US, Japan Recalibrating Taiwan Policy and Signaling Deterrence as PLA Steps Up Coercion
By: Russell Hsiao

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A few months after the leaders of the United States and Japan made an unprecedented joint statement to “underscore the importance of peace and stability across the Taiwan Strait and encourage the peaceful resolution of cross-Strait issues,” senior figures in both countries are signaling even greater clarity about their possible responses in the event of a Chinese invasion of Taiwan. Concerns over the possibility of a looming Chinese invasion have been increasing in recent years as saber-rattling by the People’s Liberation Army (PLA) has conspicuously ramped up. Taiwanese Foreign Minister Joseph Wu (吳釗燮) underscored Taipei’s concern when he recently stated in an interview with CNN that Taiwan needed to “prepare ourselves for a possible conflict.” In response to the increasing prospect of a potential crisis in the Taiwan Strait, senior leaders in the United States and Japan are making clearer statements, ostensibly to signal increasing clarity about their potential military responses to a Taiwan contingency.

Earlier this year, Admiral Phil Davidson, who retired as the commander of US Indo-Pacific Command in April 2021, warned: “Taiwan is clearly one of their [CCP’s] ambitions before then [2050]. And I think the threat is manifest during this decade, in fact in the next six years.” While there is no consensus in the broader policy community on if and when China will invade Taiwan, the Biden Administration has broadly maintained the policies of the previous administration of continuing to strengthen its security engagements with Taiwan—and, to its credit, resumed the dormant US-Taiwan Trade and Investment Framework (TIFA) talks. As a clear indication of the priority for the current administration, Kurt Campbell, who serves as the Indo-Pacific coordinator in the National Security Council (NSC), recently stated:
“Our goal right now […] is to enhance deterrence. We do that through a number of integrated efforts: clear statements of purpose, private warnings and assurances, encouragement of Taiwan to take the appropriate defense reform acts, making sure that our own capability is strong and vibrant, and to bring other countries into the effort.”

This emphasis on the need to enhance deterrence from the Biden Administration’s Asia czar was strongly echoed by senior leaders in Japan. Japan’s State Minister of Defense Yasuhide Nakayama (中山 泰秀), in reference to Japan and Taiwan, proclaimed: “We are brother[s]. We are family of Taiwan, more closer. So if something happens in Taiwan, it’s directly related to the Okinawa Prefecture.” The minister also questioned the efficacy of Tokyo’s and Washington’s decision in the 1970s to switch recognition from Taipei to Beijing. “Was it right […]? I don’t know,” Nakayama asked.

The state minister of defense’s personal sentiment was not delivered seat-of-the-pants. Japanese Defense Minister Nobuo Kishi (岸 信夫)—a cabinet-level minister—stated just a few days earlier, “The peace and stability of Taiwan is directly connected to Japan and we are closely monitoring ties between China and Taiwan, as well as Chinese military activity.” It’s worth noting that these statements by senior officials both in the United States and Japan are coming out as some observers have sought to downplay the implications for Japan of a conflict in the Taiwan Strait. Indeed, this is an argument made by some US analysts calling for the United States to scale back its commitments to Taiwan and other allies in the region in order to accommodate Beijing.

To clear any doubt about the direction of Japanese strategic thinking, Japan’s No. 2, Deputy Prime Minister Taro Aso (麻生 太郎), also weighed in on July 6: “If a major problem took place in Taiwan, it would not be too much to say that it could relate to a survival-threatening situation (for Japan). […] Japan and the US must defend Taiwan together.”

Why might Japan be so concerned? While not explicitly related, Rear Admiral Mike Studeman, the top intelligence officer in the US Indo-Pacific Command, provided some context for these concerns when explaining his views of the threats emanating in the region: “What are we warning about: It’s danger on all fronts. […] This idea that it’s only a Taiwan scenario vs. many other areas where the Chinese are being highly assertive, coercive, is a failure in understanding complexity, because it’s not that simple.” Admiral Studeman also made a secret visit to Taiwan in November 2020.

