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## Taiwan's Internal and External Climate Policy Challenges

By: I-wei Jennifer Chang

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On April 22-23, US President Joseph Biden hosted a virtual [Leaders Summit on Climate](#), inviting world leaders to take stronger action to combat global climate change, ahead of the [United Nations Climate Change Conference](#) (Conference of the Parties, COP26) this November in Glasgow, Scotland. Biden pledged to reduce US greenhouse gas emissions by [50 to 52 percent](#) (as compared to 2005 levels) by 2030. Meanwhile, Chinese President [Xi Jinping](#) (習近平), who virtually attended the summit amid rising US-China tensions, did not make new commitments; instead, he reiterated Beijing's earlier [pledge](#) to peak carbon dioxide emissions before 2030 and to reach carbon neutrality before 2060. That same day, Taiwan President [Tsai Ing-wen](#) (蔡英文) also said that her government is "actively planning" to reach the target of zero net emissions by 2050. The global push to combat climate change, especially the potential for US-China climate cooperation and competition, could serve as an impetus for much-needed domestic reforms related to Taiwan's energy and climate policies.

### **US-China Competition Extends to Climate Change**

"[America is back](#)," as President Biden aptly put it, when it comes to fighting global climate change. In one of his first acts as president, Biden rejoined the 2015 [Paris climate agreement](#) (Paris Agreement), a move that reasserts US leadership on a pressing global governance issue that requires far-reaching commitments by the world's top polluters—and contains elements of both cooperation and competition with China. Given the transnational nature of climate change, both China and the United States have interests in [working together](#) to reduce their carbon footprints; at the same time, each side's climate change ambitions and [clean and renewable](#) energy industries are tied to the broader US-China [technological](#), economic, and [strategic](#) competition.

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Previously, the US withdrawal from the Paris Agreement, initiated by [Donald Trump](#), led to China becoming the *de facto* leader of global climate efforts and enabled Beijing to stoke its image as a [responsible stakeholder](#) in combating carbon emissions. [Xi](#) has tried to fill in the leadership role vacated by Washington by calling on Western and other countries to do more to address the global warming crisis. Over the past several years, China has stepped up [climate change cooperation](#) with the [European Union](#) (EU), with climate change featured as a key issue in the [EU-China summits](#). Beijing also positioned itself as the EU's [main partner](#) for taking tougher action on global carbon emissions. Speaking before the UN General Assembly in September 2020, [Xi](#) promised that China, the world's [top emitter of carbon dioxide](#), will peak carbon dioxide emissions in 2030 and will reach carbon neutrality, or go "net zero," by 2060. China accounts for [28 percent](#) of global carbon levels, while the United States constitutes the world's second largest carbon polluter, at 15 percent.

One month after heated, bilateral [talks in Alaska](#), Washington and Beijing issued a [joint statement](#) on April 17 stating that "the United States and China are committed to cooperating with each other and with other countries to tackle the climate crisis." This statement of solidarity came at the conclusion of [meetings](#) between Biden's special envoy for climate change John Kerry and Chinese climate envoy Xie Zhenhua (解振華) in Shanghai ahead of the Leaders Summit. At the same time, each side is [hardening](#) demands that the other should shoulder more responsibility to meet the [Paris Agreement goals](#). Kerry wanted the Chinese to peak carbon emissions in [2025](#), five years earlier than the Chinese pledge.

Underneath the appearance of solidarity on climate issues, mistrust between Washington and Beijing runs deep. The Chinese perceive Washington's demands on climate as part of a strategy to weaken [China's economic growth](#), which is dependent on an [energy-intensive, high-polluting economy](#). When pressed to do more by Washington, Chinese vice minister of foreign affairs, [Le Yucheng](#) (樂玉成), replied, "For a big country with 1.4 billion people, these goals are not easily delivered." He [said](#), "Some countries are asking China to do more on climate change. I'm afraid that is not very realistic."

Indeed, the dynamics of [US-China climate change cooperation](#) remain embedded in the current strategic competition between the two rivals. During the Obama Administration, cooperation on climate issues served as a [stabilizing factor](#) in bilateral relations. While the Biden Administration may desire to [compartmentalize](#) its China policy—such as by cooperating on climate issues while countering Beijing over its military aggression against Taiwan, human rights abuses, and trade tensions—the Chinese tend to take a more across the board view of US-China relations. Chinese Foreign Ministry's spokesperson [Zhao Lijian](#) (趙立堅) commented that US-China cooperation on climate change "is closely linked with bilateral relations as a whole."

Therefore, China's willingness to do more on climate change may be contingent on the [positions](#) taken by the United States, European countries, and other foreign governments on other critical issues. Indeed, Beijing may seek to utilize climate cooperation to negotiate and [extract](#) concessions from the United States and EU to advance Beijing's national agenda, which invariably includes the Taiwan issue.

### ***Taiwan's Climate Challenges***

Taipei certainly does not want to be left behind on multilateral climate change initiatives, particularly if US-China relations improve as a result of climate change cooperation. For the past few decades, Taiwanese diplomacy has been focused on gaining [observer status](#) in the United Nations Framework Convention on Climate Change (UNFCCC). Beijing, however, has consistently opposed proposals raised by member states to bring Taipei into the climate framework, even as an observer. [1] The island, which has been hammered by [frequent typhoons](#) and [rising sea levels](#), and more recently [droughts](#), has argued that its continued exclusion from international forums such as the UNFCCC and the COP meetings prevents it from obtaining critical information and accessing early warning systems for disasters. [2] The Taiwanese government has often promoted its expertise in green technology and renewable energy to help garner external support for participating in international discussions on climate change. [3]

Yet, perhaps a more serious concern for Taiwanese policymakers than Taiwan's external climate diploma-

cy is improving the island's own record in reducing its carbon footprint. Taiwan constituted the [25<sup>th</sup>](#) largest per capita emitter of carbon dioxide (CO<sub>2</sub>) in 2018 and contributes around [0.8 percent](#) of the world's total CO<sub>2</sub> emissions. Taiwan's climate mitigation policies were ranked low on the [Climate Change Performance Index](#), according to a report released by Germanwatch, Climate Action Network, and New Climate Institute. [Taiwan](#), which lacks a long-term energy strategy to phase out its use of [coal](#), landed among the bottom three performers, only ahead of Saudi Arabia and the United States.

