Fortnightly Review

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Taiwan’s COVID-19 Experience Earns International Praise

I-wei Jennifer Chang

Enhancing Taiwan Coast Guards’ Role in International Maritime Capacity Building

Brandon Lee

COVID-19 and New Realities in the Taiwan Strait: Four Scenarios

Michael Mazza

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Taiwan Injects Record Amount of Stabilization Funds to Shore Up Market Amid COVID-19 Pandemic; Excluded from IMF Response

The fallout from the novel coronavirus (COVID-19)—which originated in Wuhan—is being felt throughout the world. As the coronavirus pandemic spreads, authorities around the globe are scrambling to mitigate its fatal health effects and its widespread economic disruption. Indeed, global markets are tumbling and hitting new bottoms—at least in recent memory—due to the profound impact that the virus is having on economic activities, and an end does not yet appear in sight. Governments across the world are attempting to respond to the health and economic crisis with various stimulus and stabilization measures—and international monetary and fiscal institutions are calling for a coordinated global response to assist smaller and more vulnerable economies. The US market just concluded its worst week since the financial crisis of 2008 and lawmakers are finalizing a plan to inject substantial stabilization funds. Also, just in the past week, the Taiwan Stock Exchange (TWSE) fell over 8 percent. In response to growing uncertainty in the domestic and global markets, on March 20, Taiwan’s Committee of the National Financial Stabilization Fund (國家金融安定基金管理委員會, hereafter the “National Stabilization Fund”) injected an unprecedented amount of liquidity, valued at NTD $50 billion (USD $1.65 billion), to stabilize market conditions in the country. According to the Committee’s statement on March 19:

“... negative factors such as the continued spread of the pandemic, the uncertain prospects for economic recovery, and unstable financial markets have affected the confidence of domestic investors ... the resolution authorizes the Executive Secretary to use funds to perform market stabilization tasks.”
Created in 2000, the National Stabilization Fund is legally credited with NTD $500 billion (USD $16.5 billion) in funds that it may inject into the market to serve as a buffer against unexpected external factors that disrupt the market. Of the total amount of funds, NTD $200 billion consists of stock held by the National Treasury. The other NTD $300 billion is comprised of borrowings from Taiwan’s four major public funds: the Postal Life Insurance Fund, the Labor Insurance Fund, the Labor Pension and Civil Servant Fund, and Postal Deposit System. The Committee is authorized to issue funds into the market to intervene, smooth market volatility, and shore up investors’ confidence. Taiwan’s Vice Finance Minister Juan Ching-hwa (阮清華) serves as executive secretary of the NSF Committee.

The NSF’s latest injection of funds marks only the seventh time that the Committee has intervened in the last 20 years to stabilize and sustain the economy, thereby highlighting the severity of the current global pandemic. In the past, the NSF stepped in twice: in 2000 after the first transfer of political power, when Beijing issued a stern threat that spooked the market, as well as when the dotcom bubble burst; and in 2004 after the assassination attempt against Taiwan’s president and vice-president. The Committee also intervened in 2008 during the global financial crisis, again in 2011 in response to the European Sovereign debt crisis, and most recently in 2015 after the RMB depreciated sharply and the devaluation of many Asian currencies triggered panic selling. The current injection is the largest amount that the Committee has ever authorized since its inception. The NTD $50 billion is equal to one-tenth of the funds’ entire worth, four times more than the NTD $12.27 billion (USD $405 million) of liquidity that it injected into the market during the economic turmoil of 2000, and nearly 10 times more than the NTD $6 billion (USD $198 million) that it doled out as a result of the 2008 financial crisis.

Global Coronavirus Response Highlights Taiwan’s Exclusion from IMF

The proliferation of transnational threats and contagion between them should give rise to calls for a more effective cooperation and coordination among governments. The ripple effect of pandemics is one of them. Indeed, as the assessment of the US National Intelligence Council’s Global Trends 2030: Alternative Worlds highlighted in December 2012: “No one can predict which pathogen will be the next to start spreading to humans, or when or where such a development will occur. An easily transmissible novel respiratory pathogen that kills or incapacitates more than one percent of its victims is among the most disruptive events possible.” What may seemingly appear as a purely public health issue can have profound economic consequences. As this analysis published by the International Monetary Fund (IMF) noted:

“What started as a series of sudden stops in economic activity, quickly cascaded through the economy and morphed into a full-blown shock simultaneously impeding supply and demand …. The coronavirus shock is severe even compared to the Great Financial Crisis in 2007–08, as it hit households, businesses, financial institutions, and markets all at the same time—first in China and now globally. “

In addition to the World Health Organization’s (WHO) slow response to the current global health crisis, the patchwork of global economic responses to the coronavirus highlights another international institution where Taiwan is notably excluded: the International Monetary Fund (IMF). For an organization that boasts about universal membership, its membership remains far from universal even though there are no rules pre-conditioning membership on being UN member states. Indeed, IMF members include economies such as Aruba, Curacao, Hong Kong, and Macau, as well as Kosovo. Moreover, as the IMF Managing Director Kristalina Georgieva recently stated: “The human costs of the Coronavirus pandemic are already immeasurable and all countries need to work together to protect people and limit the economic damage. This is a moment for solidarity.” Despite Taiwan’s large population (24 million) and key role in the global economy (22nd largest economy by purchasing power parity), it seems that the IMF does not include the island nation in its call for global solidarity.