Strategic planners in the United States and Japan are not sitting idly aside; they have reportedly been taking steps to plan for such a contingency as well. According to the Financial Times, “US and Japanese military officials began serious planning for a possible conflict in the final year of the Trump administration. […] The activity includes top-secret tabletop war games and joint exercises in the South China and East China seas.” The revelation of these exercises at this time may be intended to signal deterrence to Beijing as the PLA ratchets up tensions in the Taiwan Strait.

**Shifting Towards Clarity in the Taiwan Strait**

These statements, taken together, appear to indicate a significant if modestly incremental step from what had been previously an ambiguous stance—on whether the United States, and for that matter Japan, would come to Taiwan’s defense—to greater clarity over Washington’s and Tokyo’s military responses to a Taiwan contingency.

Contrary to the notion that a move towards clarity would necessitate a change in the US position on Taiwan’s legal status, Campbell clarified: “We support a strong unofficial relationship with Taiwan. We do not support Taiwan independence. We fully recognize and understand the sensitivities involved here.” In regards to calls for clarifying the Biden administration’s position on the need for clarity, and its distinction from the US longstanding position on Taiwan’s legal status, Campbell explained: “We do very much support Taiwan’s dignity, its remarkable achievements […] and we try to send a very clear message of deterrence across the Taiwan Strait.” Weaving in the urgency of such an approach, Campbell concluded:

“One of the reasons why the international community and the United States are so clear about our dissatisfaction about what China has undertaken in Hong Kong is a clear sense that quietly behind the scenes Chinese interlocutors have
studied and tried to make an assessment ‘if we can do this what’s the international response and what does tell us about the response with respect to Taiwan?’ I just want to underscore that such an effort would be catastrophic.” [emp. added]

Next Steps?

While these statements are inherently political in nature, contingent on specific circumstances, and more likely than not represent the personal opinions of these senior leaders absent an official declaratory policy, they nevertheless serve as important political signaling. They should at the very least inject a degree of uncertainty in the minds of Chinese leaders that Beijing would not only have to possibly face the US Armed Forces, but also the Japanese Self Defense Forces if they decided to invade Taiwan.

Yet, ultimately, China has to be deterred by actions, not just words. According to retired Admiral Lee Hsi-min (李喜明), who previously served as Taiwan’s chief of general staff:

“Deterring this potential conflict requires the United States and Taiwan to create uncertainty in the minds of Chinese government elites, while credibly demonstrating the ability to impose unacceptable costs if Beijing should choose conflict. This means Taiwan must rapidly strengthen near-term combat capabilities and defense readiness based on asymmetric warfare.”

Notably, the Financial Times reported that “The three nations had taken a small but important step in 2017 by agreeing to share military aircraft codes to help identify friendly aircraft.” More is probably being done. Indeed, as noted by Taiwan’s foreign minister: “This is not just Taiwan’s problem. We certainly hope that the international community will continue to look at peace and stability in this region with attention and continue to support Taiwan.”

The main point: In response to the increasing prospect of a potential crisis in the Taiwan Strait, senior leaders in the United States and Japan are making clearer statements—ostensibly to signal increasing clarity about their potential military responses to a Taiwan contingency.

(The author thanks GTI Intern Zoe Weaver for her research assistance.)

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Taiwan-Macau Ties Strained over Cross-Strait Tensions

By: I-wei Jennifer Chang

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On June 27, Acting Director Chen Chia-hung (陳佳鴻) of the Taipei Economic and Cultural Office in Macau (TECO, 台北經濟文化辦事處[澳門辦事處]) was forced to return to Taiwan because he had refused to sign a letter agreeing to the “One-China Principle” (一中原則). Chen, whose visa to remain in Macau expired on June 27 and was not extended, did not sign the “One-China Commitment Letter” (一中承諾書), which has become a controversial prerequisite for both issuance and renewal of visas for Taiwanese officials in Macau and Hong Kong. With the longest TECO staff member’s visa valid until the end of October 2022, Taipei could face a scenario where it will not have any Taiwanese personnel to maintain normal operations in its Macau office after November of next year. Chinese President Xi Jinping (習近平) tightening grip on Hong Kong and pressure campaign against Taiwan have created new strains in the island-democracy’s ties with not only Hong Kong but also Macau.