Taiwanese households and industries remain dependent on coal, which provided [45 percent](#) of Taiwan's electricity in 2020, followed by liquefied natural gas (LNG) at [36 percent](#) and renewable energy at [5.4 percent](#). Taiwan's dependence on these sources of energy was demonstrated by a [malfunction at the coal and gas-fired Hsinta power plant](#) in Kaohsiung on May 13, causing rolling blackouts through many areas of the island. Taiwan's Ministry of Economic Affairs (經濟部) forecasts that the country's use of coal for electricity will drop to under [30 percent](#) by 2025, while LNG and renewables will grow to [50 and 20 percent](#), respectively, over the same period.



*Image: Protesters calling for reductions in carbon emissions hold a demonstration in Taipei in September 2020. (Image source: [Taiwan News](#))*

### **Domestic Impediments to Cleaner Energy**

However, there are several factors impeding Taiwan's shift from its current [high-carbon economy](#) towards a

more energy-efficient model of growth. First, Taiwan's government would need to significantly [raise](#) its government-subsidized cheap electricity prices in order to bring down [household and industrial electricity consumption](#), which has been the main contributor to the growth of Taiwan's carbon emissions. However, the government seems keen on [freezing](#) new increases in the electricity price, which has remained unchanged since the fall of 2018. Second, fierce Taiwanese domestic political opposition to nuclear energy, which spiked in the aftermath of the [2011 Fukushima Daiichi nuclear disaster](#) in Japan, has enhanced the island's reliance on more polluting energy sources, such as [coal](#), which increase its carbon emissions.

A "[nuclear-free homeland](#)" (非核家園) has been central to the Democratic Progressive Party's (DPP, 民進黨) platform and continues to be President [Tsai](#)'s goal of transitioning away from nuclear power—despite the fact that nuclear energy is a clean alternative with [zero carbon emissions](#). The nuclear issue has become highly [politicized](#) and intertwined in the competition between the DPP and Kuomintang (KMT, 國民黨), particularly as the island gears up for a [national referendum](#) on the fate of the Fourth Nuclear Power Plant (核四) on August 28 this year.

Moreover, some [environmental groups](#) and local communities in Taiwan have opposed the installation of renewable energy facilities, pointing to the consequences of cutting down forests and hurting fragile ecosystems in order to make way for clean energy infrastructure. Environmental activists and local residents have raised concerns about [Taiwan Semiconductor Manufacturing Company's](#) (TSMC, 台積電) plan to clear 230 hectares of forests in Pingtung County (屏東縣) to build Taiwan's [largest solar power plant](#). In addition, local fishermen have protested against the construction of a [wind farm](#) off the coast of Yunlin County (雲林縣), which they argue could harm local fisheries.

Taiwan's environmental activists are also campaigning against the government's [USD \\$2 billion](#) project to set up a [third LNG import terminal](#) based in Taoyuan to boost LNG power generation, arguing that it could threaten the ancient Datan algal reef (大潭藻礁) and endangered species along the northern coastline. On its face, the government's plans to boost LNG imports, solar energy, and wind power are aimed at reducing

Taiwan's overreliance on coal. However, environmentalists question whether the [construction of clean energy facilities](#) are sustainable over the long run since it may, paradoxically, create irreversible damage to the island's limited land, forests, and fragile ecosystems.

### Conclusion

Taiwan's national energy and economic policies, domestic politics, and environmental activism collectively pose challenges to reducing the island's carbon footprint even as its ability to participate in international fora addressing such matters continues to be stifled by China. However, as the [US-China climate competition](#) heats up—motivating each side to outdo the other on cutting carbon emissions—this competition could also motivate Taiwan to action. Taipei can start by adopting more ambitious and stringent carbon reduction goals, comparable to other Asian high-volume polluters such as [South Korea](#) and [Japan](#). Although it is not under any formal international obligation to reduce its carbon output, Taipei would certainly benefit from engaging in bilateral and multilateral collaboration on finding solutions to current climate challenges. However, such changes should come within Taiwan first. Challenging Taiwanese policymakers to seriously address the climate and energy issues and substantially cut carbon emissions would be the most meaningful way to bolster the credibility of its external messaging that Taiwan is ready to fight climate change. [4]

**The main point:** The US-China cooperative and competitive dynamics on climate change have created the need for Taiwan to reassess its carbon reduction goals. However, many domestic factors are impeding Taiwan's ability to transition its high-carbon economy towards cleaner sources of energy.

[1] "China Opposes Moves to Bring Taiwan into Climate Change Talks," *BBC Monitoring Asia Pacific – Political*, December 10, 2010, retrieved in Nexis Uni.

[2] "To Counter Climate Change Effects, All Countries Must Be Involved," *New Straits Times* (Malaysia), November 26, 2018, retrieved in Nexis Uni.

[3] Ibid.

[4] "Taiwan/China: MOFA Video Spotlights Taiwan's Merits as Partner for Combating Climate Change," *Thai*

*News Service*, November 8, 2018, retrieved in Nexis Uni.

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## Implications of the US-China Tech War for Taiwan's Semiconductors Industry

By: Jeremy Huai-Che Chiang

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Against the backdrop of worsening US-China relations, Taiwan's semiconductor industry—including Taiwan Semiconductor Manufacturing Corp. (TSMC, 臺灣積體電路製造股份有限公司), which is the world's largest contract chip manufacturer—has garnered unprecedented attention over the past year. Some have noted how [TSMC's halt of new Huawei orders](#) after US restrictions in 2020 diminished the Chinese national champion's ability to provide high-end smartphones. Others focused on how [TSMC surpassed competitors such as Samsung and Intel](#) to become the world's most advanced semiconductor manufacturing firm, making it also a key chokepoint in producing cutting-edge devices such as the latest iPhones and PCs, but also US military-use chips critical to American security. With the manufacturing of chips now recognized as a critical "[geopolitical imperative](#)," TSMC's value in the eyes of both the security community and the market has heightened significantly—raising both its value as well as highlighting the risks of over dependence.

Recent [automotive chip shortages](#) have highlighted how important TSMC is to global industrial activity, for about [70 percent of the microcontroller units used in the world's automobiles](#) are manufactured by the firm. Amidst the need for a strong COVID-19 economic recovery, [foreign governments](#) have lobbied the Taiwanese government to prevent automobile factories from halting production due to chip shortages, which in turn played a role in [persuading TSMC, UMC, and other Taiwanese semiconductor manufacturers](#) to ramp up production of automobile chips. This has indeed been

a rare diplomacy gain for Taiwan, with top officials calling these recent developments “[definitely beneficial to Taiwan’s trade agenda](#).”

