a Sino-Japanese conflict and would facilitate Chinese control of the South China Sea. These are all adverse outcomes for Australia, given its approach to national defense that places the US alliance front and center. As Taylor notes, Australia has a “high level of dependence upon the United States for intelligence access, military technology and, indeed, the very defense of the continent.” Defense of the continent would certainly become all the more difficult in a world where the United States finds it increasingly challenging to defend both itself and Japan, home to the 7th Fleet and approximately 50,000 US service members.

In short, Taylor’s claim—that “the stakes for Canberra are high”—is accurate. They are, however, even higher than he presents them. A more expansive assessment of Australian interests in the Taiwan Strait should arguably lead to a more activist Australian approach.

Growing Tensions

Taylor’s support for what might be called “restrained activism” results not only from an incomplete assessment of Australian interests, but also from an assessment of cross-Strait relations that is balanced to a fault. Noting that Australian criticisms of Xi Jinping for heightening tensions in the Strait are valid only “up to a point,” Taylor seems to see Taiwan’s own actions as contributing in equal measure to a downturn in stability.

Taylor does provide an overview of the ways in which China has behaved badly in recent years, and although that discussion is clearly not meant to be comprehensive, he does leave out two important data points. First, the author omits any mention of Beijing’s efforts to control the way foreign companies refer to Taiwan in markets outside of China. As I have argued previously in the Global Taiwan Brief, these “efforts to symbolically erase Taiwan from the map, at least in the minds of global consumers” are central to Beijing’s competition with Taipei for hearts and minds. By decreasing awareness of Taiwan and its predicament amongst foreign citizenries, Beijing creates conditions whereby it can more easily act with impunity in the Strait.

Second, Taylor omits Beijing’s ongoing effort to strip Taiwan of formal diplomatic partners. The PRC has whittled that group down to 15 over the last four years, an initiative that, should it continue, may be far more disruptive to cross-Strait stability than any other Chinese actions short of the use of force. As the number of Taiwan’s diplomatic allies approaches zero, support for formal independence within the country may well grow. This is a scenario I have laid out for the Global Taiwan Brief before:

“The Montevideo Convention on Rights and Duties of States defines a “state,” or a country, as possessing the following qualifications: (a) a permanent population; (b) a defined territory; (c) government; and (d) capacity to enter into relations with the other States.” The Republic of China, or Taiwan, meets all of these qualifications. If China deprives Taiwan of most or all of its remaining diplomatic allies—effectively depriving it of the capacity to enter into relations with other states—the rationale for the continued existence of the Republic of China might weaken. At the very least, it would open the door for Taiwan’s people to consider alternatives to the ROC constitution and alternative means of defining Taiwan as a political entity.”

Harder to defend than the omission of these details is Taylor’s seeming presentation of Taipei’s contributions to rising tensions as equivalent to those of Beijing. Indeed, he dedicates far more space to an analysis of the ways in which “Taipei, too, is challenging the uneasy cross-Strait status quo which, until now, has largely kept the peace.” He describes as provocative a tweet from Taiwan Foreign Minister Joseph Wu and highlights Tsai Ing-wen’s four nights, split between two transits, in the United States last year (“the longest ‘transit’ to date by a Taiwanese leader”). He inaccurately, though forgivably, describes Vice President-elect William Lai as “the highest-ranking Taiwanese representative to visit the US capital, Washington, DC, in four decades.” Lai, of course, is a private citizen and will remain so until the inauguration. This may seem like a distinction without a difference, but in the world of “One-China” policy sensitivities, such distinctions are crucial.
Taylor goes on to describe the growing number of Taiwan’s citizens that identify as “Taiwanese” instead of “Chinese” and notes that “anti-unification sentiments are becoming even more pronounced among Taiwan’s younger generations.” He argues that “Taipei feels emboldened” because of its close relationship with Washington, but he does not effectively make the case that Taiwan has acted in an “emboldened” fashion. On the contrary, Tsai has been a cautious leader, consistently calling for maintenance of the status quo, pursuing cross-Strait talks without political preconditions, and fending off pressure from the more independence-minded wing of the Democratic Progressive Party. Indeed, Tsai has arguably been too cautious, for example by downplaying the PLA’s threatening military activities in the Strait, which she could potentially use to secure stronger international backing or greater defense spending.