Macau as Exemplary Model of “One Country, Two Systems”

Two years after Hong Kong reverted to Chinese rule in 1997, Portugal returned Macau to Beijing in December 1999, marking the end of 442 years of Portuguese rule over the tiny port city on the south coast of China. From the Chinese Communist Party’s (CCP) historical perspective, the political fates of Hong Kong, Macau, and Taiwan are interlinked and have implications for China’s national unification plans. [1] Upon witnessing Macau’s handover to Chinese rule, Chinese President Jiang Zemin (江澤民) commented, “The implementation of the concept of ‘one country, two systems’ in Hong Kong and Macau has played and will continue to play an important exemplary role for our eventual settlement of the Taiwan question.” [2] However, Macau’s
unique political and economic relationship with Beijing has made it a more preferable model than Hong Kong in outing the benefits of "one country, two systems" (一國兩制), and in carrying out united front (統一戰線) work targeting Taiwan. [3]

Since 1999, the Macau Special Administrative Region (澳門特別行政區) has taken a starkly different path than Hong Kong, by demonstrating unusual political obedience and "patriotism" towards Chinese authorities. Unlike its neighbor Hong Kong, Macau has been firmly under the CCP’s control and its people do not openly voice opposition to the "one country, two systems" governance model. Nearly half of Macau’s current population came from China and possesses a strong Chinese national—as opposed to local—identity. Not to mention that the Chinese government has also poured significant financial resources into expanding Macau’s economy, a major gambling hub, which over time has resulted in Macau having a higher per capita GDP than Hong Kong. Such factors have conditioned Macau into becoming a pro-China territory.

In addition, Macau does not have to contend with the persistent pro-democracy movement seen in Hong Kong—and has shown no sympathy for social movements in Hong Kong. Macau’s chief executive is selected by an elite group of politicians and businessmen, without direct input from the general public. In Hong Kong, Beijing’s electoral reform measures that aim to diminish direct popular voting and promote pro-China politicians have resulted in further antagonism between pro-democracy Hong Kong residents, on the one hand, and SAR and Chinese authorities, on the other hand. Most Macau residents notably did not support the 2019 anti-extradition bill (反送中) protests in Hong Kong, and the city lacks the kind of pro-democratic movement demanding more autonomy, as has been seen in Hong Kong. On the 20th anniversary of Macau’s handover, Xi praised Macau’s “patriotism” as a major reason for the success of its “one country, two systems” formula.

**Opening Mutual Representative Offices**

Prior to its handover to the PRC in 1999, Macau served as an important venue for Taiwanese exchanges with China in the absence of direct transportation links. Taipei’s policy exempted Macau from its ban on direct links with China. [4] Indeed, both Macau and Hong Kong were major gateways for Taiwanese travelers to China before direct flights between China and Taiwan commenced in 2008. [5] In the 1990s, Taiwanese businessmen traveled frequently to Macau and used the city as a base for their investments in China, with a significant number of Taiwanese-financed projects situated in the Pearl River Delta surrounding Macau. [6]

In order to manage these growing ties, the Democratic Progressive Party (DDP, 民進黨) administration of President Chen Shui-bian (陳水扁) urged Macau and Hong Kong to open representative offices on the island in 2001, but to no avail. [7] However, during the Kuomintang (KMT, 國民黨) administration of President Ma Ying-jeou (馬英九), the reduction of cross-Strait tensions led to new milestones in Taiwan’s relations with both Macau and Hong Kong. Macau authorities made strengthening ties with Taipei a priority, even seeking to emulate the model of Fujian-Taiwan economic cooperation. [8] Moreover, Taiwan’s representative office in Macau was upgraded to become the Taipei Economic and Cultural Office in July 2011, following a similar name change to its representative office in Hong Kong. [9]