These recent events have provided a long-overdue recognition of Taiwan’s industrial might, so often eclipsed by news concerning tensions with neighboring China. The production value of Taiwan’s semiconductor industry stood at USD [\\$115 billion in 2020](#), ranking second in the world and accounting for [19.7 percent of the global total](#). Taiwan today is home to not only TSMC, but also other semiconductor industry leaders such as: [MediaTek](#) (聯發科技股份有限公司), the [world’s largest smartphone chipset vendor](#), which surpassed US firm Qualcomm to become the world’s biggest smartphone chips supplier in the third quarter of 2020; [ASE Group](#) (日月光集團), the world’s largest provider of outsourced semiconductor manufacturing services in assembly and testing; and [GlobalWafers](#) (環球晶圓股份有限公司), which will become the world’s second largest supplier of silicon wafers [if it successfully acquires German firm Siltronic](#). Taiwan’s successful ecosystem in this sector stems not only from decades of successful government support and investment, but also its interconnectedness with other parts of Taiwan’s wider tech industry—including PC vendors such as ASUS and Acer, and electronics contract manufacturers such as Foxconn, Pegatron, and Wistron.

### ***American and Chinese Self-Sufficiency Challenges Taiwan’s Business Model***

With talks of “selective decoupling” and “self-sufficiency” emerging on both sides of the Pacific, however, the spotlight on Taiwan’s tech industry should be seen as both a blessing and a curse. While some [Chinese semiconductor firms have been crippled](#) by US sanctions, and [other initiatives](#) have experienced failures due to poor planning, China’s large market is still a fertile breeding ground for TSMC’s competitors, accounting for [36 percent of the global semiconductor market](#). SMIC today is already the [world’s 5<sup>th</sup> largest semiconductor contract manufacturer](#), while Hua Hong ranks at a distant 9<sup>th</sup> place. Paired with the inability of many Taiwanese semiconductor firms to deal with Chinese clients as the result of US restrictions, it seems only a matter of time before SMIC and other Chinese competitors capture more domestic market share. Over \$20 billion worth of Taiwanese electronics (including semi-

conductors) were shipped to China in 2020, and more were directly manufactured by Taiwanese firms based in China.

Besides issues of market accessibility, China is also pushing for [less technological reliance on the outside world](#). Pressured by US restrictions on the import of semiconductor parts and equipment, China has created a USD [\\$29 billion national semiconductor fund](#) to invest in related firms and sectors, with government documents [explicitly calling for more self-sufficiency in semiconductor](#) production and technologies. [Private investments in Chinese semiconductor firms](#) also reached an all-time high in 2020, increasing almost four times as compared with 2019. While these trends alone may not be enough to help Chinese firms break technological bottlenecks, it does provide an unprecedented opportunity to do so. The most important implication, however, is that even if TSMC remains a neutral service provider, the experience of Chinese manufacturers in recent years has eroded their willingness to rely on outside partners for critical technologies. This will be a long-term negative for Taiwan’s tech industry.



*Image: Technicians at work in a TSMC semiconductor plant in Taiwan. (Source: [TSMC](#))*

### ***The Push for Semiconductor Manufacturing in the United States***

On the US side, things are also not as good as they might seem. While the Biden administration has called for “[techno-democracies](#)” to cooperate together, and held [economic dialogues](#) with Taiwan’s tech industry, the US market for Taiwanese semiconductors and other products also looks a bit tricky in the long-term. US

firms are lobbying for “[substantial funding for incentives for semiconductor manufacturing](#)” domestically, which will help lagging American competitors such as Intel and Global Foundries. After the National Security Commission on Artificial Intelligence [concluded](#) that the US needed to build a “resilient domestic base” for designing and making semiconductors, Eric Schmidt, the former Google chief executive who chairs the commission, [added](#) that “we are very close to losing the cutting edge of microelectronics which power our companies and our military because of our reliance on Taiwan.” While US-Taiwan relations remain strong, the US’s keenness to remain a technology leader and some suggestions to completely re-shore its technology base may eventually create frictions with Taiwan and its firms if dialogue and cooperation are not carefully managed.

This wave of US anxiety has played a role in TSMC’s recent investment in a USD [\\$12 billion factory in Arizona](#). While governments have heralded this as an example of US-Taiwan tech cooperation, it will still require many subsidies and tax breaks to cut down US production prices. Some costs (human resources, water, electricity, and others) are hard to fully calculate at this point. Without the comprehensive Taiwan-based semiconductor ecosystem in place, it will be much harder for TSMC to succeed in the United States. TSMC’s only current US-based fab in Camas, Washington has been said to be “[much less efficient](#)” than Taiwan fabs by a former US-based TSMC executive. As TSMC continues to draw American clients with or without a US-based fab, and the economics of manufacturing in America do not seem advantageous enough yet, the only positives for TSMC seem to be preempting competitors from benefiting too much from US incentives, or else providing itself a larger voice in shaping the industry’s future development. This reality has inevitably left some to wonder about the possible non-business factors behind this investment decision, and others to wonder about other potential future negatives from US policies towards TSMC’s business interests.

### ***Taiwan’s Campaign to Be Seen as Partner and Not a Risk***

Unfortunately, pressure on TSMC and other Taiwanese semiconductor firms is coming not only from the United States and China, but also many other places. With

the EU also pouring USD \$145 billion to push for more [semiconductor self-sufficiency](#), it now seems possible that TSMC may feel pressured to build a fab in Europe, too. The EU has already reportedly made [plans to build an advanced semiconductor factory](#)—and it may involve TSMC or Samsung in the project.

As countries seek to secure their own tech supply chains, it remains to be seen whether the ongoing tech “decoupling” between China and parts of the West will result in more opportunities for democratic Taiwan, or else prompt some countries to throw resources into boosting their own champions at the expense of Taiwanese firms. Either way, the flexible production practices that Taiwanese tech firms have relied upon to profit in a globalized world have now bumped into a much less flexible world. While this may not hurt leading firms such as TSMC, other Taiwanese tech firms operating in less favorable positions and profit margins might face a negative impact.

