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Taiwan's Special Ties with Hong Kong and Macau Under Threat as Beijing Shuts Down Representative Offices

By: J. Michael Cole

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Following a year of mounting tensions, the Hong Kong Economic, Trade, and Cultural Office (HKETCO, 香港經濟貿易文化辦事處) in Taiwan and the Macau Economic and Cultural Office in Taiwan (澳門經濟文化辦事處) have both suspended operations in Taiwan, ending a decade of semiofficial representation between the two special administrative regions of China and Taiwan. In its [announcement](#) on May 18, Hong Kong's Constitutional and Mainland Affairs Bureau (政制及內地事務局) said that operations at the HKETCO would be "temporarily suspended," though all employment contracts of local staff were terminated immediately. Initially, Hong Kong authorities did not explain why the closure was necessary, only saying that this was not related to the outbreak of COVID-19 in Taiwan.

The following month, the Macau Special Administrative Region (MSAR) government [announced](#) that the Macau Economic and Cultural Office in Taiwan would cease operations, effective June 19.

The very next day, the Taipei Economic and Cultural Office (TECO, 台北經濟文化辦事處 [香港辦事處]) in Hong Kong announced that seven of its remaining eight staff were returning to Taiwan after Hong Kong authorities had failed to renew their visas. As a result, only one staff member, the commercial attaché, was left at the office—down from 20 before the dispute began (this number excludes locally hired employees). MAC has [stated](#) that operations at the office will continue for the foreseeable future.

"Tit-for-Tat"

The dispute [began](#) in July 2020, after the acting representative at the TECO office was asked by Hong Kong authorities to sign a guarantee of compliance with the "One-China Principle" (一中原則)—Beijing's rigid stipulation that there is only "one China," and that Taiwan is part of it. When Kao Ming-tsun (高銘村), the acting representative, refused to

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Image: Staffers from the Taipei Economic and Cultural Office in Hong Kong bid farewell at the airport before departing the territory on June 20. (Image source: Taiwan Central News Agency, June 20)

sign the document, he was forced to leave Hong Kong and return to Taiwan. Taipei then retaliated by denying visas to two HKETCO officials, reportedly including one for a new director of HKETCO. This launched a tit-for-tat round of visa denials as relations soured. By June 2021, the eight staffers left at TECO in Hong Kong also saw the renewal of their visas denied by the Hong Kong government after they, too, were [reportedly](#) ordered to sign the “one China” declaration.

The Heart of the Matter

It was clear, however, that the reasons for the downturn in relations were the result of more fundamental issues. All this was happening as Beijing consolidated its control over the HKSAR following implementation of its [National Security Law](#) (NSL, 香港國家安全法), which had been imposed in the wake of several months of unrest in the city. These developments, moreover, also coincided with a time when relations between Taipei and Beijing were reaching their nadir, with China adopting an increasingly belligerent posture towards a democracy that stubbornly refused to subject itself to Beijing’s dictates.

Soon after the initial announcement that the Hong Kong office would “temporarily” suspend its operations in Taiwan, the Hong Kong government [averred](#) that the decision was due to “Taipei’s ‘gross’ interference in internal affairs, including with its offer to assist ‘violent’ protesters.” Such activities, Hong Kong claimed, had caused “[irreparable damage](#)” to relations between Hong Kong and Taiwan. Among other things, the Hong Kong government was responding to the cre-

ation of a [Hong Kong assistance office](#) under the Mainland Affairs Council (MAC, 大陸委員會), among whose responsibilities was the provision of assistance to residents of Hong Kong desiring to relocate to Taiwan—including, on an ad hoc basis, participants in the protests that led to the implementation of the territory’s NSL. The conspiracy-prone government in Beijing had also been [accusing](#) Taiwan, among many other entities, of involvement in activities that sought to destabilize Hong Kong. HKETCO also [claimed](#) that its staff in Taiwan had been “threatened by Taiwanese ‘radicals,’” forcing the Hong Kong government to repatriate them.

Interestingly, Stella Poon (潘慧心), the former head of HKETCO, [stepped down in March](#). Poon, who quit her job before reaching retirement age, said she had “personal career plans.” [According to reports](#), Poon chose to remain in Taiwan and has received a residence permit. MAC has refused to comment on the matter, but the move suggests that Poon may have decided to jump ship following recent developments in Hong Kong.

Deeper Wounds

Although the more proximate reasons behind the closure of Hong Kong’s and Macau’s respective representative offices in Taiwan are ostensibly linked to the recent unrest in Hong Kong, the NSL, and claims that the Taiwanese government has been assisting alleged Hong Kong “radicals,” Beijing’s mistrust of the long-standing ties between HKSAR and Taiwan—made possible by the more liberal system in Hong Kong—goes back further in time. In fact, apprehensions over the possibility that continued contact with Taiwan’s civil

society would fuel discontent in Hong Kong and possibly assist the pan-democrat movement there flared up in 2014: the result of both the [Sunflower Movement](#) in March and April that year, and later on, the [Umbrella Movement in Hong Kong](#). The two civil society-led movements highlighted the special ties that had long existed between the two sides, with each providing some assistance, and certainly moral support, to the other [as they defied their respective governments](#).

Soon afterwards, it became increasingly clear that Beijing had tightened its grip on Hong Kong's control of its borders, resulting in the denial of electronic visas for Taiwanese seeking to enter the SAR. In some incidents, members of pro-Chinese Communist Party (CCP) triads in Hong Kong and Taiwan joined hands and [mobilized to intimidate](#) Hong Kong pro-democracy advocates, both at the airport in Hong Kong and upon their arrival at Taiwan Taoyuan International Airport. In Taiwan, the protests were led by the China Unification Promotion Party (CUPP, 中華統一促進黨) and its criminal affiliate the Bamboo Union (竹聯幫), as well as members of the Concentric Patriot Association of the Republic of China (CPAROC, 愛國同心會)—one of whose members, Chairman Zhou Qinjun (周慶峻), [died of COVID-19](#) on June 16.