Macau also opened an economic and cultural office (澳門經濟文化辦事處) in Taiwan in 2012. Macau authorities said in 2011 that the opening of mutual representative offices was based on mutual agreement upon the so-called “1992 Consensus” (九二共識)—a historical point that the current SAR government recently highlighted when it announced in June 2021 that it was shuttering its liaison office in Taipei. [10]

**Recent Blows to Taiwan-Macau Relations**

Taiwan’s relations with Macau and Hong Kong have become the latest casualty of worsening tensions between Taipei and Beijing. The Hong Kong government announced the immediate closure of its Taiwan office on May 18, 2021. It later lashed out at Taiwan’s support for anti-extradition bill protests, accusing the island of “offering assistance to violent protesters and people who tried to shatter Hong Kong’s prosperity and stability.” Some scholars argue that the CCP views Taiwan as an external force affecting Hong Kong’s stability, and thus wants to stamp out Taiwanese support for dissent in Hong Kong.

Macau soon followed with an announcement on June
16 that it was also closing its Taiwan office on June 19, citing Taipei’s refusal to issue visa extensions to its officials. Taiwan’s Mainland Affairs Council (MAC, 大陸委員會) refuted such assertions and accused the Macau government of “making unreasonable political demands” for renewing the visas of Taipei’s Macau office staff. [11] Since January 2019, the Macau government, purportedly under Beijing’s directive, has imposed political requirements on the staff of the Taiwanese representative office in Macau, according to MAC officials. SAR authorities in both Macau and Hong Kong have tied visa extensions for Taiwanese representative staff to their backing of the “One-China Commitment Letter.” Some commentators believe that the Macau government’s decision to close its Taiwan office was primarily related to the state of tense cross-Strait relations and that Beijing played a major role in this move.

In another blow to Taiwan’s official ties to Hong Kong and Macau, several Taiwanese officials stationed in these territories did not sign the “One-China” affidavit and thus were forced to return home after their visas expired and were not renewed. MAC Minister Chiu Tai-san (邱太三) said Taipei will never agree to accept such an unreasonable request to sign the “One-China Commitment Letter.” The deadlock over the commitment letter may mean that Taipei may not have any Taiwanese staff members left in its Hong Kong office after the remaining staff visas expire at the end of July, and may also face a similar situation in its Macau office after November 2022. The MAC is not optimistic about the future of its Hong Kong and Macau offices. The deadlock between the two sides of the Taiwan Strait—and thus Taiwan’s ties with Hong Kong and Macau—may not see signs of easing in the next few years.

Tightened Restrictions on Macau Residents

In light of Beijing’s tightening control over its Special Administrative Regions, Taiwan’s government has moved to beef up restrictions on Macau and Hong Kong residents seeking to apply for residency on the island. A new question has been added to the Taiwan residency application form targeting people from Macau and Hong Kong: Have you ever declared your support for the Basic Law and loyalty to the Hong Kong and Macau governments? Applicants must also indicate whether they currently or have previously served in the governments of Hong Kong or Macau. The MAC said that if Hong Kong and Macau residents pose a danger to Taiwan’s national interests, their application may be rejected.

Taiwan’s relations with Hong Kong and Macau have served as indicators for its relations with China: that is, the deterioration, or improvement, in cross-Strait relations have and will continue to have spillover effects on Taiwan’s ties with Hong Kong and Macau. In the current political climate, Taipei may not see improvements in its relations with both Special Administrative Regions until there is an easing of cross-Strait tensions. However, Beijing’s strategy to isolate Taiwan from Macau and Hong Kong may backfire against its national unification plans, since the CCP has sought to utilize Macau and Hong Kong, in particular, to attract Taipei towards its “one country, two systems” mode of governance.

The main point: Taiwan’s relations with Macau are indicators for its relations with China. The current downturn in cross-Strait relations will continue to have negative implications for Taiwan’s ties with Macau.

[2] Ibid.
[9] “The Political Scene: Relations between Taiwan and Macau Receive a Boost.”