All in all, a top priority for the Taiwanese government right now is looking for strategies that would persuade foreign governments that Taiwan’s tech dominance makes it more a partner than a risk; and to leverage this international interest to support Taiwan’s industrial strategy. Taiwan is planning to [increase its semiconductor production to USD \\$169.5 billion by 2030, and to also localize more semiconductor material supplies and equipment production](#)—factors that happen to be the weaker parts of Taiwan’s current chip manufacturing ecosystem. The success of these campaigns to assure partners and boost its own capabilities will heavily influence the future of Taiwan’s technological might—a key asset for ensuring its continued viability in an increasingly unstable world.

**The main point:** Taiwan’s semiconductor industry may face long-term downsides from Chinese and American semiconductor self-sufficiency policies. The Taiwanese government needs to persuade foreign governments that Taiwan’s tech dominance makes it more a partner than a risk.

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## Illegal Crossings Highlight Need for Enhanced Maritime Domain Awareness in Taiwan Strait

By: J. Michael Cole

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In two separate incidents in late April and early May of 2021, two Chinese nationals used small rubber dinghies to illegally enter Taiwanese territory, raising questions about the motives behind these incidents, as well as possible blind spots in Taiwan's security perimeter. In each of the two cases, a single Chinese national using a small craft was able to enter Taiwanese waters undetected. As this article shows, the stories—with intrusions off the waters of the outlying island of Kinmen and across the entire Taiwan Strait, with the boat finally being spotted at Taichung—do not add up. As the investigation into the two incidents continues, we can nevertheless speculate that the incidents could be part of efforts by Beijing to identify weaknesses in Taiwan's maritime awareness.

[In one case](#), which occurred on May 4, Taiwan's security system worked. Spotted by the Coast Guard Administration (CGA, 海巡署), the small craft was intercepted by the CGA in waters outside the outlying island of Kinmen near a Republic of China Army facility. During interrogation with officials, the twenty-something Chinese man, surnamed Chiang (江), stated that he was a native of Guangxi Province. Chiang said he had purchased the small rubber vessel online and that he had set off for Taiwan from Xiaodeng Island (小嶝島) at 4:00 AM. Xiaodeng is part of the insular Dadeng Subdistrict (大嶝街道) in Xiamen's Xiang'an District (翔安區). Asked by Taiwanese authorities why he had attempted the illegal crossing, Chiang said "I just wanted to come."

Besides a suitcase containing a pair of portable chargers, two cell phones, two bank cards, and a utility knife, the man had 16 dumplings on board, which compelled the authorities to notify the Bureau of Animal and Plant Health Inspection and Quarantine (BAPHIQ, 行政院農業委員會動植物防疫檢疫局) due to concerns regarding the potential spread of African swine fever (ASF) from China. After completing quarantine,

Chiang will be investigated for violations of the Immigration Act (入出國及移民法).

[A more troubling incident](#) took place just a few days earlier when another Chinese national in his thirties, surnamed Zhou (周), successfully sailed 100 miles across the Taiwan Strait undetected. Setting off from Shishi County (石獅) in Quanzhou (泉州), Fujian Province, Zhou made the 10-hour-plus trip to Taichung port in an 8.8 feet by 5 feet rubber raft. He was spotted in Taichung by local dock workers, who gave him a lunch box and contacted the authorities. Like Chiang a week later, Zhou claimed that he had purchased the rubber dinghy online (on the e-commerce web site Taobao [淘寶網]). During questioning, Zhou told the Central Branch of the CGA that he had fled to Taiwan seeking "freedom and equality," adding that China was "all kinds of bad." A search on board the craft revealed 23 gallons of fuel and little else.

As with Chiang, the Taiwanese government is trying to determine the motives for Zhou's illegal crossing. But the Zhou case has raised questions about the ability of the CGA and Taiwanese Navy to track and intercept small craft in the Taiwan Strait. According to one Republic of China Navy (ROCN) official, naval land- and ship-based radar [may have been unable to spot the vessel](#) due to its small signature (CGA radars cover Taiwan's maritime zone, or 12 nautical miles offshore). It is also speculated that the rubber dinghy [may have been concealed by large cargo vessels](#) in the Taiwan Strait.



*Image: A man identified only by the surname Chiang (江) is taken into custody by Taiwan Coast Guard personnel after landing on Kinmen Island on May 4<sup>th</sup> in a small rubber boat. (Image source: [Taiwan Central News Agency](#))*

[Raising doubts](#) about the veracity of Zhou’s story, Chiang Cheng-kuo (蔣正國), chief of staff of the ROCN, said there was not enough fuel on board the dinghy to complete the journey across the Taiwan Strait.

### **Potential for “Gray Zone” Operations**

These unusual incidents need to be thoroughly investigated. While legitimate attempts by Chinese nationals seeking political asylum or refuge from persecution should be handled accordingly by Taiwanese authorities, there nonetheless is a possibility that such incidents may represent criminals fleeing Chinese police, or else may serve as cover for offensive activities by Beijing. We cannot exclude the possibility that these were attempts by the People’s Liberation Army Navy (PLAN), the Chinese People’s Armed Police Force Coast Guard Corps (China Coast Guard), or “[maritime militia](#)” to identify blind spots in Taiwan’s maritime surveillance for future exploitation.

Blind spots in Taiwan’s surveillance system could allow the Chinese side to introduce Chinese special forces into Taiwan to conduct sabotage operations, or go underground until activation prior to a major PLA offensive against Taiwan. Such operations could also involve the kidnapping of Taiwanese nationals. Undetected dinghies could also be used to carry materiel—such as small arms, explosives, and communication equipment—to be handed over to violent pro-Beijing proxies in Taiwan for future attacks on public infrastructure, government sites, and politicians.

Lastly, such vessels could also be used to wage biological warfare against Taiwan by introducing contaminated meat products and animal diseases into Taiwan, in order to devastate the local economy or spark an epidemic. In early April of this year, a pig carcass infected with ASF was [discovered](#) near the Guihou Fishing Harbor (龜吼漁港) in New Taipei City’s Wanli District (萬里區). Given that there are no ASF infections at pig farms in Taiwan, the discovery suggests that the infected carcass came from another country. One possibility is that the carcass was brought by sea from China, with the aim of causing an outbreak in Taiwan. A biowarfare attack against Taiwan’s pork industry could devastate the industry and exacerbate political tensions over the Tsai Ing-wen (蔡英文) Administration’s decision to [lift the ban](#) on US pork products containing the food

additive ractopamine—a controversy that has led politicians and groups from within the Pan-Blue camp to [call for two referenda later this year](#), which will seek to overturn that decision. (Interestingly, [advertisements](#) supporting the August 28 referenda against the import of US pork that appeared in recent months on the side of Taipei City buses have been paid for by the Seattle-based Taiwan Benevolent Association of America [全美台灣同鄉聯誼會].)