Repercussions

Beijing's crackdown in Hong Kong, assault on the press, and imposition of an NSL—in effect the neutralization of Hong Kong as a somewhat autonomous and more liberal political entity under the “one country, two systems” (一國兩制) formula—is a clear signal of mistrust on Beijing's part. In many ways, it is an admission that the “one country, two systems” experiment has failed and that the center must now take control over the HKSAR—either directly or through local proxies—in an environment where elections can no longer elect politicians from political parties that oppose Beijing and the CCP. It therefore was only a matter of time before Beijing took action to isolate HKSAR (and MSAR) from the “nefarious” influences of Taiwan's democracy.

The [relocation](#) of democracy-promoting international non-governmental organizations such as the International Republican Institute (IRI) and National Democracy Institute (NDI) to Taiwan—two of a number of entities that have set up regional offices in Taipei this

year—after their operations encountered an increasingly challenging environment in both Hong Kong and China, may also have fueled [Beijing's paranoid view of Taiwan as the new epicenter of “anti-China” activity](#).

The end result of all this is that, besides homogenizing the political environment in the two SARs, these two territories will be further isolated from Taiwan. The aim is to prevent these regions from serving as conduits for ideas that Beijing fears could spread to other parts of China—especially as the Biden Administration makes clear its commitment to a reinvigorated role for the US in the promotion of democratic ideals worldwide. These are endeavors in which Taiwan could potentially assume a greater role.

Beijing's moves also risk causing [collateral damage to Taiwanese businesses in China](#), many of whom rely on Hong Kong's financial system to conduct their operations. (It remains to be seen what, if any, remedial measures Taiwan can implement to continue providing consular and other forms of assistance to Taiwanese in the HKSAR.) This, in turn, could also make it more difficult for Chinese companies to use the HKSAR as a transit point for their investments in Taiwan—including China-based firms that, due to Taiwanese laws, cannot invest directly in Taiwan.

Hailed as a breakthrough in cross-strait relations under the Ma Ying-jeou (馬英九) Administration, the representative offices are no more. This is a development that the Kuomintang (KMT) opposition will no doubt blame on the Tsai Ing-wen (蔡英文) Administration's refusal to recognize the so-called “1992 Consensus” (九二共識). The closure represents yet another layer in the increasingly hostile relations between Taiwan and China. Added to the effective neutralization of political freedoms in the HKSAR, the termination of the representative offices suggests that Beijing has abandoned the SAR experiment altogether—as well as all pretense that Taiwan could find sufficient allure in the “one country, two systems” experiment to lead it to “reunify” with China along similar terms. The attractiveness of that system had been steadily eroded since 2014; it now seems that Beijing has elected to close that door altogether.

The main point: By closing the Hong Kong and Macau representative offices in Taiwan, Beijing is further iso-

lating the two special administrative regions from Taiwan's "nefarious" influence. It is also signaling that the "one country, two systems" experiment is dead and buried.

The China Cross-Strait Academy: A Case Study in CCP United Front Cultivation of Taiwan Youths and Media Manipulation

By: John Dotson

John Dotson is the deputy director of the Global Taiwan Institute and associate editor of the Global Taiwan Brief.

On or about May 19, a broad array of media outlets in both Chinese and English, including the [South China Morning Post](#), began reporting on the founding of a new think tank, the "China Cross-Strait Academy" (or "China Straits Institute," 中國海峽研究院). This reporting also mentioned the think tank's first major product, the inaugural entry in a planned series of annual reports titled *Cross-Strait Relations Risk Indicators* (兩岸關係風險指數). (For examples of this coverage in Chinese, see [here](#), [here](#), and [here](#); for other examples in English, see [here](#), [here](#), and [here](#).) The report concluded that the United States and China were "on the brink of war" over Taiwan—with the current risk of war standing at 7.21 on a scale ranging from negative to positive 10, the highest that it had ever been since 1950. Taiwan's *United Daily News* (UDN, 聯合報) [summarized the report's key finding](#) by noting that "'Taiwan independence' activities and [their] support by America and other Western countries are the fundamental reasons creating this situation."

The report and its findings were promoted in multiple venues of People's Republic of China (PRC)-based traditional and social media. This included a Weibo (微博) [hashtag](#) promoting a discussion of the report, which involved prominent Taiwan-based figures such as New Party (新黨) Chairman Wu Ch'eng-tian (吳成典), as well as selected persons from academic and media circles. [Persons cited in media coverage](#) about the report included Lei Xiyang (雷希穎, see further below), the new think tank's chairman, who cited the Democratic Progressive Party (DPP, 民進黨) administration of Tsai Ing-

wen (蔡英文) and increasing US engagement with Taiwan as "destructive factors" raising the risk of war. Lei warned that "If the current trend continues, Beijing's unification of Taiwan by force will only be a matter of time."

The Content of the Cross-Strait Relations Risk Indicators Report

The Cross-Strait Relations Risk Indicators report has been published in both [Chinese language](#) and [English language](#) versions. The report lays out a quantitative analysis of 38 factors in five broad categories (politics, military power, economic relations, public opinion, and foreign countries' policies) to present a supposedly "scientific" analysis of the current circumstances affecting cross-Strait relations. (The problematic nature of applying quantitative numerical values to subjective, qualitative social phenomena is a matter too involved to discuss here, but should be borne in mind.)

Of note, the report's specific authors are not named, but the institutional authors are identified as the Asian Development Research Center (亚洲发展研究中心) and the Xiamen Data Straits Research Center (厦门数据聚海峡研究中心). The location and institutional affiliations of these organizations are unclear. [1] However, the text of the document identifies several specific academics and institutions—based primarily in Fujian Province—involved in formulating the methodology employed in the report's analysis. [2]

The [report](#) makes clear who the primary villains are amid the rising risk of war: "In recent years, the [DPP] party governing Taiwan has refused to recognize the foundation of mutual political trust between both sides of the strait—the '1992 Consensus' (九二共識)—and has continued to promote 'gradual Taiwan independence' [...] and even threatened to 'start a war no matter what.' All these actions have [...] cast a shadow over the development of Cross-Strait relations." The primary foreign nations identified as affecting cross-Strait relations are Japan, Australia, and the United States, with the latter representing the greatest problem: "Historically speaking, the major external cause of the Taiwan problem has been US interference in China's internal affairs and its long-time bias for Taiwan."