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The CCP’s Centennial Highlights the Unbridgeable Gap between Taiwan and China

By: J. Michael Cole

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Chinese Communist Party (CCP) General Secretary Xi Jinping’s (習近平) July 1 address during a ceremony commemorating the party’s 100th anniversary was not meant to reassure the international community. Heard all around the world, remarks to the effect that anyone who attempts to “bully, oppress, or subjugate” China “will find themselves on a collision course with a great wall of steel forged by over 1.4 billion Chinese people” sent the signal that China has embarked on an unstoppable course of action, with the rules of the game to be increasingly defined by Beijing. China is now to be regarded as a great power in its own right, with the capability to defy, and to defeat, whomever stands in its way. Any such resistance to historical inevitability, Xi informed us, constitutes renewed attempts to “bully, oppress, or subjugate” China “a country that, he added, has never bullied, subjugated, or repressed others. When it appears to be doing so, it is instead waging defensive action against forces, both indigenous and exogenous, that are conspiring to “split” China or overthrow the universally beloved CCP.

In the same breath, Xi extended his “sincere greetings” to “compatriots” in Hong Kong and in Taiwan. By compatriots, the despot was presumably referring to any citizen who fully embraces the CCP’s designs on those societies. Those who stand in opposition, conversely, will find themselves on a collision course with a great wall of steel, upon which they are bound to be smashed. The fate of Hong Kong in the past year, with the authorities’ crackdown on pro-democracy activists, elected legislators, and a free press is clear evidence that the party now means what it says—and that it has the self-assurance to defy international norms of conduct, even if such measures result in opprobrium and sanctions.

In the part of the speech discussing his party’s ambitions toward Taiwan, Xi stated that:

“Resolving the Taiwan question and realizing China’s complete reunification is a historic mission and an unshakable commitment of the Communist Party of China. It is also a shared aspiration of all the sons and daughters of the Chinese nation. We will uphold the one-China principle (一個中國原則) and the 1992 Consensus (九二共識), and advance peaceful national reunification. All of us, compatriots on both sides of the Taiwan Strait, must come together and move forward in unison. We must take resolute action to utterly defeat any attempt toward ‘Taiwan independence,’ and work together to create a bright future for national rejuvenation. No one should underestimate the resolve, the will, and the ability of the Chinese people to defend their national sovereignty and territorial integrity.”

Xi’s remarks about Taiwan did not depart from the party’s standard rhetoric: rather than attempting annexation of a sovereign entity, China is acting in a purely defensive manner, one that seeks to defend national sovereignty and territorial integrity. Such language sees no logical contradiction between the need, on the one hand, to defend one’s territorial integrity and, on the other, to seek to reunify something with that which is already integral.

As with several other official pronouncements by the CCP regarding Taiwan, Xi’s comments were primarily aimed at a domestic audience. Unless Xi receives extraordinarily bad intelligence from his advisers and security apparatus, the leader must be conscious that but a tiny fraction of Taiwan’s 23.5 million people regard themselves as part of the “Chinese nation,” and even less favor unification with China. (Thankfully for Taiwan, China’s behavior in recent years has also made it increasingly clear to people worldwide that claims
that Taiwan and China are one and the same—and that, as the party often says, only a small number of “separatists” within the Democratic Progressive Party and foreign allies are seeking to “split” Taiwan from the “motherland”—are downright ludicrous.)

The insistence of Xi and his party apparatus that “compatriots on both sides of the Taiwan Strait” are united in their desire to defeat Taiwanese independence stems from decades of rhetoric to the effect that “re-unification” is inevitable and that such a goal can only be accomplished thanks to the guiding hand of the CCP. When evidence that historical trends are in reality moving in a direction that is directly opposite to its purported inevitable destination, the party is therefore compelled to maintain the illusion. Anything else would demonstrate that the party has failed. And the CCP, especially under Xi, is portrayed as a party that is as infallible as it is indispensable—with past mistakes and excesses, which just a few years ago could still be acknowledged by the CCP, now being scrubbed from China’s collective memory.