Rather than manufacture crises outright, political warfare instead often builds upon and amplifies existing controversies, disputes, and contradictions within a targeted society to undermine a sitting government. Issues such as the controversial lifting of the ban on [imports of American pork products containing Ractopamine](#) and [food products from Japan’s Fukushima Prefecture](#), as well as [same-sex marriage](#), have all resulted in referenda organized by groups that may have been infiltrated by, or that are indirectly supported via disinformation from, the Chinese Communist Party (CCP).

Over the past three years, a total of [15 pig carcasses](#) infected with ASF have been discovered in Taiwan, all close to the shore. Twelve of those were found in Kinmen and two on Matsu, according to data from the Council of Agriculture (COA). [According](#) to the Paris-based World Organization for Animal Health, ASF “is a highly contagious haemorrhagic viral disease of domestic and wild pigs, which is responsible for serious economic and production losses,” and for which “there is no approved vaccine.”

Such “gray zone” operations have the advantage of providing plausible deniability to the Chinese government and could be used for either limited low-intensity warfare against Taiwan short of major war, or as a means to weaken Taiwan in the lead-up to a full military contingency.

To counter the possibility of China exploiting such maritime routes for “gray zone” operations, the Taiwanese Navy and CGA should complement their existing surveillance networks through investment in remote-sensing capabilities that provide a more granular picture of the maritime space in the Taiwan Strait, as well as around Taiwan proper and its outlying islands. This includes sea- and/or air-based unmanned aerial vehicles

(UAV) conducting patrols along and beyond Taiwan's 12 nautical mile zone, as well as close-in approaches to cargo ships that may be providing cover to low-signature dinghies and other small vessels (cargo vessels themselves could also be used as transport for special forces and war materiel). Another option for Taiwan would be to invest in low-Earth orbit passive maritime surveillance satellites, which would also provide high-definition, continuous, and early-warning monitoring of all activity throughout Taiwan's maritime environment. Moreover, under a [US-Taiwan Coast Guard agreement](#) signed earlier this year, the two countries could also deepen collaboration (including intelligence sharing) on countering Chinese "grey zone" operations in the Taiwan Strait.

Instead of unleashing a major war that would inevitably capture the attention of media all around the world, Beijing is likely focusing on identifying and exploiting other vectors of attack to harass the Taiwanese government. Such capabilities would also undoubtedly become a factor prior to, or in the initial phase of, major military operations in the Taiwan Strait. Countering both possibilities requires only minor adjustments and would contribute greatly to Taiwan's national security.

**The main point:** While a possible amphibious assault by China continues to receive the greatest attention in the media and among security analysts, "gray zone" operations at sea involving low-signature craft could be used by China for a variety of low-intensity hostile operations against Taiwan. With investment in remote sensing and other intelligence capabilities, Taipei can counter the possibility that Beijing will successfully exploit blind spots in Taiwan's maritime awareness.

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## A Strategic Review of "Strategic Ambiguity"

By: Shirley Kan

*Shirley Kan is an independent specialist in Asian security affairs who retired from working for Congress at CRS and is a founding Member of GTI's Advisory Board.*

Before retiring at the end of April as the commander of the US Indo-Pacific Command (INDOPACOM), Admiral Philip Davidson waded into the sensitive issue of

whether to jettison "[strategic ambiguity](#)." The debate ironically focuses on a US role in an unwanted conflict rather than in a preferred peaceful outcome for the geo-strategic question of Taiwan. Drifting from ambiguity to clarity is framed as a radically dangerous departure or a needed daring update in policy. Actually, this question is not bold enough. A strategic review that involves Congress is needed to protect US and allied interests in Taiwan as it faces China's threats. Here are three main reasons why policymakers should focus on strategic success, not just ambiguity.

### **Congress Cites Concerns**

This controversy is the latest in cyclical criticisms of "strategic ambiguity." Director of National Intelligence Avril Haines assessed that China would see a shift away from that approach to be "[deeply destabilizing](#)," testifying to the Senate Armed Services Committee in April. Kurt Campbell, President Joe Biden's Coordinator for Indo-Pacific Affairs at the National Security Council, just expressed opposition to "strategic clarity" due to its "[significant downsides](#)."

Taiwan is not an ally, given the termination of the Mutual Defense Treaty with the Republic of China (ROC) at the end of 1979. [1] Observers see uncertainty for both sides of the Taiwan Strait. Washington keeps Beijing afraid of potential US military intervention against the People's Liberation Army (PLA) if it attacks Taiwan. Washington leaves Taipei unsure of any "blank check" if it seeks *de jure* independence that would make waves.

Congress has contributed to these debates, especially after the 1995-1996 crisis in the Taiwan Strait. [2] In May 2020, Representative Mike Gallagher launched this current controversy with his clarion call to "[stand with Taiwan](#)." He has argued for an end to "strategic ambiguity" and, instead, "a full-throated defense of Taiwan's sovereignty and territorial integrity" with a "declaratory statement of policy committing the United States to the defense of Taiwan." He introduced the [Taiwan Defense Act](#) to end "strategic ambiguity" and "draw a clear red line through the Taiwan Strait."

Other Members of Congress have joined this critical congressional catalyst for more careful consideration of policy. Many reasons justify keeping or removing "strategic ambiguity." But Congress should dive deeper into how to navigate the increasingly hazardous Tai-

wan Strait.

Admiral Davidson amplified attention to this debate. He testified that this part of policy should be “[reconsidered](#),” answering Senator Rick Scott during a [hearing](#) of the Senate Armed Services Committee in March. In his written [testimony](#), he reiterated a familiar formula, namely, that “the United States continues to support the peaceful resolution of cross-Strait issues in a manner consistent with the wishes and best interests of the people of Taiwan.” He warned that “the cross-Strait situation is of increasing concern given the harsh rhetoric from Beijing toward Taipei.”

One could say that the Admiral slipped beyond IN-DOPACOM’s purview in talking about national policy. Nonetheless, he consistently executed his duties in a thoughtful, serious way with advisors who have offered informed counsel, particularly about Taiwan. He also kept the Strategic Focus Group (SFG) on China that a predecessor, Robert Willard, set up in 2010.