Put simply, even if provocative tweets and visits to the United States (that accord with the US “One-China” policy) do contribute to higher tensions in the Taiwan Strait, such acts are orders of magnitude less incendiary than military provocations, rhetorical threats from senior Chinese leaders, and a global effort aimed at furthering Taiwan’s international isolation.

**What to Do**

This seemingly evenhanded analysis of tensions in the Strait unsurprisingly leads to an emphasis on crisis management and risk avoidance. As Taylor argues:

> “But history shows that wars are often the product of misperception and miscalculation, with accidents and other acts of inadvertent escalation sometimes driving the course of events. Taiwan is increasingly susceptible to such a scenario. As the skies and the waters around the island become increasingly crowded and contested, the risk that military ships or aircraft might collide in the wrong place or at the wrong time is growing.”

This is an astute observation. If Australia, in coordination with its partners, can successfully encourage Beijing and Taipei to establish “more robust crisis management and risk avoidance mechanisms,” it should certainly do so. Such mechanisms could enhance stability in the Taiwan Strait and decrease the likelihood that an accident, or even an intentional provocation, would lead to conflict.

But the possibility of an intentional Chinese decision to use force against Taiwan receives short shrift in the policy brief. Xi Jinping has made big promises about the great rejuvenation of the Chinese nation, but many of those promises (especially those regarding greater prosperity for all) will be increasingly hard to fulfill. With domestic challenges mounting and with the military balance in the Taiwan Strait increasingly favoring Beijing (a trend that Taylor notes), Xi may grow all the more tempted to cement his place atop the Chinese Communist Party and in the pantheon of great Chinese leaders by settling the so-called Taiwan question once and for all. Just as important as preventing incipient crises from spiraling out of control, then, is deterring Xi Jinping from making such a fateful decision.

What should Australia do? Taylor dismisses an argument in favor of deterrence from Rod Lyon and Michael Shoebridge of the Australian Strategic Policy Institute. They write:

> “It’s the prospect of a protracted, bloody conflict against the US and perhaps others, as well as Taiwan, that ought to be uppermost in Chinese policymakers’ minds when the issue arises in Beijing. Conquest, via an unprovoked attack, shouldn’t look easy and attractive—and should not be licensed by pre-emptive statements that others will not act.”

As Taylor notes, “this would require the United States and its allies to actively signal their potential involvement in a Taiwan conflict, with a view to deterring Chinese moves against Taiwan.” But Taylor insists this is “ill-advised” and “carries significant risks.” He offers two reasons, neither of which holds up to close scrutiny.

First he argues that “an ‘enhanced deterrence’ strategy [...] could generate a ‘vicious’ security dilemma in which ‘one or both sides may become so frightened (or provoked by the other side, objectively or subjectively) that they may decide that their security now requires them to pursue aggression’” (Taylor here is citing Shiping Tang’s scholarship on security dilemmas). It is difficult, however, to see how this logic applies in the case of the Taiwan Strait. There are few more clear-cut cases of a state enhancing its military capabilities for purely defensive reasons than that of Taiwan. Even if Taiwan decided to pursue de jure independence, this would not require any offensive action, nor is it conceivable that Taiwan’s security partners would undertake offensive action on Taipei’s behalf. Taiwan is already de facto free and independent; offensive action against the PRC would not make Taiwan any freer or more independent.
One might argue that the United States and its partners, in clarifying their commitments to Taiwan’s defense, would heighten Beijing’s perceptions of insecurity. But this would not, as Tang suggests, lead China to change its intentions “from benign to malign.” Chinese intentions vis-à-vis Taiwan are already malign. The question for Taiwan and its friends is how to prevent China from acting on those malign intentions. “Enhanced deterrence” may be the most powerful tool for doing so.