To be sure, the Wuhan coronavirus pandemic is taking a heavy toll in terms of disrupting human lives and the economic order. Taiwan has had to undertake measures to shore up its economy during this global crisis, but it is in a position to contribute to a global response as well. Its significant role in the global tech supply
chain makes it an essential part of the global recovery process. Taiwan should be a part of a global response, provided with up-to-date information and able to coordinate with other financial bodies.

**The main point:** In an effort to counter contagion in terms of the economic fallout from the coronavirus pandemic, Taiwan has injected a record amount of liquidity into its domestic market from its National Stabilization Funds. A more coordinated global response appears necessary to limit further serious economic damages, yet Taiwan remains excluded from the efforts of International Monetary Fund.

The New Normal of PLA Military Exercises Around Taiwan?

Since January 2020, the People’s Liberation Army (PLA) has already conducted at least four known military exercises in the vicinity of Taiwan. These exercises primarily involved flight training operations by the PLA Air Force (PLAAF). The latest exercises, which took place at 7 PM local time on March 16, included the deployment of Shaanxi KJ-500 (空警-500) early warning and control aircraft and J-11 (殲-11) fighter jets in the waters southwest of Taiwan. During the training exercise, the aircraft reportedly approached Taiwan’s Air Defense Identification Zone (ADIZ). Major General Shih Shun-wen (史順文), a spokesman for Taiwan’s Ministry of National Defense, said that Taiwan’s F-16 and IDF fighters were deployed and drove the intruding aircraft away. This is the first time that the PLAAF has conducted nighttime patrols in the Taiwan Strait and follows a steady increase of its circumnavigation exercises over the past few years.

On January 23, in the first exercise that the PLA conducted following Tsai Ing-wen’s reelection as president, the Chinese military deployed the KJ-500 early warning and control aircraft and an H-6 bomber, which passed through the Bashi Channel near Taiwan’s Orchid Island en route to the western Pacific Ocean. Prior to the most recent exercise, another provocative military operation in the vicinity of Taiwan by the PLA occurred on February 9 and 10. During those incursions, the J-11, KJ-500, and H-6 flew through the Bashi Channel from the Western Pacific into the Miyako Strait. In response, the Taiwan military sent an F-16 carrying live ammunition to escort the Chinese planes. During the exercise on the 10th, the PLA dispatched an H-6 that crossed the median line of the Taiwan Strait, the first time the PLA has deliberately crossed the median line since March 2019. In turn, this prompted Taipei’s military to scramble F-16 jets to intercept and shadow the bomber. On February 12, the US military dispatched one MC-130J special combat transport aircraft and two B-52 bombers, flying respectively over the median line of the Taiwan Strait to the west of Taiwan and in the eastern airspace of Taiwan.

In response to these initial incursions by the PLAAF, R. Clarke Cooper, assistant secretary for political-military affairs at the US Department of State, stated: “Absolutely it concerns us … [i]t was completely inappropriate of China to take such an aggressive act …. That aggressive act is not just a reflection on China’s relationship with Taiwan, it certainly is reflective about how China may be looking at the entire region in total.”

These flights appear to represent a new normal of military exercises and increased tensions across the Taiwan Strait. This trend began with the March 31, 2019 PLAAF incursion across the median line of the Taiwan Strait that has long served as an unofficial airspace boundary between Taiwan and People’s Republic of China (PRC). That was the first time in 20 years that such a deliberate incursion took place. As GTI Non-Resident Senior Fellow J. Michael Cole wrote in the Global Taiwan Brief:

“...the median line that separates the Taiwan Strait has contributed to stability and mitigated the risks of accidents since the mid-1950s. It was the brainchild of Gen. Benjamin O. Davis Jr., Taipei-based commander of the 13th Air Force at the time. In contrast with the 1999 incident and the one that occurred last month, the majority of PLAAF intrusions across the median line have been generally brief and were considered a result of miscalculation or bad weather, although it is difficult to completely rule out intentional infractions. In past incidents the Chinese aircraft immediately returned to the Chinese side of the line after being warned off by the ROCAF, or the PLAAF aircraft would fly toward the median line but would veer off at the last minute.”
According to Taiwan’s 2017 National Defense Report released in late December 2017, between August 2016 and December 2017, the MND tracked at least 26 aerial exercises conducted by the Chinese military around Taiwan. Of those exercises, 15 encircled Taiwan, meaning that military aircraft either entered or exited the Bashi channel or approached the Ryukyu Islands. Similarly, the PLA Navy’s (PLAN) first aircraft carrier Liaoning conducted four long-range exercises around Taiwan: two exercises were west of the median line along the Taiwan Strait, and another two took place along the eastern coast of Taiwan. Exercises encircling Taiwan have become more frequent in recent years, and they have prompted concerns in Taipei about the defense of the island’s eastern flank, which in the past was considered a safe zone due to the relative capabilities of the PLA.