Images: PRC media has promoted the Cross-Strait Relations Risk Indicators report in multiple fora. Left: A PRC news pundit praising the report for its “objective and rigorously scientific” analysis of the current state of relations between the PRC, Taiwan, and the United States. (Source: [Bao Mingshuo](#), May 13, 2021). Right: New Party Chairman Wu Ch’eng-tian (吳成典) was one of a handful of Taiwan-based political, media, and academic figures featured in PRC media materials promoting the report. (Source: [Weibo](#), May 20)

What Is the “China Cross-Strait Academy”?

On the surface, the asserted facts about the new “China Cross-Strait Academy” (CCSA) seem impressive. The [United Daily News](#) stated that the organization was a “non-governmental think tank” (民間智庫) that would “produce commentary and reports, invite scholars and experts to hold lectures and symposia, and hold cross-strait dialogues directly with political leaders, scholars, political party [representatives], and new media, becoming a platform for cross-strait relations and exchange.” The co-founders of the Academy were identified as “Taiwan youth” (台青) named Zheng Boyu (鄭博宇) and Fan Jiangfeng (范姜鋒); the chairperson was identified as Lei Xiying; and the secretary-general as “Taiwan youth” Luo Dingjun (羅鼎鈞), identified as the creator of the WeChat (Weixin, 微信) channel “Cross-Strait Youth” (兩岸青年). Citing Zheng Boyu, this account stated that “the new think tank has a total of about 70 researchers, [and] is different from research institutes on the mainland. [...] The China Cross-Strait Academy will proceed from a Taiwan perspective, [and] not only will have academic research, [but will] also have other professions involved to engage in topical discussions, [thereby] becoming a platform for cross-strait voices.”

However, there is much about the newly minted “China Cross-Strait Academy” that remains unclear, and details regarding the organization’s location and background are sketchy. The [CCSA’s homepage](#) is registered

on a Hong Kong domain (.hk), and most [media sources](#) in English have stated that the CCSA is based in that city. (The CCSA homepage does not appear to indicate any physical address.) However, at least [one media account](#) in Chinese described the founding ceremony for the institution—attended by “senior cross-strait professors, political figures, and media personnel”—as taking place on May 19 in the southern Chinese city of Shenzhen (深圳). Yet [another account](#) in Chinese language media has indicated that the organization is headquartered within the “Xiamen Kaida Entrepreneurial Straits Dual-Creation Base” (廈門啟達創業海峽雙創基地), an [industrial park in Xiamen](#) intended to host and sponsor young businesspeople from Taiwan. While it is unclear, it seems most likely that the CCSA is a virtual entity—one that exists as a media construct, but without physical existence as an organization.

The CCSA’s “Taiwan Youth” and Connections to the Communist Youth League

The persons [identified on the CCSA](#) website and in media as the (at least nominal) leadership of the CCSA are a mix of both PRC and Taiwan young adults—all based in the PRC—who maintain linkages with Chinese Communist Party (CCP, 中國共產黨) united front organizations, and/or with the CCP’s Communist Youth League (中國共產主義青年團). Zheng Boyu, one of the named co-founders, is a Taiwan native identified as the executive director of the “Cross-Strait Youth Exchange Association” (海峽兩岸青年交流協), which has been

[featured](#) in PRC propaganda and outreach efforts to Taiwan youth; and as an honorary council member of the Beijing branch of the All-China Taiwanese Association (*Tailian*, 臺灣同胞聯誼會), a CCP front organization that [describes itself](#) as the “party and government’s bridge and link to Taiwan compatriots.”

Fan Jiangfeng (范姜鋒), another Taiwan native also named as a co-founder, has been [identified elsewhere](#) as the general manager of the Xiamen Kaida Taishou Entrepreneur Service Company Ltd. Company (廈門啟達台享創業服務有限公司), which is located at the Xiamen industrial park previously mentioned. Fan has previously been [profiled in PRC media](#) as a model for young Taiwan entrepreneurs seeking to do business in China, as well as [receiving similar praise](#) for operating his company’s pro-PRC WeChat handle Qida Taishou (启达台享).

The CCSA’s chairman, Lei Xiyang, first garnered attention in 2016 for producing [nationalist viral videos](#) and criticizing Australia as a “running dog” of the United States in Weibo postings while studying for a PhD at Australian National University. Per [Lei’s LinkedIn page](#), he is a columnist for the *South China Morning Post*; a “committee member” of an unspecified part of the All-China Youth Federation (ACYF, 中華全國青年聯合會) bureaucracy in Fujian Province; and a “council member” of the ACYF-associated “China Youth Association of New Media.” The ACYF [describes itself](#) as “one of our country’s fundamental people’s organizations under the leadership of the Chinese Communist Party, [and] is an umbrella youth organization with the strength of the China Communist Youth League at its core.”

Conclusions

The declared creation of the “China Cross-Strait Academy,” and the flurry of state-promoted media activity surrounding it, provide an illuminating example of the ways in which the CCP employs front organizations and manipulates media coverage to advance its narratives surrounding Taiwan. The CCSA has been presented as a non-governmental institute engaged in “objective” and “scientific” analysis of cross-Strait relations. This story, seemingly first presented in the *South China Morning Post*, subsequently spread to a variety of international media outlets (as in [India](#), the [United Kingdom](#), and

[Singapore](#)). Although much about the CCSA remains murky, the available evidence strongly suggests that it is a CCP front organization—possibly with the Communist Youth League’s media bureaucracy acting as executive agent—intended to foster Beijing’s narratives about Taiwan.

The other intriguing aspect of the CSSA example is what it reveals about Beijing’s efforts to cultivate, and elevate the profiles of, young adults from Taiwan willing to bandwagon with the CCP. Whether or not this organization actually exists in a substantive sense is questionable; and to whatever extent it does exist, its actual leadership structure and institutional subordination are unclear. However, the organization’s publicly-reported leadership structure is composed entirely of young adults, at least three of whom have been identified as natives of Taiwan living in the mainland. [This effort to cultivate Taiwan youth](#) is a central theme in the PRC’s recent united front efforts directed towards the island. Furthermore, the publicity surrounding the CSSA has sought to present the organization as a forum for “Taiwan perspectives” and “cross-Strait voices”—thereby advancing the dubious narrative that its products reflect the outlook of Taiwan youth and civil society groups.