The second reason, according to Taylor, that “enhanced deterrence” is ill-advised is that Beijing does not view the American commitment to Taiwan’s defense as credible. “Beijing’s doubts about American resolve to defend Taiwan pre-date even the avowedly ‘America First’ Trump administration: the lack of a US response to Russia’s 2014 annexation of Crimea reportedly made a deep impression on Xi.” To be sure, such doubts do exist in Beijing, as they certainly do in Taipei, Tokyo, Canberra, and elsewhere. But of course, the entire point of clarifying the US commitment to preserving Taiwan’s de facto independence, by force if necessary, would be to dispel those doubts. Indeed, it is precisely because Beijing doubts American resolve that a shift away from the longstanding policy of “strategic ambiguity” is needed. If it is not possible to change perceptions in Beijing—whether of US and allied commitment or Taiwan’s own resolve—then an armed Chinese attack on Taiwan is all but inevitable once Beijing admits that uncoerced unification is a pipe dream.

Ideally, then, Canberra would clarify that if Washington invoked the ANZUS Treaty in the event of an unprovoked Chinese attack on Taiwan, Australia would honor its treaty commitments. Domestic political and diplomatic realities, of course, make such a step unlikely. Nor can Washington reasonably expect Canberra to do so as long as the United States maintains its own “strategic ambiguity” with respect to the Taiwan Strait.

There are, however, additional steps Australia can take beyond Taylor’s thoughtful recommendations to contribute to the deterrence of the People’s Republic. The proposals below are presented in order of increasing sensitivity, but all are aimed at weaving Taiwan more tightly into the broader international community, enhancing its importance to Australia and other countries, and signaling to China that Australia cares deeply about Taiwan’s continued de facto independence:

1. “Lend” Taiwan diplomatic clout. Australia is well positioned to counter PRC efforts to isolate Taiwan on the international stage (and is already doing so). This is particularly true in the Pacific Islands, where Australia has long exercised regional leadership and where Taiwan faces a growing challenge from Beijing’s diplomatic offensive. To the extent that Canberra can dissuade the Marshall Islands, Nauru, Palau, and Tuvalu from deeper engagement with Beijing, it should do so. Canberra should also continue to use its diplomatic influence, working alongside likeminded partners, to secure Taiwan’s meaningful participation in international organizations.

2. Participate in the Global Cooperation and Training Framework (GCTF). Australia should follow Japan’s lead and participate in the GCTF, a US-Taiwan initiative, as a coordinating partner. As described by the State Department’s Indo-Pacific strategy report (though not by name), via the GCTF, the United States and Taiwan have “conven[e]d hundreds of Indo-Pacific policymakers and experts on issues including public health, women’s empowerment, media disinformation, and the digital economy.” For Australia, bolstering the GCTF would be a low-risk way to counter Chinese efforts to isolate Taiwan. Notably, Japan and Sweden have both now co-hosted workshops without drawing Beijing’s ire.

3. Sign a free trade agreement (FTA) with Taiwan. Australia dropped plans for an FTA with Taiwan two years ago after China expressed its disapproval. As former foreign minister Julie Bishop told Australian media at the time, “The Chinese government made it clear to me that circumstances had changed between Taiwan and mainland China and that China would not look favourably on Australia seeking to pursue a free trade agreement with Taiwan....” The economic case for a bilateral FTA has likely not changed during the past two years, while the strategic case has only grown. Deepening bilateral economic engagement will serve to deepen Australian interests in Taiwan, which can indirectly contribute to deterring China. It might also be worthwhile for Canberra to signal to Beijing that the PRC’s economic leverage does not grant it a veto over Australian trade policy.