Davidson’s thoughtful testimony stands out due to a drought in full reassessment of strategy. A suggestion to reconsider “strategic ambiguity” seems shocking but is actually not bold enough. The lack of a post-1979 strategic review (with only one partial policy review in 1994) is ironic, given China’s changes and the global stakes for allies, prosperity, and war (potentially nuclear).

### ***Suggestion Skims the Surface***

Here are three main reasons why the Administration and Congress need a deeper review to safeguard US and allied interests in freedom, peace, and prosperity.

First, [Congress intended ambiguity](#) in the [Taiwan Relations Act](#) (TRA), which is the most important over-riding and legal determination of policy. While the TRA provided for a legal and political obligation to assist Taiwan’s self-defense, the law did not require in advance that the US “shall” help to defend Taiwan. Nonetheless, Congress did not intend to avoid helping Taiwan’s defense. The TRA is not an absolute security guarantee, because Congress intended to protect its prerogative and subject any future decision on war to action by Congress, not only the President. [3] Congress also did not seek to reconstruct a defense agreement.

The ambiguity allows for clarity or flexibility as needed.

Moreover, the [Six Assurances](#) promised not to revise the TRA.

Second, ambiguity is not the fundamental problem. The Trump Administration, which was forward-leaning in strengthening ties with Taiwan and repairing the arms sales process in favor of regular notifications to Congress, did not throw “strategic ambiguity” overboard. Indeed, President Trump was not clear in an [interview](#) in August 2020, when he claimed that China knew what he would do if it invaded Taiwan. He failed to explain a stance to the Congress and country. Last October, while the State Department carefully considered the issue as deserving attention, Secretary of State Mike Pompeo [declined to ditch](#) “strategic ambiguity” for “strategic clarity.”

So, what is the crux of the challenge? It is deterrence. Over the decades, support for Taiwan has been inconsistent and China-centric at times, but not due to the TRA’s ambiguity. Presidential decisions were weak, for example, in withholding arms sales, Cabinet-rank visits, or trade talks.

Deterrence needs Washington to act with consistency and credibility in strong diplomatic, economic, and military ties with Taipei. Deterrence needs Taipei to strengthen sufficient self-defense with urgent implementation of its Overall Defense Concept. Biden should continue Trump’s routine notifications to Congress of arms sales. Options to boost deterrence include [combined exercises and select interoperability](#). Such steps would be substantive (not symbolic) and proactive (not scrambling to react, like in the 1995-1996 crisis).

Third, casting off “strategic ambiguity” would not be bold enough. Statements still wallow in the muddy waters of our “One China” Policy, which risks the mistaken view of US recognition that Taiwan is part of the People’s Republic of China (PRC). The TRA did not discuss a “one China” concept. How should Biden (a uniquely qualified president who voted for the TRA in the Senate) clarify or redefine policy, including with [consideration](#) that the PRC [commits genocide](#)?

Messages remain murky. In April, the Biden Administration touted [new guidelines](#) for the Executive Branch’s contacts with Taiwanese officials, purported to be a liberalizing move. For example, Taiwan’s working-level officials may regularly attend [meetings](#) in US govern-

ment buildings, including the State Department.

However, Taiwan's previous and current "ambassadors" met with then-Assistant Secretary [David Stilwell](#) at the State Department in July 2020. [4] Taiwan's military officers have attended meetings at the Pentagon and INDOPACOM for decades. The State Department's press statement on the guidelines still claimed an "[unofficial relationship](#)." In reality, US and Taiwanese officials have interacted constantly and have concluded official agreements, including government-to-government Foreign Military Sales. In passing the TRA, Congress objected to and omitted the adjective "unofficial" for the relationship.

Actually, the new guidelines mean backpedaling, because Pompeo, in January, completely rescinded the guidelines as "[self-imposed restrictions](#)." The old guidelines stipulated that, *inter alia*, official travel was not permitted for defense officials above the level of office director or military officers above the rank of O6 (i.e., colonel, Navy captain), without the State Department's approval.

The announcement left in its wake some questions for congressional oversight. Is the State Department providing to Congress the guidelines and all other parts of the policy on contacts? Do the guidelines adhere to the TRA and [Taiwan Assurance Act](#)? How is the State Department interfering in the Defense Department's military-to-military exchanges (which included visits by US general and flag officers during the last Administration)? What are the new restrictions?

### **Current Strategy Lacks an Objective**

Our strategy needs an objective. Policymakers merely tread water in calling for a "peaceful resolution." Policy mantras allude to the *process* but avoid mention of any preferred *outcome*. Ironically, arguments in this debate focus on a US fight in a catastrophic conflict but not a US role in a peaceful settlement (e.g., commonwealth). The stakes demand a deep dive into the options for this role.

The strategic aim should be a strong and democratic Taiwan, so that it deters the PLA, remains a force for freedom in the global balance of power, and survives as a legitimate member in the international community. Secretary of State Antony Blinken noted that Taiwan

is "[a country](#) that can contribute to the world, not just its own people," answering Representative Young Kim at a hearing of the House Foreign Affairs Committee in March.

A coherent strategy with an objective also needs clearly-stated interests. Foremost, Taiwan's geo-strategic position places it as the inter-locking piece to fortify US allies and to support US and allied interests in the Taiwan Strait, East China Sea, South China Sea, and Western Pacific.

Meanwhile, we should sink "unofficial" contacts and normalize further ties. Washington should lead in disarming Beijing's political warfare and supporting Taipei's [international participation](#), particularly during this pandemic. Thus, diplomats should counter China's fiction that UN General Assembly Resolution 2758 determined that Taiwan is a part of the PRC. In fact, that resolution of 1971 did not even mention Taiwan. We should resume talks under the Trade and Investment Framework Agreement, suspended after 2016, and start talks on a trade agreement.

**The main point:** A review of "strategic ambiguity" needs to focus on strategy, not ambiguity. Strategy needs an objective to move from stagnant water to reach a peaceful outcome.

[1] Nancy Bernkopf Tucker argued that "strategic ambiguity" originated earlier as an enduring tool of policy. She wrote that this tool even characterized the US-ROC Mutual Defense Treaty of 1954 under President Dwight Eisenhower. See: Nancy Bernkopf Tucker (editor), *Dangerous Strait* (New York: Columbia University Press, 2005).