Consequently, all that insistence on a shared desire for unity across the Taiwan Strait is falling on deaf ears in Taiwan. No matter how often that refrain is repeated, the CCP will not succeed in convincing the Taiwanese that their destiny lies with China. The message, therefore, contains an implicit threat, one in which the tiny percentage of those in Taiwan who favor unification with the PRC are the true compatriots, with the rest to be regarded as the enemy. Although the party cannot admit it, peaceful unification has been stillborn for quite a while, and any lingering hope that such an illusion could become reality was buried with the death of the “one country, two systems” (一國兩制) formula in Hong Kong. More and more, it is the hawkish political commentators in China and the so-called Taiwan experts at Chinese educational institutions that channel Beijing’s true sentiment regarding Taiwan: that all attempts to create conditions suitable for “peaceful unification” have failed, and that the only other option is therefore to use the military to resolve the matter. (Of course, there is another option, which would be to admit that claims upon Taiwan are delusional, but in the current context nobody can safely advance such views in China.)

The very nature of the ceremonies at Tiananmen Square on July 1 epitomized the huge—and increasingly widening—gap that separates China from Taiwan. The sheer grandiosity of the event, replete with thousands upon thousands of carefully selected participants shouting as one and moving in robotic coordination was enough to send chills down the spine of anyone who maintains that the most important unit of society is the individual. Even in those occasions when one or a handful of Chinese made declarations during the ceremony (all facing a portrait of the man who is responsible for tens of millions of deaths of his own people), their theatrical and over-enthusiastic performance was a discomfitting caricature of authoritarian art, a departure from reality out of which nothing good can emerge. Above all this, of course, was the...
very idea that a political party could throw itself a party of such grandiose proportions, a reminder that party and state are not only inseparable, but that in fact the party stands above all. At the apex of that party stands one man, Xi, a god-like figure with the iron will of the past despots he seems to be modeling himself on—men like Joseph Stalin and Mao Zedong (毛澤東), who also had no compunction about atomizing humanity in their attempt to move and shape history.

It is hard to imagine that such a spectacle would find much appeal with the ordinary men and women on the Chinese street, so distant are its manifestations and ambitions from their everyday lives. The CCP has hijacked the Chinese state, warping it to its own image. In so doing, it imposes a choice: conformity or else. A shroud of fear has descended upon the Chinese public (not to mention China’s minorities), and most choose silence rather than confrontation with a party-state apparatus that will not brook non-conformity.

The Taiwanese people, however, still have a choice. One need only contrast July 1’s display of human-negating flamboyance with inaugural or national day ceremonies in Taiwan to see just how different the two societies have become. Anyone who still maintains that those two societies can reconcile their differences and form some sort of political union should be asked to watch the footage side by side. In one may be seen a smiling head of state who embraces diversity, tolerance, and democracy; we see choirs that, while singing in unison, retain the individuality of each participant; floats celebrating pro-democracy activists and intellectuals, both past enemies of the state; LGBT rights advocates; and members of the crowd spontaneously dancing. In the other may be observed a rigid, unsmiling tyrant whose delivery only brings to mind the color gray; and a mass of uniformity below him, moving as one, as if controlled by supercomputers (or fear). We see blatant imperial ambition, folly the likes of which has resulted in terrible excesses in the past.

Not even in the deepest years of martial law in Taiwan did the ruling Kuomintang (KMT, 國民黨) engage in such displays of dehumanization. By becoming a caricature, the CCP has ensured the loss of even those across the Taiwan Strait who, until recently, still argued that Taiwan (or the Republic of China, for some) and China could still find common ground and form a union in some shape or form. No such union is possible, unless it is one that is imposed.

**The main point:** The contrast between Taiwan and China has become starker under Xi Jinping, under whose guidance the Chinese Communist Party, which celebrates its 100th anniversary this month, has completely lost touch with reality.

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**Unraveling the Supply Chain Web between the US, Taiwan, and China**

By: Nicholas Henderson

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During the first US-Taiwan Economic Prosperity Partnership (EPP) Dialogue held in late 2020, Taiwan’s Minister without Portfolio John Deng (鄧振中) emphasized that Washington and Taipei have “confirmed that strategic cooperation in the semiconductor industry is a priority, given its potential to generate significant and long-term benefits for both economies.” The matter was the focus of a follow-on discussion in February 2021. Along with cooperation on semiconductors, the EPP Dialogue agreed to establish a new task force charged with exploring different areas of cooperation, such as 5G security, the US Department of State’s new Clean Network project, investment screening, science, and technology. These efforts underscore how, as China adopts an ever more assertive international policy amidst a global chip shortage, the United States is pushing for supply chains free of Chinese control. Now Washington and Taipei are faced with the reality of needing to unravel, and then realign, the web of intricate supply chains between the three sides.