4. Create an Australian Taiwan Relations Act. There is no equivalent in Australia to the US Taiwan Relations Act (TRA), which governs relations between the United States and Taiwan. Enacting an Australian TRA would have important signaling value, especially if it emulated some of the TRA’s language describing US policy. The TRA is perhaps best known for its requirement that the United States “provide Taiwan with arms of a defensive character,” but such a policy is still a bridge too far for Canberra. Australian lawmakers should, in-
stead, consider drawing from the TRA’s language regarding US interests. Particularly valuable would be an echo of Section 2b, which asserts that it is US policy “to consider any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the Western Pacific area and of grave concern to the United States.”

5. Establish a military-to-military relationship. Admittedly, there is not much appetite for such a step in Canberra. But if tiny Singapore can maintain a fruitful, long-term military-to-military relationship with Taiwan, it stands to reason that Australia can do so as well. Quiet, bilateral exercises, perhaps held in a third country, would be a good place to start. The benefits of pursuing such ties are threefold. One, they could contribute to the Taiwan military’s improved efficacy and thus its deterrent effect. Second, military-to-military ties would allow both militaries to better understand how the other operates and would create opportunities to develop personal relationships, both of which could come in handy in the event of a true crisis. Third, a defense relationship would be a concrete way to signal Australian commitment to Taiwan’s defense, but ironically perhaps a less provocative one than publicly clarifying Australian obligations under the ANZUS Treaty.

Brendan Taylor has made an undoubtedly valuable contribution to the policy debate regarding Australia’s approach to the Taiwan Strait. He rightly critiques what he describes as “a deliberate strategy of ‘lying low,’” convincingly calling for a more “activist” Australian policy. But in the end, his analyses of both Australia’s interests in the Strait and of cross-Strait dynamics lead him to advocate an activism that is more restrained than is merited. A fuller accounting of Australian interests and a more clear-eyed assessment of tensions in the Taiwan Strait make apparent the need for a far more assertive Australian approach to deterring Chinese aggression.

The main point: In a Lowy Institute policy brief, Brendan Taylor argues that Australia should adopt a more activist approach to the Taiwan Strait. His recommendation that Australia “advocate for more robust crisis management and risk avoidance mechanisms” is a good starting place, but there is far more that Canberra can and should do to avert conflict in the Taiwan Strait.

Potential Downsides to US-China Trade Tensions on Taiwan’s Economy

By: Ali Wyne

Ali Wyne is a nonresident senior fellow at the Atlantic Council’s Scowcroft Center for Strategy and Security and a participant in the 2019 Taiwan-US Policy Program. He is also a Washington, DC-based policy analyst in the RAND Corporation’s Defense and Political Sciences Department. The views and opinions expressed in this publication are solely and exclusively those of the author and do not reflect the views, opinions, or positions of any other individual or organization. This article was originally published as “The Impact of Trade Tensions between the United States and China on Taiwan’s Economy: Some Preliminary Speculations” in Perspectives on Taiwan: Insights from the 2019 Taiwan-US Policy Co-sponsored by the Global Taiwan Institute.

While continued trade tensions between the United States and China afford Taiwan an opportunity to reduce its dependence on the Chinese economy, they could ultimately prove harmful to Taipei. In her May 20, 2016 inaugural address, Taiwan’s President Tsai Ing-wen (蔡英文) affirmed her campaign pledge to enact a New Southbound Policy (NSP) that would strengthen Taipei’s centrality within the Asia-Pacific. It is more comprehensive in scope than the similarly named policies of her predecessors Chen Shui-bian (陳水扁) and Ma Ying-jeou (馬英九), which focused primarily on reducing Taiwan’s economic reliance on mainland China. As a recent report by the Center for Strategic and International Studies (CSIS) observes, the NSP “is designed to leverage Taiwan’s cultural, educational, technological, agricultural, and economic assets to deepen its regional integration.”