As former Pentagon official and Air Force Lieutenant Colonel (ret.) Mark Stokes wrote in 2017: “the PLA has a history of using airpower as an instrument of coercive persuasion against Taiwan. The PLAAF began flights over the Taiwan Strait in 1996, and extended operations to the centerline in 1999” during previous periods of heightened cross-Strait tensions. In reference to previous incursions by the PLAAF, Stokes added that “diminishing Taiwan’s air space would play into its strategic objectives and claims over disputed territories in the region.”

In light of these escalating intrusions, some analysts have suggested that Taipei should respond in kind. Indeed, one wrote:

“If China begins crossing the median line on a regular basis, Taiwan should then consider ‘normalizing’ it by having ROCAF fighters cross over the median line from time to time in like fashion. Taiwan would have a geographic advantage in already possessing and administering the land territories of Kinmen, Matsu and Penghu and the airspace immediately above and around them.”

While these more frequent exercises—particularly those that cross the center line—may be becoming the new normal, they nonetheless represent a sharp escalation of military tension in Taiwan Strait by the People’s Republic of China (PRC). As jets fly closer and closer to each other’s shores, a Chinese show of force could accidentally lead to actual conflict. According to Taiwanese Minister of National Defense Yen Teh-fa (嚴德發), the PLAA staged about 2,000 bomber patrols a year near the Taiwan Strait. However, the Tsai administration has exercised a great deal of restraint in responding to these provocations and US action has helped to prevent uncontrollable escalation in the Taiwan Strait. How long this new uneasy balance can be maintained—only time will tell.

The main point: The PLA has been stepping up military exercises around Taiwan since Tsai Ing-wen became president. While Tsai has exercised incredible restraint in not escalating and the US has been responding in kind, the uneasy balance in the Taiwan Strait is becoming more tense.

Taiwan’s Coronavirus Experience Earns International Praise

By: I-wei Jennifer Chang

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On March 11, the World Health Organization (WHO) finally declared the novel coronavirus (COVID-19) a pandemic. Over the past several weeks, international media outlets have praised Taiwan’s low infection and death rates from the coronavirus and have suggested that the island’s experience offers many lessons for governments around the world that are struggling to combat COVID-19. As of March 23, Taiwan had a total of 195 confirmed infection cases and 2 deaths, with many of the most recent cases from Taiwanese citizens who contracted the virus while traveling abroad. Foreign media have lauded the Taiwanese government’s decisive, early epidemic control measures and the data integration and coordination of government agencies, hospitals, and medical facilities on the coronavirus, among other factors. Taiwan’s coronavirus response has placed the island in a positive international spotlight and has also boosted the popularity of President Tsai Ing-wen’s administration as well as further strengthened Taiwanese identity.

As countries around the world continue to grapple with rapidly growing infection rates—particularly in the
United States, Europe, and the Middle East—international media have focused on the success stories in Taiwan, Hong Kong, and Singapore, especially given their relatively low infection and death rates despite their close links to China, the epicenter of the coronavirus outbreak. Taiwan, Hong Kong, and Singapore learned from their bitter experience with the Severe Acute Respiratory Syndrome (SARS) outbreak in 2003, which also originated in China. Unlike many other countries, all three took initial reports of the novel coronavirus very seriously and acted accordingly.

**Early Measures**

Among the critical actions taken by the Taiwanese government was the decision to ban flights from China far earlier than other countries. Taiwan, which saw 2.7 million Chinese visitors to the island in 2019, was a potential holiday destination for large groups of Chinese tourists during the Lunar New Year break. However, on January 26, five days after it confirmed its first COVID-19 case, Taiwan banned flights from Wuhan. Three weeks later, Taiwan banned all flights from China except from Beijing, Shanghai, Xiamen, and Chengdu. In early February, Taiwan’s Mainland Affairs Council (MAC, 大陸委員會) announced the suspension of the “three links” (三項) providing maritime transportation across the Taiwan Strait as a pre-emptive measure to contain the viral outbreak from China.