[2] In 1999, the House International Relations Committee debated about ambiguity in consideration of a bill called the Taiwan Security Enhancement Act (not enacted). In 2001, President George W. Bush clearly stated the US obligation to do "whatever it took to help Taiwan defend herself." (*ABC*, April 25, 2001) In response, Senator Joe Biden wrote that "we now appear to have a policy of ambiguous strategic ambiguity. It is not an improvement." (*Washington Post*, May 2, 2001) In contrast, Senator Richard Lugar, Chairman of the Foreign Relations Committee, contended that Bush's statement "reflected a common-sense appraisal of the strategic situation in Asia." (*Washington Times*,

May 17, 2001)

[3] Author's interviews with Lester Wolff, Representative in the US House who worked on the passage of the TRA. The author dedicates this article to Wolff, who passed away at 102 years old on May 11, 2021.

[4] Author's consultation with David Stilwell.

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## Biden-Suga Summit Underpinned by Strong Taiwan-Japan Economic Relationship

By: Riley Walters

*Riley Walters is a senior non-resident fellow at the Global Taiwan Institute and deputy director of the Japan Chair at Hudson Institute.*

American President Joseph Biden and Japanese Prime Minister Yoshihide Suga met in the [Oval Office](#) last month for what was a historic meeting for many reasons. Not only was Suga the first foreign leader to meet Biden in person since taking office, but also for the first time in nearly 51 years, the leaders put out a joint [statement](#) reaffirming the importance of peace and stability across the Taiwan Strait. The statement was well-received by all quarters of Taiwan, notably with Tsai Ming-yaw (蔡明耀), deputy head of the Taipei Economic and Cultural Representative Office in Japan, [stating](#) that “this is a historically important document.

I would like to express my gratitude.”

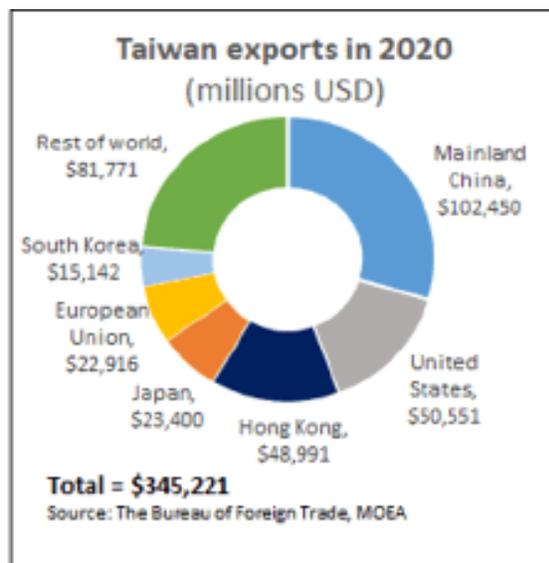
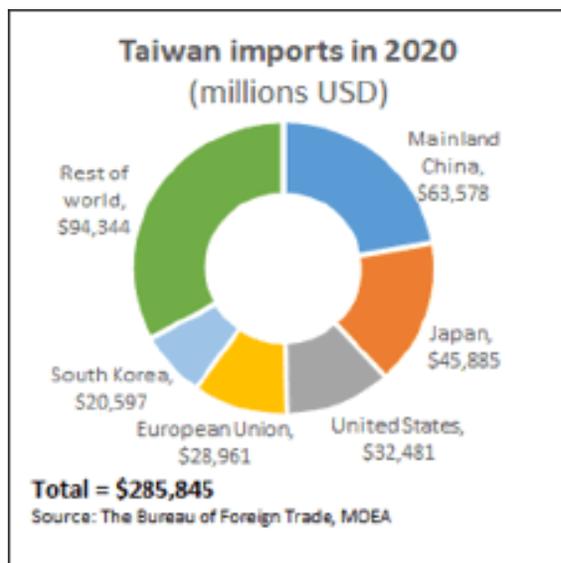
Yet, the summit and statement were significant for another reason that most observers missed. For both the United States and Japan, maintaining the security of Taiwan isn't just about protecting a fellow democracy, it is also because they have strong economic partnerships with Taiwan. Understanding the dynamics of the Taiwan-Japan economic relationship is important for understanding the broader relationship.

### Looking at the Taiwan-Japan Economic Relationship

While there is a great deal of engagement between the Taiwanese and Japanese economies, three main features stand out: trade, investment, and tourism. For trade, the majority of [goods](#) traded between Taiwan and Japan are machinery, electrical equipment, telecommunications equipment, and metal and chemical products.

Japan is currently Taiwan's third largest [trading partner](#). With USD \$69.3 billion worth of goods traded in 2020, Japan makes up 11 percent of Taiwan's total trade (in terms of both imports and exports). Japan is Taiwan's second largest source for imports (USD \$45.9 billion), and Taiwan's fourth largest destination for exports (USD \$23.4 billion).

By comparison, the People's Republic of China (PRC) is Taiwan's largest trading partner, constituting USD \$166 billion (or 26 percent) of Taiwan's total trade, while the United States is second at USD \$83 billion (or 13 per-



Images: Taiwan's imports and exports (in US dollars) for the year 2020. (Source: [Taiwan Ministry of Economic Affairs](#))

cent) of Taiwan's total trade. With just a few percentage points difference, Taiwan's trade relationship with Japan is almost as important as its trade relationship with the United States. Notably, Taiwan's trade with Japan and the United States combined (USD \$152 billion or 24 percent) roughly equals the amount traded with China.

For [Japan](#), Taiwan is its fifth largest trading partner. Japan traded USD \$71 billion worth of goods with Taiwan in 2020, making up 6 percent of Japan's total trade. Taiwan is Japan's fifth largest source of imports (USD \$26.7 billion) and fifth largest destination for exports (USD \$44.3 billion). Again, by comparison, China is Japan's largest trading partner with USD \$304.8 billion (24 percent of Japan's total trade), with the United States a distant second with USD \$187.4 billion (15 percent of Japan's total trade). Japan's third and fourth largest trading partners are the European Union and South Korea. However, its trade with South Korea (USD \$71.1 billion) is about equal to its trade with Taiwan.

Turning to investment, much like the goods that are traded, Japanese and Taiwanese [investments](#) are primarily in manufacturing of machinery and equipment, electronic parts, chemicals, and wholesale/retail trade.