Rather than offering a new forum for analysis and exchange about cross-Strait relations, this new “think tank” appears to offer instead yet another case study in the deceptive united front tactics employed by the CCP. When presented with “objective” analysis from a PRC research institution, it is always wise to take a peek below the surface.

The main point: A critical analysis of the nominal leadership structure of the “China Cross-Strait Academy,” and of the media coverage surrounding its inaugural *Cross-Strait Relations Risk Indicators* report, reveal the creation of another probable PRC state-controlled front organization intended to promote CCP narratives about Taiwan.

[1] With regards to the former organization—the Xiamen Data Straits Research Center—multiple PRC universities and other institutions maintain Asia research centers under various names, but the specific identity of this entity is unclear. Mention of the “Xiamen Data Straits Research Center” appears in a [PRC media ar-](#)

[ticle](#) from March 2021, which praises the CCSA's secretary-general Luo Dingjun (羅鼎鈞) for his patriotic dedication in studying the government work report presented at the PRC National People's Congress (全國人民代表大會).

[2] Specific persons mentioned in this context are: Hu Jiasheng (胡加生) of the Xiamen College of Economic Management (廈門經濟管理學院); Zou Zhendong (鄒振東) and Ping Menglan (馮夢蘭) of Xiamen University (廈門大學); and Li Qixiang (李祺祥), You Xiaojun (游小琚), and Wei Suqiong (韋素瓊) of Fujian Normal University (福建師範大學). See [Cross-Strait Relations Risk Indicators](#) report, p. 2.

American Businesses Express Record-High Optimism Despite Sporadic Official Talks

By: Shirley Kan

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

American businesses have proactively pursued positive US-Taiwan economic ties, despite sporadic official trade talks and visits by US Cabinet-rank officials. On June 23, the president of the American Chamber of Commerce in Taiwan ([AmCham](#)) released its new annual White Paper of 2021. He remarked that the Biden Administration will [resume](#) talks (after a five-year suspension) under the Trade and Investment Framework Agreement (TIFA), called the TIFA Talks. AmCham has reported record-high optimism and progress in the Tsai Administration's resolution of commercial concerns. This closer cooperation helps to fill a gap in the US government's support for a partner that has strategic importance and advanced technology. Washington needs to ensure consistency in strong, normal ties with Taipei. Taipei needs to ensure resiliency and reliability as an economic partner. What are the policy options?

Sporadic TIFA Talks and Cabinet-rank Visits

Despite long-time congressional calls to enhance engagement with Taiwan, including a bilateral trade agreement (BTA), sporadic official trade talks and US

cabinet-rank visits have not matched US interests in Taiwan's economic and geo-strategic importance. Taiwan is our [10th largest](#) trading partner. Taiwan needs economic strength plus diversification to avoid vulnerability from over-dependence on China.

The Trump Administration strengthened diplomatic and military support for Taiwan, particularly by repairing the arms sales process in favor of regular, normal notifications to Congress. However, Trump failed to resume routine trade talks and show international leadership in this area. An issue has been whether the United States Trade Representative (USTR) and Taiwan's officials should resume talks under the 1994 TIFA, or TIFA Talks, that were suspended after [2016](#). Without TIFA Talks, the State Department initiated with Taiwan an [Economic Prosperity Partnership Dialogue](#) (EPPD) in November 2020. This suspension was not the first one. Previously, the USTR did not hold TIFA Talks for six years until resuming them in [2013](#).

In addition, visits by US Cabinet-rank officials started regularly in 1992 but became sporadic after 2000, with gaps of many years. Such visits took place in 1992 (USTR), 1994 (Secretary of Transportation), 1996 (Small Business Administrator), 1998 (Secretary of Energy), 2000 (Secretary of Transportation), 2014 (Environmental Protection Agency's Administrator), and 2020 (Secretary of Health and Human Services). They focused on economic or functional areas.

Taiwanese Freedom to Choose Agricultural Products

Taiwan was our [6th largest](#) agricultural market in 2019. However, a long-standing dispute in bilateral trade has concerned US beef and pork. Although many Taiwanese prefer these products, this dispute became a politicized controversy. A common misconception then exacerbated this controversy. In fact, Taiwanese consumers should realize that they are not forced to buy any items in their free market. Since 2003, the two sides have dealt with this dispute, with concerns first about bovine spongiform encephalopathy (BSE), or "mad cow disease," then about ractopamine (a safe additive to promote leanness). In 2009, then-President Ma Ying-jeou (馬英九) concluded a bilateral agreement related to beef. But Taiwan abrogated it unilaterally, prompting questions about unreliability. [1] Taiwan also raised restrictions against US pork with ractopamine.

But Taiwan cannot afford self-isolation. Taiwan is dependent on international trade and faces an existential threat from China. In August 2020, President Tsai Ing-wen (蔡英文) announced a long-awaited decision to resolve this irritant. On January 1, 2021, Taiwan removed trade barriers by setting [scientific standards](#) to import US pork with ractopamine and US beef from cattle over 30 months of age. Taiwan can ensure food safety by observing scientific and international standards as well as restore its reputation as a reliable trading partner. This step is important to unfreezing the TIFA Talks.

Record-High Optimism and Progress for Commerce

Despite this uneven policy context under successive US and Taiwanese presidents, US companies have promoted bilateral trade and investment as well as economic conditions that benefit foreign and Taiwanese businesses. Since 2016, the Tsai Administration has made belated but important progress. Representing disappointed US businesses, AmCham regretted in its [2017 Annual Report](#) that none of 80 issues could be resolved with Taiwan's government.