Meanwhile, Taiwan’s Asian neighbors, in particular Japan and South Korea, decided against banning flights from China after news of the coronavirus emerged. This was possibly due to diplomatic considerations related to Chinese President Xi Jinping’s (習近平) planned visits to both countries in the spring of 2020. Moreover, Japan and South Korea’s tourism economies are heavily reliant on Chinese tourists, which may have been another deterrent. On February 4, South Korean President Moon Jae-in’s administration enacted a limited ban on foreigners who had traveled to Hubei province in the past two weeks. On March 5, Japan imposed a 14-day quarantine on all visitors from China and South Korea to government-designated sites. Both Japanese Prime Minister Shinzo Abe and President Moon have weathered domestic political criticism for their lax responses on the coronavirus outbreak, including their early decision against imposing a travel ban on Chinese visitors. Moon created confusion when he said on February 13 that the coronavirus had been contained in South Korea and would “disappear before long.” Subsequently, South Korea has the highest number of COVID-19 cases in Asia outside of China, with 8,961 infections and 111 deaths as of March 23. Japan, meanwhile, has 1,046 infection cases and 49 deaths, as of March 22.

Without waiting for cues from China or the WHO, Taiwanese authorities began checking passengers from Wuhan for symptoms in December. In early January, Taiwan’s National Health Command Center (NHCC, 國家衛生指揮中心), which was established after the SARS outbreak, set up the island’s new Central Epidemic Command Center (CECC, 中央流行疫情指揮中心). The CECC has been involved in allocating government funds for surgical mask production. The CECC also announced a ban on international cruise ships from Taiwan’s ports starting on February 6 in response to the Diamond Princess cruise ship that was quarantined in Yokohama, Japan, that ultimately spread the coronavirus to more than 700 passengers and resulted in at least 8 deaths. The Taiwanese government also proactively started working with local hospitals to identify infected people, trace their contacts, and isolate them, prior to confirming its first case on January 21.

Taiwan’s Centers for Disease Control (CDC, 衛生福利部疾病管制署) has been at the forefront of national efforts by providing daily updates and news conferences on new coronavirus infection cases and details on potential exposure to the new infections, in addition to announcing other public health measures. Taiwan’s Minister of Health and Welfare Chen Shih-chung (陳時中), who has earned the affectionate nickname “Minister A-Chung” (阿中部長) and is widely popular in Taiwan, has become the public face of the Taiwanese government in informing residents on the coronavirus situation and urging them to avoid foreign travel to high-risk regions. At a news conference on March 16, following a two-day increase of 14 new coronavirus cases from Taiwanese citizens returning from the Middle East, North Africa, and Eastern Europe, an exasperated Minister Chen urged the public to refrain from traveling to “very dangerous” Level 3 countries that are experiencing high levels of coronavirus infections and deaths. Chen warned that Taiwanese citizens will pay a price for not following these instructions, such
as making violators pay for doctors’ visits related to the coronavirus and publicly disclosing the names of people who ignored directives and are confirmed to carry COVID-19. Furthermore, those who violate relevant quarantine regulations can be fined from NTD $100,000 to NTD $1 million (roughly USD $3,310 to $33,100) according to the law.

**Domestic Implications**

During a time of national crisis, a public health issue such as the COVID-19 is a test of government leadership and efficiency as well as public health capacities. Any government’s performance on coronavirus will expose successes and failures in public service and highlight the level of public trust in political leaders. As for Taiwan, the government’s management of the coronavirus outbreak has resulted in high marks for President Tsai Ing-wen’s (蔡英文) administration. According to a poll released by the Taiwanese Public Opinion Foundation (台灣民意教育基金會, TPOF) on February 24, Tsai’s approval rating stood at 68.4 percent, the second-highest since she became president in 2016, while public confidence in the Taiwan government’s ability to manage the coronavirus has soared to 86 percent. The poll also found that support for Tsai’s Democratic Progressive Party (DPP) reached a high of 41 percent, compared to the opposition Kuomintang (KMT), which experienced a drop in support to 12.5 percent. Particularly when compared to the number of infections and deaths in neighboring countries and around the world, Taiwan is doing relatively well.

Taipei’s strong performance during the COVID-19 crisis has also translated into further solidification of Taiwanese identity. The poll by the TPOF also found that 83.2 percent of Taiwanese citizens consider themselves Taiwanese, reaching a historic high. In addition, 5.3 percent identify as Chinese, while 6.7 percent view themselves as both Taiwanese and Chinese. Indeed, international praise for Taiwan’s handling of the situation has become a source of pride for the island. Such sentiments have also been echoed by President Tsai, who said many countries see Taiwan as a model for epidemic containment.

**Second Stage of Coronavirus**

As Taiwan enters the second stage of the coronavirus crisis, Taipei is taking additional steps to help contain the virus, including collaborating with domestic manufacturers and technology developers. The Taiwanese government said on March 16 that it has formed a national team, utilizing domestic suppliers such as Makalot Industrial to mass produce protective and isolation gowns instead of relying on imports from China and the United States. In addition, Taiwan is working on letting the public order surgical masks online instead of having to physically purchase them at local pharmacies. Meanwhile, Taiwan’s online platform created by Digital Minister without Portfolio Audrey Tang (唐鳳) contains real-time interactive maps and hundreds of apps that track the supplies of face masks at drug stores and has been praised by the United States and Japan. Japanese lawmaker Ishibashi Michihiro mentioned Taiwan’s apps during a meeting with other lawmakers and asked whether Tokyo could also utilize information technology to send urgent information to citizens.