Still, the imperative of economic diversification endures. President Tsai further stated in her inaugural address that the NSP seeks to “elevate the scope and diversity of [Taiwan’s] external economy” and overcome its “past overreliance on a single market”—that single market, of course, belonging to China. To this end, the policy endeavors to boost Taiwan’s economic relations with 18 countries: the ten member countries of the Association of Southeast Asian Nations (ASEAN), six further countries in South Asia, and Australia and New Zealand. Where Taipei sent roughly a quarter of its exports to Beijing at the turn of the century, that proportion had reached roughly two-fifths by the time President Tsai took office. Of Taiwan’s total trade in 2018—which accounted for approximately two-thirds of its gross domestic product (GDP) that year—$150.3
billion was with China, whereas trade with NSP target countries amounted to only $116.6 billion combined.

Trade tensions between the United States and China over the past two and a half years have made it more pressing for Taiwan to deepen its network of economic partnerships. At the outset of 2018, the average US tariff on Chinese exports was 3.1 percent, while the average Chinese tariff on US exports was 8.0 percent; those figures are expected to reach, respectively, 19.3 percent and 20.9 percent by the beginning of 2020. To the extent that those increases augur a fundamental shift in US-China relations, the implications for the world economy would be significant: in addition to accounting collectively for about two-fifths of gross world product (GWP), Washington and Beijing are two linchpins of global supply chain networks.

While present trends in US-China economic relations have some potential upsides for Taiwan, the potential downsides may prove more significant.

**Potential Upsides of Trade Tensions**

China’s competitiveness had already been eroding prior to the onset of trade tensions between Washington and Beijing. In 2000, its hourly productivity-adjusted manufacturing labor cost was roughly four times lower than America’s; by 2017 it was only about two times lower. A growing number of companies had accordingly put into place various “ABC” (“anywhere but China”) strategies to diversify their supply chains. A recent analysis notes that the Trump administration’s tariffs “gave many businesses a final reason to look elsewhere.”

With her “Invest Taiwan” initiative, President Tsai is incentivizing Taiwan-based companies with operations in China to train their sights back home; such companies have pledged to inject $39 billion into Taipei as of this piece’s writing, and Deputy Minister of Economic Affairs Kung Ming-hsin (龔明鑫) predicts that that figure could increase by somewhere between $9.75 billion and $13 billion over the next two to three years. It is plausible to imagine, moreover, that companies based outside of Taiwan that do substantial business in China will give Taiwan a fresh look as they reconfigure their supply chains. In addition, per the NSP, Taiwan is expanding its presence in the Asia-Pacific: it secured 20 contracts in 2018 to build infrastructure in the region, up from four in 2015; it increased its trade with NSP target countries by 5.5 percent from 2017 to 2018; and it has established “Taiwan Connection” platforms in India, Indonesia, Malaysia, Myanmar, New Zealand, Sri Lanka, Thailand, and Vietnam, aimed at strengthening educational exchanges between Taiwan and the rest of the region.

**Potential Downsides of Trade Tensions**

One should not be too sanguine, though, about the extent to which a fundamental disruption in US-China trade relations would benefit Taiwan—for at least three reasons. First, given China’s presently dominant role in global supply chains, any effort to relocate a significant segment of production outside of the People’s Republic of China (PRC) would be challenging. Consider Taiwan’s high-tech industry. In 2018, United Microelectronics Corporation terminated its cooperation with Fujian Jinhua Integrated Circuit Company, its Chinese state-backed partner, after the United States banned Fujian from buying components from US firms. Or take Taiwan Semiconductor Manufacturing Company, the dominant player in Taiwan’s integrated circuits space: it must now be far more careful about supplying to Huawei, a core source of its revenue, lest it incur US penalties.

Taipei’s dependence on China manifests in other ways. Over 70 percent of its outbound investments presently transit through China; an estimated 100,000 Taiwan-based businesses maintain operations in China; and, as of 2016, an estimated 56 percent of Taiwan’s citizens employed overseas worked on the mainland. In brief, however much rhetorical urgency Taiwan assigns to diversifying away from Beijing, doing so to any significant degree would be a massive undertaking.