By 2021, however, AmCham has touted two record-high measures of optimism and progress. First, despite the global pandemic in 2020, almost 86 percent of surveyed businesses expressed confidence in Taiwan's economic outlook, an unprecedented level of optimism reported in AmCham's 2021 [Business Climate Survey](#). Shifts in the global supply chain have prompted a brighter outlook, since Taiwan's importance has increased as a reliable, secure partner for sensitive technology.

Second, AmCham has expressed enthusiasm about Taiwan's progress in dealing with concerns faced by industries. On June 23, AmCham released its 2021 [White Paper](#) and reported Taiwan's resolution of a record 13 issues (out of 92 from the previous year) in regulating industries. Taiwan also made satisfactory progress toward resolving 23 other issues. Nonetheless, 23 issues are still under observation, and 29 issues are stalled. AmCham dropped four issues.

In summary, AmCham applauded that Taiwan resolved 13 issues in these industries or areas:

- Asset Management (2 issues solved)
- Banking (2 issues solved)
- Capital Markets (1 issue solved)

- Chemical Manufacturers (1 issue solved)
- Cosmetics (1 issue solved)
- Energy (1 issue solved)
- Infrastructure and Engineering (1 issue solved)
- Intellectual Property and Licensing (1 issue solved)
- Private Equity (1 issue solved)
- Technology (2 issues solved).

Hong Kong, Singapore, or Tokyo, but Not Taipei?

However, AmCham assessed that Taiwan stalled in dealing with 29 priorities in these areas:

- Agro-Chemical (4 issues stalled)
- Asset Management (1 issue stalled)
- Chemical Manufacturers (1 issue stalled)
- Chiropractic (1 issue stalled)
- Cosmetics (1 issue stalled)
- Human Resource (3 issues stalled)
- Intellectual Property and Licensing (2 issues stalled)
- Medical Devices (2 issues stalled)
- Public Health (1 issue stalled)
- Retail (4 issues stalled)
- Sustainable Development (2 issues stalled)
- Telecommunications and Media (2 issues stalled)
- Tobacco (1 issue stalled)
- Transportation and Logistics (1 issue stalled)
- Travel and Tourism (3 issues stalled).

This author recently talked with someone about an American financial company that considers operating in Hong Kong, Singapore, or Tokyo, but not Taipei. This snapshot raised a question of how Taiwan should give incentives and improve its attractiveness to foreign businesses. [2]

Policy Options in Washington and Taipei

US and Taiwanese officials could further support businesses. Members of Congress have called for closer cooperation with Taiwan, including negotiation of a BTA. President Biden could start talks on such a BTA, before fully setting his overall trade agenda. Congress did not stipulate an "unofficial" relationship under the 1979

Taiwan Relations Act (TRA), and senior-level official talks and visits should not be sporadic (as discussed above). Policymakers could resume routine, normal TIFA Talks and US Cabinet-rank visits in the present and future. Washington could upgrade the TIFA Talks to be led by the USTR, instead of the Deputy USTR. It is overdue for the USTR to visit Taipei, with the last occasion occurring in 1992. Policymakers could plan US leadership concerning Taiwan's potential participation in multilateral trade agreements.

Policymakers could enhance engagement with two umbrella organizations, AmCham and the US-Taiwan Business Council, which have represented the priorities and perspectives of private industries for many years. They launched a [US-Taiwan BTA Coalition](#) in September 2020.

US policy could support commercial interests. [AmCham's president](#) urges these other actions:

- expand the EPPD to include the private sector's participation;
- develop bilateral trade and investment platforms under the Commerce Department;
- conclude a double taxation agreement to prevent redundant taxation of incomes;
- include Taiwan in international discussions with European and Asian countries, like Japan.

Taiwan could improve its economic environment and economic security. In its new Annual Report, AmCham urges Taiwan's urgent attention to these particular priorities:

- accelerate the shift to conduct business digitally, instead of manually or on paper;
- strengthen supply chains to ensure they remain safe, secure, and reliable;
- ensure reliable energy supply, including investments in gas-fired, solar, and wind power;
- boost fully bilingual capability by 2030, including reforms in teaching English;
- set up a sovereign wealth fund (SWF), including investing Taiwan's large foreign reserves.

The main point: US businesses see record-high optimism and progress in 2021, despite the record of sporadic, senior official US-Taiwan discussions for deliverables. Policymakers in Washington and Taipei could build on that bottom-up ambitious energy and exercise

top-down leadership for shared economic security.

[1] On October 22, 2009, then-President Ma agreed to conclude two years of bilateral negotiations on a US-Taiwan agreement to relax Taiwan's restrictions on imports of US beef, which the United States assured was safe. However, both the ruling Kuomintang (KMT) and opposition Democratic Progressive Party (DPP) complained. In January 2010, the Legislative Yuan passed a bill to ban ground beef, parts, and risky materials from areas with "mad cow disease" in the past 10 years. The USTR and Members of Congress criticized Taiwan's unilateral abrogation of a signed agreement; political, unscientific restrictions and questions of safety about US beef; and violations of principles in international trade that harmed US exports.

[2] Author's conversation with a knowledgeable American expatriate on June 17, 2021.

NATO, Emerging Technologies, and Taiwan's Potential Cooperative Security Role in the Indo-Pacific

By: Christina Lin

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On June 14, 2021, [NATO](#) leaders convened for a summit in Brussels and expressed concern over China's behavior as a "systemic challenge" to the security of the NATO alliance. The following day, the People's Republic deployed a dozen warplanes to swarm Taiwan's air defense zone in what [Newsweek](#) describes as "gray-zone" activity to display Beijing's displeasure. [1] Against this backdrop, NATO's new emphasis on China reveals that the attention of the alliance is shifting eastward from its traditional focus on Russia and Europe's immediate neighborhood. Moreover, the alliance is especially concerned about Beijing's global power in high technology. In response to cyber, space, artificial intelligence (AI), and other asymmetric threats enabled by emerging and disruptive technologies (EDT), NATO needs to adapt to China's military rise in areas where it poses a challenge to the alliance. As observed by [Kate Hansen Bundt](#), Secretary General of the Norwegian Atlantic Committee, this includes China's ambitions in

the development of technology standards and global governance, and its “race to control and influence the global digital infrastructure.”