As the coronavirus has become a global pandemic and nations around the world are scrambling to contain the outbreak, Taiwan wants to offer its best practices to the rest of the world, particularly the most hard-hit areas. With the United States currently reporting the second-largest number of coronavirus cases outside of China, Washington and Taipei are working towards jointly developing coronavirus tests, treatments, and vaccines, as well as exchanging medical supplies and equipment. Taiwan promised to donate 100,000 surgical masks per week to the United States. The American Institute in Taiwan said it would “enhance consultation and cooperation with the MOHW (Ministry of Health and Welfare) to combat the Wuhan coronavirus.” Furthermore, Taiwanese researchers at Academia Sinica recently discussed potential collaboration with European Union officials to combat COVID-19. Indeed, the novel coronavirus has become a new arena for Taiwan to strengthen its cooperation with other countries and continue to boost its soft power.

**The main point:** Taiwan has earned international praise over its handling of the coronavirus outbreak, which has domestic and foreign policy implications, including boosting the popularity of Tsai Ing-wen’s administration, strengthening Taiwanese identity, and providing new opportunities for international collaboration.
Enhancing Taiwan Coast Guards’ Role in International Maritime Capacity Building

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With overlapping sovereignty claims throughout Southeast Asia, the rule of law is paramount to regional safety and security. By working with other organizations in the region to combat transnational challenges, Taiwan’s Coast Guard Administration (CGA) has opportunities to cultivate soft power and engage diplomatically in ways not afforded to Taiwan’s Ministry of National Defense (MND). As a civilian law enforcement agency, the CGA can enhance Taiwan’s regional integration through cooperative action that sidesteps questions pertaining to its sovereignty.

The Coast Guard Administration

The CGA’s history under the Ministries of National Defense and of the Interior has shaped it into an experienced civilian law enforcement agency with a veteran officer corps. Originally created by the Lee Teng-hui Administration in 2000, the CGA was organized within National Police Agency (Ministry of the Interior) by combining the Marine Policy Bureau (National Police Agency; Ministry of the Interior), the Garrison Command (Military Policy Command; MND), and Maritime Law Enforcement and Intelligence (MND). During the reshuffling, vessels from Taiwan’s Customs Administration (within the Ministry of Finance) were moved to the newly created coast guard. The CGA was then re-organized by each subsequent administration, in 2015 and 2018 respectively.

In April 2018, Taiwan inaugurated the Ocean Affairs Council, which was created to consolidate the work of 22 existing agencies into three: the CGA, the National Ocean Research Institute, and the Ocean Conservation Administration. The Ocean Affairs Council is tasked with planning and implementing marine-related policy, developing the marine industry, and “conducting affairs related to waters and coast guarding, marine conservation and marine research.”

Fleet size is an important indicator of successful and effective maritime law enforcement, and the CGA boasts one of the largest fleets in the region. With 161 surface vessels in its fleet, the CGA is larger than the counterpart agencies of any individual Association of Southeast Asian Nations (ASEAN) member state. Nonetheless, the CGA is dwarfed by the 422 patrol and coastal combatant vessels of the People’s Republic of China Coast Guard (PRCCG) and by the 367-strong fleet of the Japan Coast Guard (JCG).[1]

A Tool of International Engagement

The UN Convention of the Law of the Seas (UNCLOS) established expanded maritime boundaries with additional provisions increasing maritime law enforcement authority. As a result, many maritime countries established their own coast guard fleet to assert sovereignty within their domain. Of the nearly 50 coast guard fleets in the world, approximately 20 were created or re-organized after UNCLOS came into force in 1994; ten of these are in Southeast Asia. [2]

These fleets were created to address many of the maritime security issues in the region. [3] One of the primary concerns to Southeast Asian countries at the time (and still today) was illegal, unreported, and unregulated fishing (IUU fishing). The region has more than a million fishing vessels and is plagued by overfishing and habitat damage. These types of illegal and illicit activities typically rely on small, agile boats and light arms, highlighting the need for coast guards to cover a significant amount of open water.

As demonstrated by issues pertaining to combatting IUU fishing, coast guards are traditionally charged with law enforcement missions that often benefit from multilateral cooperation. This provides a ready opportunity for coast guards from various countries to collaborate in upholding the rule of law. This potential is already evidenced through Taiwan’s existing participation with international government organizations (IGOs). As a result of the island’s ambiguous sovereignty, Taiwan
only participates in 58 IGOs and is a full member of 38 IGOs, but around 15 percent of the IGOs Taiwan participates in are related to maritime law enforcement. Taipei should explore opportunities to further expand the diplomatic role of the CGA. By leveraging the CGA to support transnational security issues and strengthen the rule of law, Taiwan may be able to develop additional cooperative agreements with regional partners.