Japan is currently the fifth largest source of [investment](#) in Taiwan. Historically, Japanese investors have invested roughly USD \$23.2 billion in Taiwan. Conversely, Japan is the sixth largest destination for Taiwanese investment, with USD \$9.6 billion in total invested in Japan. Notably, [TSMC](#) announced this year that it would invest USD \$190 million in a new research and development facility in Japan.

For Japan—one of the [largest sources](#) of investment in the world—Taiwan is its 22nd largest destination for investment. As an example of this, Japan's [Mitsui Chemicals](#) announced that it would invest USD \$92 million to ramp up production at its factory in Kaohsiung. Meanwhile, Taiwanese investors are Japan's tenth largest source of investment. By comparison, the United States is both Japan's largest destination for, and source of, investment. Historically, Japan has [invested](#) USD \$581.7 billion in the United States and received USD \$94.2 billion in return.

Finally, before the pandemic, tourism was a main source for many countries' export services, and a major source of revenue. Unfortunately, the pandemic has undone much of that. For example, [travel services](#) from the United States to Japan decreased in value from USD \$8.8 billion in 2019 to USD \$2 billion in 2020. Travel services from the United States to [Taiwan](#) decreased in value from USD \$2.6 billion to USD \$1.1 billion over that same period.

During normal travel conditions in 2019, 18 percent of [tourists](#) (over 2 million) to Taiwan were from Japan, making Japanese visitors the second largest group of tourists to visit Taiwan after those from the PRC. [Japan](#) saw almost 5 million tourists visit from Taiwan in 2019, making up nearly 15 percent of Japan's tourists.

Tourism to Japan and Taiwan [collapsed](#) in 2020, experiencing a decline of roughly 90 percent. While Japan is an advanced economy that does not need to rely on tourism revenue, going from roughly 30 million visitors a year to 4 million is nevertheless a significant change that impacts airline ticket sales, hotel bookings, local businesses, and more. The same goes for Taiwan, which saw tourism [decrease](#) from almost 12 million visitors to a little more than 1 million. Hopefully, we can get to a point soon where travel can return to some level of pre-pandemic normalcy.

### ***Japanese Business Operations in Taiwan***

The previous statistics on trade, investment, and tourism give us some idea of the Taiwan-Japan economic relationship at a macro-level, but they do not tell the whole story. A recent survey by the Japan External Trade Organization (JETRO) gives us a closer look at what business is like on the ground.

Last year, JETRO published a [survey](#) on overseas business conditions for Japanese and Japanese-affiliated companies in Asia. 278 Japanese companies in Taiwan responded.

For Japanese companies, Taiwan is one of the most profitable places in Asia to invest. This is primarily because Taiwan remains a relatively strong market with a stable business environment. 71.7 percent of respondents expected to have an operating profit in

2020. And even though companies took a hit last year, Taiwan has consistently been a profitable location for Japanese companies over the last ten years. The only country to beat Taiwan last year was South Korea, with an operating profit forecast of 71.8 percent. The next most profitable places for Japanese companies were Australia and China.

There's no denying that COVID-19 has had a meaningful impact on business in Taiwan. Over 50 percent of respondents expect operating profits to decrease or remain the same in 2021, as compared to 2020. However, Japanese companies expect other advanced economies in Asia to do worse. Perhaps that is why Japanese companies were least likely to reduce their business operations in Taiwan. Only 4.8 percent of companies in the survey said they would reduce business there, while 43 percent say they expect to expand business over the next two years.

Sales have a lot to do with Japanese companies' interests in Taiwan, and 82 percent of companies expect to see their sales increase over the next two years. Notably, Japanese companies are generally investing in Taiwan to access Taiwan's domestic market, as only 22.5 percent of sales can be attributed to exports. This low ratio of exports to sales can also be attributed to Taiwan's lack of free trade and economic partnership agreements. Of course, Taiwan's lack of agreements is not necessarily a fault of its own, as the Tsai Ing-wen (蔡英文) administration is currently [seeking](#) a bilateral free trade agreement with the United States and to [join](#) the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Only 36 percent of Japanese companies use free trade and economic partnership agreements for their exports. This makes Taiwan one of the least favorable places in Asia for Japanese companies looking to export.

Of those Japanese companies in Taiwan that do export, 31 percent of the exports go to Japan, 29 percent go to China, 17 percent go to ASEAN, and 6 percent go to the United States. In the future, 64 percent of Japanese companies expect to increase exports to ASEAN. This is perhaps due to Taipei's investment in its New Southbound Policy (NSP, 新南向政策). Additionally, 36 percent expect to increase exports to Japan, while another 36 percent also expect to increase exports to

China. Only 14 percent expect to increase exports to the United States.

However, Japanese companies are generally happy with the business environment in Taiwan. Less than a third of Japanese company managers have concerns about wage hikes, orders being cancelled or changed, or the tax burden. Japanese companies also see Taiwan as having an uncomplicated customs process. Production costs in Taiwan are generally lower, at about 84 percent of those in Japan. Additionally, the cost of labor in Taiwan is relatively competitive.

For Japanese companies, Taiwan is only the sixth most expensive labor market in Asia. The cost of labor in Taiwan can be as little as half the cost of labor in Australia, New Zealand, Singapore, South Korea, and Hong Kong. However, the cost of labor in Taiwan can also be nearly twice as expensive as the cost in China. Japanese companies aren't worried about sudden wage increases in Taiwan, which are more common in developing economies like Vietnam or Indonesia.

The most problematic factor for Japanese companies in Taiwan is increasing competition, which might not be a problem for Taiwanese consumers who benefit from more competition. It is also important to point out that as Taiwan and Japan look to adopt more digital economies, 73 percent of Japanese companies in Taiwan feel there are obstacles to using more digital technology. Sales are important for business, but only 20 percent of sales are carried out through e-commerce websites. Most companies say they lack staff knowledgeable of the digital field. Others find that there are high introduction costs, a lack of information on available digital technologies, and difficulty transitioning into a digital business practice.

Besides the difficulties Japanese companies have in adopting new digital technologies in Taiwan, many still find Taiwan a safe place to invest. And while Taiwan and Japan have a strong trade relationship already, it's obvious there are still many opportunities for officials to engage more on trade and digital issues to expand the economic partnership even further.

**The main point:** Taiwan and Japan have a strong economic relationship. Both are top trading partners to

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each other. Historically, there has been a constant flow of cross-border investment and tourism. While the relationship is strong, Taiwanese and Japanese officials should invest in expanding trade opportunities and supporting the transition to digital economies.