[Simona Soare](#) noted in a recent German Marshall Fund policy brief that, while NATO is concerned with Russia’s adoption of EDTs, “Chinese investment and leadership ambitions in the adoption of these technologies is the main geopolitical driver behind allied innovation plans.” In June 2020 NATO created an [Advisory Group on Emerging and Disruptive Technologies](#) to develop an allied innovation ecosystem with partners and external EDT stakeholders. In April 2021, the [NATO Parliamentary Assembly](#) issued a report on how NATO should enhance science and technology (S&T) cooperation with Asian partners to further its mission. Given that Asia-Pacific nations such as Japan, South Korea, Singapore, and Taiwan are leaders in the development of EDTs (as well as semiconductors that enable these technologies), this provides an opportunity for them to partner with NATO—and to enhance the transatlantic alliance’s defense technological edge, alongside their own.

Science, Technology, and Security in the Indo-Pacific

The NATO Parliamentary Assembly [report](#) notes that S&T cooperation with Asian partner nations has been an “underexplored pillar” in NATO’s partnerships. This could have important implications for Taiwan. As the author [Nusrat Ghani](#) has argued, throughout history we have seen how science, technology and security are “deeply intertwined,” when “armed forces equipped with the more advanced technologies and the deeper understanding of their application in military operations, usually enjoyed victory on the battlefield, while those that failed to keep pace were often defeated.” For example, he noted how “the English Navy defeated the much larger Spanish Armada” by “relying on advanced naval technology”, and how “British innovations in [radar technology](#) also played a decisive role in the Allies’ victory.” [2]

EDTs will have important impacts on both Indo-Pacific and transatlantic security. To that end, NATO’s [Science and Technology Organization \(STO\)](#) has identified eight EDTs—including AI, big data and advanced analytics (BDAA), hypersonic weapons, and space technology—as technologies likely to have a salient effect

on the future security landscape. Most importantly, these technologies depend on the input of advanced semiconductors, with Taiwan—and especially Taiwan Semiconductor Manufacturing Company ([TSMC](#), 台灣積體電路製造)—standing as one of the most important nodes in the global [semiconductor supply chain](#). TSMC controls more than half of the global market for [foundry services](#) (i.e., manufacturing chips for others), with prominent clients such as Apple and Qualcomm. Taiwan’s semiconductors are used in a wide array of fields, to include automotive manufacturing, and production of US Air Force [F-35 fighters](#), as well as in equipment for [5G communications](#), [quantum computing](#), and [biotechnology](#).

[Semiconductors](#) are also important for other weapons such as unmanned aerial vehicles (UAVs). In a recent article [Franz-Stefan Gady](#) from the International Institute for Strategic Studies illustrated how EDTs could degrade US and Taiwan military capabilities in a Sino-US confrontation over Taiwan. The [scenario](#) involved the People’s Liberation Army (PLA) employing swarms of unmanned combat aerial vehicles (UCAVs) against Taiwan’s air defense system, and unmanned underwater vehicles (UUVs) against US naval vessels. Countering cyberattacks and preserving the integrity of critical infrastructure are another priority for transatlantic security. According to NATO officials at a recent conference convened by the [NATO Defense College Foundation](#), the alliance has placed technology and innovation as one of its top priorities for a new strategic concept. As NATO’s Assistant Secretary General for Public Diplomacy [Baiba Braze](#) noted, in the face of China’s rise, the alliance needs to build resilience in infrastructure and supply chain, and she underscored the need to preserve NATO’s technological edge. Former NATO Assistant Secretary General for Public Diplomacy [Tacan Ildem](#) likewise observed that China is the “biggest new challenge” that needs to be updated in the new strategic concept, including China-related “emerging and disruptive technologies” that present both opportunities and challenges. As such Ildem argued NATO needs to maintain its technological edge, and that “Innovation should be at the heart of the work of NATO.” The alliance is also considering upgrading S&T cooperation with Asian partners, and to that end, Taiwan can play a potential cooperative security role and help contribute to Indo-Pacific regional security.

Taiwan as a Potential Enhanced Opportunities Partner?

NATO's Asian partners, such as Japan and South Korea, are considered world leaders in multiple EDT sectors. Accordingly, in February 2021 [Japan](#) was approved to be an Enhanced Opportunities Partner (STO-EOP) of the NATO Science and Technology Organization. The STO-EOP framework is key to NATO's S&T collaboration, which offers more tailored access to NATO structures and processes. As explained by the [NATO Parliamentary Assembly Report](#), the "overall proficiency of the network allows each participant to overcome S&T deficiencies." This is important for smaller economies (e.g., Sweden, Singapore, or Taiwan) that "lack the economic capacity to engage in multiple technology sectors, but nonetheless possess niche technological specialization." [Singapore](#), for one, has been involved in STO events on the strategic and planning level despite not being a NATO Asian partner. Taiwan could potentially engage in similar cooperative security exchanges given that the NATO Science and Technology Board is considering inviting more Asian nations to become STO-EOP partners, especially in the field of [maritime technologies](#).

In another report titled "[NATO and the Asia Pacific](#)" published by the NATO Association of Canada, Christina Lai from Taipei-based Academia Sinica argued that NATO's STO-EOP program is a good way to enhance cross-regional cooperation. In 2014, Australia, Jordan, and Sweden became EOP partners, and thereby helped set a precedent for Asia-Pacific countries to join. According to Christina Lai, cybersecurity has emerged as a key concern, and therefore both the alliance and Asian states on the receiving end of cyberattacks from China and North Korea could benefit from a more [co-ordinated response](#). With Taiwan already recognized as a *de facto* major non-NATO ally ([MNNA](#)), and given its [unique role](#) as the world's semiconductor industry leader, extending STO-EOP to Taiwan would further support NATO's innovation mission and help maintain a defense technological edge for the alliance and its partners.