The first step toward strengthening international engagement is establishing non-binding Memoranda of Understanding (MOUs) with partner countries to outline accepted forms of engagement. Once established, the CGA should expand these MOUs and formalize efforts with a series of Memoranda of Agreement (MOAs). With these formal agreements, the CGA would be able to establish four main types of relationships with its international partners:

1. **CGA as a Recipient:** Accept capacity building support from countries like the United States and Japan. These exchanges could take the form of specialized trainings, subject matter expert (SME) exchanges, and arms sales.

2. **CGA as a Donor:** Provide capacity building support to partners like Tuvalu, the Marshall Islands, and Fiji. Already-established MOAs with the Marshall Islands, Palau, and Tuvalu provide a foundation to expand CGA’s support to other countries.

3. **Exchanges:** Engage in information-sharing and other collaborative efforts with countries like Malaysia, Thailand, Vietnam, Indonesia, and the Philippines.

4. **Coordination:** Deepen coordination between regional maritime law enforcement agencies, including those from ASEAN member countries and Japan, as well as Hong Kong, Macau, and mainland China.

The CGA should clearly define the level to which it is able to collaborate with international partners. Doing so will improve partner nations’ confidence in Taiwan, thereby improving opportunities to successfully develop MOAs. To this end, the CGA should conduct an internal needs assessment to determine its capabilities and gaps. Next, the CGA should evaluate potential partners to determine optimal engagement. This analysis would provide a framework through which Taipei could strategically craft an engagement plan.

**Engagement Recommendations for the CGA**

Although the CGA has ready potential to engage with regional partners, it nonetheless remains difficult for Taiwan to engage with the international community or to lead cooperative efforts. Focusing on its efforts to establish cooperative engagements on areas of common interest and shared goals (such as IUU fishing and piracy) improves the likelihood of such agreements coming to fruition. To provide regional leadership, the CGA should consider the following four recommendations:

- Conduct needs assessments to improve regional capacity;
- Boost regional Maritime Domain Awareness (MDA);
- Provide training and educational Services; and
- Coordinate regional responses for Humanitarian Assistance and Disaster Relief (HA/DR).

**Needs Assessments**

Capacity building support from multiple countries may place additional strain on the recipient country by creating inefficiencies and redundancies. Additionally, due to national security concerns, countries typically only share their capacity gaps with donor countries. To address redundancy and information asymmetry, the CGA can assist countries by providing assessments of their capability needs. This can include conducting the needs assessment or providing planning support via checklists and guides to boost their partner countries’ access to resources.

Helping countries conduct a needs assessment can alleviate the demands on resource-constrained coast guards while providing a critical support function to donor countries. Once a needs assessment is completed, the CGA can work with other donor countries to provide the requisite assistance to address needs and capacity gaps with SME exchanges, joint patrols, ship-rider agreements, or arms sales. Once the CGA has supported multiple partners in conducting their needs assessments, it will be able to aggregate the various countries’ needs to identify regional trends or overlaps. This data will allow for a more thorough as-
ssessment of capabilities throughout the region.

**Maritime Domain Awareness**

To improve regional maritime domain awareness (MDA), the CGA should develop a coordination center to provide interagency and international collaboration. This center should establish a point of contact for regular communication with the Philippines National Watch Center and with the Thailand Maritime Enforcement Coordinating Center (THAI-MECC).

The CGA can direct regional response coordination to provide needed support for those countries lacking adequate law enforcement forces. Should the CGA develop a regional incident command, it could then coordinate emergency and incident response by notifying or activating the requisite response agencies and requesting additional support from neighboring or potentially impacted countries.

**Training and Educational Services**

Many regional coast guard fleets face skills gaps. The CGA could develop a mobile training unit similar to JCG’s recently established Mobile Cooperation Team (MCT), which is modeled after USCG’s Mobile Training Teams. [4] Such a team could provide training that addresses the issues facing the region, such as evidence collection, boarding, and fisheries crime. Additionally, a main direction in which the CGA should expand its training is in search-and-rescue optimal planning system (SAROPS). USCG’s incident command system is widely known and used by other coast guards around the world; however, USCG’s bandwidth to provide training on this topic is limited. With consistent regional training, the CGA can meet this need by providing regional coordination using USCG SAROPS, especially for emergency response.

Since the training concepts of the USCG, JCG, and CGA are similar, the CGA should pursue opportunities to conduct joint trainings with these other coast guards. The CGA training team can integrate into USCG’s or JCG’s training teams, lend team members, or provide materials for trainings. Additionally, in order to improve training, the CGA should establish a dedicated academy to train recruits and cadets. Unlike the coast guards of other countries, Taiwan’s CGA lacks a partner university for training its recruits; however, the CGA does have a training center with a vocational training program. The CGA should consolidate the National Academy of Maritime Research with these various training units, centers, and programs, in order to create its own academy.