Second, the increasing costs of doing business in China do not automatically benefit Taiwan, since some firms based there are shifting capacity elsewhere rather than returning to Taiwan. Because there is no single country that can readily replace China as a manufacturing base, Taiwan will have to depend on a far wider array of partners moving forward; as the supply chains on which it relies grow fragmented, they will likewise become increasingly inefficient.

Third, Taiwan has its own competitive liabilities. Manufacturing costs there remain higher than in China, and Taipei continues to grapple with the so-called “five shortages” that compelled many of its companies to relocate to China starting in 1991, when Taiwan began permitting direct investment in the mainland: electricity, labor, land, talent, and water.

Perhaps most concerningly, it confronts a grim demographic outlook: according to the World Health Organization, Taiwan transitioned in 2018 from being an “aging society” to an “aged society,” the latter being defined as one in which individuals 65 and over consti-
tute 14 percent or more of the population. It is forecast to be a “super-aged society” by 2026, when the aforementioned segment will have surpassed 20 percent.

Taipei is contemplating various measures to mitigate these trends. Foreign care workers, for example, are presently allowed to stay in Taiwan for a maximum of 12 years; the Legislative Yuan is considering a bill that would classify them as “skilled technicians” who are permitted to reside in Taiwan permanently. [1] Taipei is also working to enhance its automation capacity, with “smart machinery” serving as one of the Tsai administration’s five priority industries for development. In addition, a 2017 survey by the International Federation of Robotics found that Taiwan had the tenth highest “robot density” in the world.

The extent to which Taiwan’s many efforts will assuage anxieties about doing business there is unclear: according to a January 2019 survey by the American Chamber in Taipei, only 45.8 percent of polled members stated that they were very or somewhat confident about Taiwan’s economic outlook in 2019, down nearly ten percentage points from 2018. The longer US-China trade tensions persist, the more likely such concerns will calcify.

**Conclusion**

It is too early to render definitive judgments on the question that motivates this paper. Given the duration and complexity of contemporary economic relations between the United States and China, any recalibration thereof could take years, if not decades, to resolve itself, with global reverberations. It would be a fool’s errand to try and predict the form that an economic “new normal” between the two giants might take; candidly, it would be risky to presume with any confidence what even the coming months might entail. If Washington and Beijing reach a trade détente in the short term, for example—say, before America’s next presidential elections, in November 2020—Taipei might be able to avoid incurring the costs of long-term supply-chain restructuring, thereby rendering moot much of this paper’s speculation. Or, if the next global recession that occurs is “made in China,” Taiwan may be able to make more headway in disentangling its economy from that of the mainland and persuading prominent global companies to accept the short- to medium-run costs of leaving China.

Despite the aforementioned uncertainties, Taiwan would be remiss to indulge in schadenfreude over China’s competitive woes; given its extant economic dependence on the mainland, its economic fortunes are likely to mirror those of the latter. S&P credit analyst Raymond Hsu explained in a recent report that “[a] slowdown in China’s economic engine could affect almost all of Taiwan’s top corporates, given their trade reliance on China and the importance of global demand for the products they manufacture in and export from China.”

This paper suggests at least three core questions to keep in mind as the economic relationship between Washington and Beijing evolves. First, how quickly will Taiwan be able to diversify away from China as an export destination? Second, how quickly will Taiwan be able to boost its domestic competitiveness? Third, how competitive will Taiwan prove relative to other emerging manufacturing hotspots, such as Vietnam? Whatever the answers to these questions may be, there is little dispute that adjusting to US-China trade tensions will be as imperative as it is vexing for the dynamic island caught in the middle.

**The main point:** The ongoing trade conflict between the United States and the PRC has presented Taiwan with a number of valuable opportunities to disentangle its economy from that of China. However, Taiwan’s countless economic ties with China could make this process difficult or even impossible. While the long-term impacts of the US-China trade conflict for the Taiwanese economy remain unclear, it is evident that the clash will have significant consequences for the future of the island.

[1] This information comes from a meeting with a government official that took place during CSIS’s 2019 Taiwan-US Policy Program.