Moreover, this would present an opportunity for NATO to foster cohesion within the transatlantic alliance and upgrade ties with its Asian partners. Traditionally, the transatlantic approach towards the [rise of China](#) has

been acknowledged as a [division of labor](#): one involving Washington's pivot to the Pacific, and Brussels' focus on Russia. [3] However, this approach risked [eroding the transatlantic bond](#) over time. Now, with the globalization of China's Belt and Road Initiatives (BRI) across Eurasia, the United States and Europe find themselves pivoting west of the Malacca Strait and east of Suez to meet in the Indo-Pacific. As Taiwan and other like-minded democracies engage in cooperative security in the Indo-Pacific to diversify their S&T and semiconductor supply chains, this could eventually lead to broader engagement in other areas—and in NATO centers of excellence (COE) such as those for cyber defense in [Tallinn, Estonia](#), strategic communications in [Riga, Latvia](#), and naval mine warfare in [Belgium](#). Thus, this could provide an opportunity for Taiwan to be a security actor in its own right, rather than subsumed under China within a conventional US-China security paradigm.

Engagement with the Quad and NATO's partners in the Indo-Pacific would also help to build international trust for Taiwan, and improve Taiwan's defense capabilities—thereby enabling Taipei to help with burden-sharing for regional security. Finally, as Ou Wei-chun (歐瑋群) has argued in [Taipei Times](#), Kaohsiung Port could become a cooperative security location (CSL) for NATO and its partners, especially now that the United States no longer has access to Hong Kong's port. With NATO Secretary General Stoltenberg proposing a [NATO-Asia Pacific Summit in 2022](#), the possibility of Taiwan's potential cooperative security role as an enhanced opportunities partner should be further explored next year.

The main point: Both China's rise and emerging disruptive technologies (EDT) have become critical issues for NATO. As the alliance seeks to enhance science and technology cooperation with like-minded states in the Indo-Pacific, this provides an opportunity for Taiwan to play a potentially greater role in cooperative security in the region.

[1] According to a [2019 report](#) by the Center for Strategic and International Studies (CSIS), "gray-zone" activities are below the threshold of escalation which allow an actor to advance its interests while avoiding military conflict with an adversary. https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/190708_Hicks_GrayZone_interior_v3_FULL_WEB_final.pdf.

In the case of China's gray-zone activities towards Taiwan, Eric Chan—adjunct fellow at the Global Taiwan Institute and senior airpower strategist for the U.S. Air Force, argues that China is engaged in a coordinated gray-zone warfare campaign “that seeks to exhaust Taiwan’s defense forces and undermine the morale of Taiwanese people.” For further information, please see *Global Taiwan Brief*, Vol. 6, Issue 11, June 2, 2021. <https://globaltaiwan.org/2021/06/vol-6-issue-11/#EricChan06022021>

[2] Nusrat Ghani, “Enhancing NATO S&T Cooperation with Asian Partners”, NATO Parliamentary Assembly Science and Technology Committee (STC), Preliminary Draft General Report, April 15, 2021, p.1, <https://www.nato-pa.int/download-file?filename=/sites/default/files/2021-04/023%20STC%2021%20E%20-%20ST%20COOPERATION%20-%20GHANI%20-%20FINAL.pdf>

[3] Christina Lin, “China’s Pivot West: Opportunities for Cooperative Security” in Alexander Moens and Brooke A. Smith-Windsor eds., NATO and Asia-Pacific (Rome: NATO Defense College, 2016) pp.219-235, <https://www.ndc.nato.int/news/news.php?icode=915>; Christina Lin, “Cooperative Security with China and the Post-Arab Spring Mediterranean Security Architectures” in *Liberal Order in a Post Western World*, by Trine Flockhart, Charles Kupchan, Christina Lin, Bartłomiej Nowak, Patrick Quirk, Lanxin Xiang, The German Marshall Fund’s Transatlantic Academy Collaborative Report, April 2014, pp. 121-133, <https://www.gmfus.org/publications/liberal-order-post-western-world>.

A Short History of US-Taiwan Trade and Investment Talks

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While the United States and Taiwan have no comprehensive trade agreement, they do have a [Trade and Investment Framework Agreement](#) (TIFA). TIFAs “provide strategic frameworks and principles for dialogue on trade and investment issues between the United States and the other parties to the TIFA.” It’s essential-

ly a platform for formal economic dialogue between the United States and Taiwan, without involving the sometimes long and politically-fraught legislative process.

On June 10, the US Trade Representative, Ambassador Katherine Tai (戴琪), [spoke](#) with her counterpart in Taipei, Minister Without Portfolio John Deng (鄧振中). The two plan on convening the [11th US-Taiwan TIFA meeting](#) on June 30. While it would be great for the United States and Taiwan to take the trade relationship to the next level with a formal trade agreement, resuming the TIFA meetings is also important. It’s been nearly five years since the United States and Taiwan last held a round of TIFA talks.

In preparation for this long-overdue meeting, a brief history of the ten TIFA talks the United States and Taiwan have held to date follows below.

The US-Taiwan TIFA [agreement](#) was signed in 1994 and the [first meeting](#) was held in 1995. Those years were a particularly important period for US trade policy. In addition to the TIFA, the United States, Canada, and Mexico had just signed the North American Free Trade Agreement (NAFTA). This period saw also the creation of the World Trade Organization (WTO), which Taiwan would join several years later.

Back then, Taiwan was the United States’ 8th largest trading [partner](#). One of the biggest and most persistent issues for US-Taiwan trade relations at that time was the protection of intellectual property rights (IPR) in Taiwan. Taiwan had made its way onto the US Trade Representative (USTR) “[watch list](#)” on IPR protection due to its lack of copyright and trade secret protection. Therefore, IPR was the main topic for the [inaugural](#) TIFA talks, along with customs cooperation and tariffs. In addition to these talks, and in its [efforts](#) to join the WTO, Taiwan cut nearly 800 tariff lines by more than 20 percent and enacted legislation to strengthen IPR for integrated circuit layout design.

The second TIFA took place in [1997](#). IPR laws in Taiwan were strengthening, but there were questions about [enforcement](#). Taiwan had enacted new [patent and trademark](#) laws and even made its [way off](#) of the USTR’s watch list. By then, the WTO had been in force for two years and Taiwan’s interest in joining had grown. Much of the TIFA talks were now centered around Tai-

wan's accession to the WTO, although there was "[limited progress](#)" in this regard. There were still apparently [issues](#) regarding "full access to Taiwan's agricultural market (pork, chicken, rice, and offal), privatization of the government's tobacco and wine monopoly, tariffs and quotas on automobiles, and Taiwan's government procurement practices." But Taiwan would phase out most tariffs, particularly for [industrial goods](#), by 2002 in order to join the WTO.