Furthermore, they should consider building an international coast guard academy instead of a siloed domestic academy, since many regional coast guards have educational needs not met at current institutions. While the USCG Academy (USCGA) and JCG Academy (JCGA) both allow foreign students, these academies are meant mainly for their own cadets; the proposed CGA Academy could help to remedy this global skills gap by providing the needed educational services to all regional coast guards. [5] Creating an international academy would also generate long-term relationships and develop interoperability between fleets.

**Coordinating the Regional Coast Guard Response**

The CGA can serve to strengthen coordination between third-party actors. One way is by coordinating regional coast guard responses to incidents at sea, such as search-and-rescue or oil spill recovery. While regional coordination does occur, these are often impromptu efforts done on an ad hoc basis, since the overlap in maritime boundaries means that a maritime incident is likely to impact multiple countries. Many of these incidents also require the use of equipment from multiple countries. For example, in January 2018, the Iranian tanker Sanchi collided with another vessel within China’s undisputed exclusive economic zone (EEZ). The Sanchi burned and drifted for over a week; it ultimately sank within Japan’s claimed EEZ. Over a dozen vessels from four countries—China, Japan, South Korea, and the United States—were mobilized in the emergency response and clean-up efforts.

This example shows that coordination can and does occur; however, the timeline of response and recovery highlights the need for a coordinated effort. For several countries, response time is confounded by a lack of equipment, vessels, air support, salvage units, and maritime domain awareness. Further compounding the issue is the lack of trained personnel in the region and the absence of a standard incident response structure.

Each of these four recommendations provides a func-
tional component for coordinating a regional framework for incident response. The CGA can identify capabilities along an incident path, provide coordination via MDA centers, and respond using the USCG’s Incident Command System. The CGA can further provide regional coordination by determining potential and impacted geographies, notify the relevant stakeholders, and request resources. The CGA coordinating a regional coast guard response can reduce response time, reduce the impact to the environment, and improve maritime safety, all while increasing Taiwan’s integration and centrality in the region.

The main point: While the waters to the south of Taiwan are defined by competing claims and overlapping boundaries, they could potentially provide Taiwan with opportunities to strengthen its international engagement and enhance its soft power. By working closely with other regional organizations to combat transnational threats, Taiwan can bolster the regional rule of law and better secure its interests in Southeast Asia.


[2] Countries that created a coast guard agency since UNCLOS include: Bangladesh, Malaysia, the People’s Republic of China, Taiwan, and Vietnam. Countries that re-organized their coast guard agency include: Japan, South Korea, Philippines, Singapore, and Sri Lanka. Of these, the People’s Republic of China, South Korea, Malaysia, and Taiwan have re-organized their coast guards within the past five years.

[3] Many of these maritime security issues in the region include: piracy/armed robbery; terrorist activities; illegal, unreported, and unregulated fishing (IUU fishing); fisheries degradation; habitat destruction; and drug or human trafficking.


[5] Ibid.

COVID-19 and New Realities in the Taiwan Strait: Four Scenarios

By: Michael Mazza

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Taiwan has received well-deserved plaudits for its handling of the COVID-19 pandemic thus far. Taipei acted early and resolutely to ensure that it would not face an epidemic on its own shores. There is a long way to go, but thus far that effort seems to be paying off. Even so, there could be perilous days ahead.

The People’s Republic of China (PRC) drove that point home last week, when it sent fighter jets and early warning aircraft into airspace off Taiwan’s southwest coast for nighttime exercises. Taiwan scrambled its own jets in response—the third time it has done so in 2020. The novel coronavirus, it seems, has not dulled Beijing’s taste for putting the screws to Taipei. Indeed, whether complicating Taipei’s efforts to bring home citizens from Wuhan or throwing up roadblocks to Taiwan’s engagement with the World Health Organization (WHO), Beijing has sought to use this crisis to isolate Taiwan and weaken President Tsai Ing-wen (蔡英文) domestically.

On the one hand, Chinese exercises in the skies around Taiwan are nothing new. On the other hand, the context has changed significantly. That new context features domestic crises in the PRC and in the United States (not to mention in numerous other major economies) as well as significantly escalating US-China tensions.

What has not changed, however, is Xi Jinping’s hunger for unification. He has made clear that unification with Taiwan is a key aspect of his promised “great rejuvenation of the Chinese nation.” He has, moreover, evinced little flexibility in his approach to cross-Strait relations, making clear that Beijing, and Beijing alone, can set the terms for engagement.

This would all be worrying under normal circumstances. But today, circumstances are anything but. Given
the new reality—one that will hopefully be temporary, but might be longer lasting—it is worth considering what challenges may lay ahead for Taiwan’s security. Where does the peril lie? Here are four possible hazardous scenarios, three short-term and one longer-term.