The [third](#) round of TIFA talks were held in 1998. By this time, Taiwan's economy was estimated to be the 18th largest in the world with a [GDP](#) of USD \$280 billion. In addition to Taiwan's joining of the WTO, the TIFA talks [included](#) support for Taiwan's participation in various Organization for Economic Co-operation and Development (OECD) activities. However, Taiwan had also found itself [back](#) on the USTR watch list for a lack of enforcement over pirated videos. It would stay on this watch list, even after officially becoming a [member](#) of the WTO in 2001, until [2009](#).

In 2002, there was an increased interest in the United States in signing a bilateral free trade agreement with Taiwan. Since it had recently joined the WTO, and because other members of the WTO were signing preferential trade agreements as well, Congress took interest in expanding the US-Taiwan trade relationship. Members of the Senate Finance Committee and the House Ways and Means Committee sent [letters](#) to the US International Trade Commission asking them to examine the economic impact of a US-Taiwan trade agreement. The study [found](#) that US imports from Taiwan would increase by 18 percent while exports to Taiwan would grow by 16 percent. Meanwhile, although the agreement would have little impact on US GDP, it would increase Taiwan's GDP by 0.3 percent. Regretfully, that's the closest the United States and Taiwan would come to a bilateral trade agreement to this day.

Perhaps because officials were now more focused on working through the WTO, the [fourth](#) TIFA wouldn't take place until 2004. The TIFA talks were now to be held at the level of the [deputy](#) minister instead of the director general or assistant. IPR was still a main topic for discussion with the focus now being on [pharmaceuticals](#). And Taiwan had just implemented a [ban](#) on US beef products at the end of 2003—due to widespread fears over the spread of mad cow disease—which

would become an enduring complication in US-Taiwan trade relations.

The [fifth](#) TIFA round was held in 2006. There was apparently another [push](#) by Taiwanese officials to get negotiations started for a US-Taiwan trade agreement, but the USTR decided instead to focus its resources on WTO negotiations, commonly referred to as the Doha round (the Doha round negotiations would eventually fail). At this point, it was obvious that the [USTR](#) was also beginning to have greater issue with Taiwan's ban on US beef. [Included](#) in these TIFA talks were ways to increase Taiwan's participation in Asia-Pacific Economic Cooperation (APEC) activities.

The [sixth](#) TIFA negotiations were held in 2007. Though Taiwan had lifted its ban on some beef products in 2006, the remaining beef products still banned were an area of [contention](#) in US-Taiwan trade relations. In addition to the beef issue, counterfeit goods in Taiwan, as well as American companies' inability to win bids for Taiwan's rice imports, continued to be a grave [concern](#) for the United States. On the plus side, negotiators did manage to sign a [memorandum of understanding](#) and establish a Consultative Committee on Agriculture. This would allow both sides to increase their level of communication over agricultural issues.

That being said, the [seventh](#) TIFA talks wouldn't take place until 2013. Even though the United States and Taiwan would come to an [agreement](#) over the beef issue in 2009, a ban remained on certain beef products, and certain [pork](#) products had been banned as well. Officials eventually felt that progress was being made, however, after Taiwan [established](#) a "maximum residue limit" for growth products used in American beef and pork production. The resumed TIFA talks would also go on to create two working groups: one on [investment](#) and one on information and communication technology [services](#).

The [eighth](#) TIFA negotiations were held in 2014. Both IPR enforcement and agriculture were main issues at these talks. These talks also [included](#) efforts to expand Taiwan's role in APEC activities, and to expand the WTO negotiations. The [ninth](#) TIFA round was held in 2015. Along with continuing efforts—such as WTO negotiations and cooperation through APEC—these talks included ways to improve market access for medical

devices and removing barriers for pharmaceuticals in Taiwan.

Last but not least, the [tenth](#) TIFA negotiations were held in 2016. Beef and pork restrictions were still a topic for discussion, along with various IPR laws and enforcement issues. There are several possible reasons why US officials gave up on the TIFA after that. One reason could be that they were frustrated by the fact that the United States has never had a trade [surplus](#) (exports exceeding imports) with Taiwan. Another could be that the Trump Administration did not want to upset the trade deal it was negotiating with Beijing (even though the Trump Administration continued to engage in other activities with Taiwan that upset Beijing, such as arms sales, diplomatic dialogues, and launching a new [economic partnership](#)). Another reason could be a lack of resources. Perhaps US trade negotiators were just too busy with the trade war with China, or any of the other trade disputes it was creating, to invest in the TIFA. But more likely than not, the beef and pork issue is the main reason why there has been no TIFA since 2016.

Nearly a year ago, however, President Tsai Ing-wen made an [announcement](#) on unilaterally dropping the restrictions on certain beef and pork products in an effort to mend the long-standing issue between the United States and Taiwan. It's clear now that these efforts seemed to have paid off with the Biden Administration's trade negotiators.

The upcoming TIFA is an important one as the world is increasingly concerned about the safety of Taiwan, as highlighted in the recent [G7 communiqué](#). While not all of them are especially exciting geopolitical issues, some topics likely to be covered in the upcoming TIFA are: [beef and pork](#); supply chains and how to build resiliency (especially for semiconductors); ways to cooperate and invest in [climate technology](#) and finance; how to coordinate these climate efforts in support of Southeast Asia's climate efforts; furthering WTO negotiations such as around [fisheries](#); and other trade and investment areas mirrored in the [US-Taiwan Economic Prosperity Partnership Dialogue](#).

The main point: The Trade and Investment Framework Agreement (TIFA) is one of the most important platforms for bilateral negotiations between the United

States and Taiwan. The upcoming TIFA talks should be warmly welcomed as the first such talks in five years. These talks will help trade officials work out their issues, and also find new areas for US-Taiwan cooperation.