**Scenario 1: Abortive Recovery in China**

According to Chinese data, the PRC is on the road to recovery from COVID-19. If the data are accurate—always a big if when it comes to China—Beijing has succeeded in stopping the virus in its tracks. After suffering more than 3,000 deaths and 80,000 infections, China is slowly but surely attempting a return to normalcy. Lockdowns are ending, domestic flight capacity is growing, and people are heading back to work. Hopefully, China is over the hump and the Chinese people can return to living their lives absent the fear of a new outbreak.

But as Chinese citizens emerge from their lengthy period of self-isolation, one imagines they must be holding their breath, much as outside observers are. If there is a second outbreak, plunging China back into the nearly nationwide lockdown of the past two months, Xi Jinping might well face greater difficulties than during the first quarter of this year. Whether dealing with a challenge to his leadership from within the Chinese Communist Party or real concerns about the trajectory of public anger, Xi could well be tempted to take action that would both divert attention externally and unify the Party. With the United States distracted and—at least momentarily—weakened, Taiwan might well look like an appetizing target.

I have argued elsewhere that a major Taiwan Strait crisis could be coming down the pike. The novel coronavirus could well accelerate that timeline.

**Scenario 2: A Return to Health, But Not to Wealth**

Even if China’s recovery from the virus is a lasting one, its economic rebound is no sure thing. To be sure, economic activity will tick up as consumers once again begin buying cars, eating out, and replacing their cell phones. But with the rest of the world now grappling with a pandemic, demand for Chinese exports is sure to suffer. If China’s major trading partners, including the United States, fail to effectively slow the rate of infections, weakened demand for exports could stretch from a period of a few weeks to one of a few months or longer.

Xi would be able to claim victory over the virus at home, but many in China will recognize that the early negligence of Party officials in responding to the outbreak is at least partly responsible for the global pandemic. Moreover, an arrested economic recovery, especially if foreign difficulties persist, will complicate Xi’s efforts to fulfill his promise of greater prosperity for all. After all, 2020 was the year by which the CCP was supposed to have completed its task of transforming China into a “moderately prosperous society.” Xi can claim success, but will China’s people buy it?

Just as in Scenario 1, Xi Jinping may find he has ample reason to employ the PLA against Taiwan, whether for invasion, blockade, or other operation short of war.

**Scenario 3: Xi Tests the Waters**

Opportunism, rather than desperation, could also drive Xi Jinping to move against Taiwan. With the United States and all of its allies focused internally due to viral outbreaks, China’s leaders may wonder if America’s ability, readiness, and willingness to come to Taiwan’s aid are presently diminished. Might Xi manufacture a crisis over the Taiwan Strait to test US responses?

There are numerous ways he could do so. Chinese fighter jets could circumnavigate Taiwan, sitting just outside Taiwan’s airspace and well across the median line when in the Strait. A Chinese pilot could intentionally cause a collision or down a single Taiwanese aircraft. A PLA naval vessel, or China’s maritime militia, could cause a collision at sea; just last week, a Chinese fishing boat rammed a Taiwan Coast Guard cutter. Artillery batteries ashore could drop ordnance just off the coast of Jinmen or Matsu or, in a replay of the last crisis, the PLA Rocket Force could launch missiles into waters north and south of Taiwan.

Xi Jinping may think that he can control escalation in the event that the United States—or Taiwan, for that matter—reacts strongly. He may be wrong.

**Scenario 4: COVID-19 Tanks the Defense Budget**

The US Congress is closing in on an economic stabilization bill that would include USD $1.8 trillion in new spending. For Fiscal Year 2018, federal outlays amounted to USD $4.1 trillion. Defense spending came in at
USD $623 billion. The budget deficit that year was USD $779 billion. The nearly $2 trillion package is likely necessary, but it will have budgetary consequences going forward.

David Larter, a naval reporter for Defense News, noted in a tweet that, in the event the bill becomes law, “we can all move on from the idea that we are going to even see flat budgets moving forward in” the Department of Defense. He suggests that we will need to “rethink the US military’s role in the world” or “pretend nothing is wrong and rack up readiness deficits.”

Put simply, even if the United States succeeds in containing the spread of the virus and mitigating its economic effects in the short-term, Washington’s longer-term ability to effectively wage strategic competition with China will face constraints. The near-term potential hazards to Taiwan outlined here may not come to pass. But if the coronavirus leaves the United States internally focused to an extent not seen in decades or with far less wherewithal to shape the security environment in regions distant from American shores, annexing Taiwan will look increasingly feasible to the PLA.

**Conclusion**

It is possible that none of the scenarios described here will play out in actuality. But it is also likely that the current pandemic will have profound and lasting consequences. For both Taiwan and the United States, it is worth thinking through what those consequences might look like, their likelihoods, and how to best stave them off or prepare to deal with them.

**The main point:** The current pandemic will have profound and lasting consequences for Taiwan, the United States, and China. Amidst rapidly changing circumstances, Taiwan may be facing dangerous times ahead.