**US Ban on Huawei**

Prior to the EPP Dialogue, the United States announced a ban on Chinese telecommunications giant Huawei (華為) and its suppliers from utilizing US technology and software. The US ban—albeit an expected consequence of existing US-China tensions—placed the
governments of Taiwan and China, and their respective semiconductor manufacturing companies, in an awkward position. Huawei’s chip unit, HiSilicon, relies on domestic and external entities for production, including Taiwan Semiconductor Manufacturing Company (TSMC, 台灣積體電路製造股份有限公司) and the Shanghai-based Semiconductor Manufacturing International Corporation (SMIC, 中芯國際集成電路製造有限公司).

In response to the US ban, TSMC cut off its relationship with Huawei, its biggest customer, accounting for over 13 percent of company revenue. TSMC also agreed to build a new USD $12 billion 5-nanometer semiconductor foundry in Arizona to help bring the production of semiconductors back to the United States, even though the move was not in TSMC’s direct economic interest. Later, Beijing’s top chipmaker SMIC was declared an “unacceptable risk” in September, and was consequently added to the US Defense Department’s blacklist of “alleged Chinese military companies” on December 3. This list signified a significant shift in US policy, and despite China’s hopes for a return to normal after President Trump, actions against China’s influence in semiconductor supply chains have only been bolstered by the Biden Administration. In short, Taiwan is navigating a tricky situation. Although the US pivot away from China has its benefits for Taiwan, it also adds insult to injury for Beijing as it attempts to close the gap with Taiwan, the current leader in foundry capability.

Taiwan, the “Hardware Heavyweight”

Thanks to the rapid economic industrialization and growth of Taiwan, known as the Taiwan Miracle (台灣奇蹟), the island has become a heavyweight in vital technology. Chief among Taiwan’s innovations is its semiconductor chip production capacity. Semiconductors make up the brains of most electronics in production today and are integral for technological advancements in mobile phones, telemedicine, 5G networks, and planes such as Lockheed Martin’s F-35 Lighting II combat jet.

Very few companies can build the most advanced chips, which are made in semiconductor fabrication plants, also known as foundries (or “fabs” for short). [1] At the head of the pack is Taiwan’s TSMC. TSMC’s innovation exemplifies Moore’s Law, which states that the number of transistors on a dense integrated circuit doubles every two years.

Thanks to companies like TSMC, Taiwan commands more than 50 percent of the international foundry market. Its closest competition is South Korea, as Samsung boasts 18.8 percent of the chip foundry market share. Despite holding the top spot, Taiwan is fighting to stave off excessive competition in its domestic market, which can drive down profits. As domestic competition increases and China steps up government investment in R&D, Taiwan’s current model is facing the potential for a heightened long-term risk to innovation at the foundry level.

Here Comes a New Challenger?

China makes up almost 34 percent of global integrated circuit (IC) consumption and 50 percent of the world’s overall semiconductor consumption. Despite its large appetite for semiconductors, China’s semiconductor manufacturing is still lagging behind that of Taiwan, which excels in the foundry stage of semiconductor production.

Washington has been effectively disrupting Beijing’s efforts to expand its market share by adding barriers to entry, such as new licensing requirements and preventing China from acquiring crucial foundry equipment. For instance, the United States now requires licenses for American companies to ship their equipment to SMIC. As a result, six of China’s semiconductor projects aimed at challenging Taiwan’s TSMC and South Korea’s Samsung have “gone belly up,” according to retired Lt. Col. Mark Stokes, executive director of the Project 2049 Institute. [2] One such project, Yangtze Memory Technologies, announced a “world-class” USD $22 billion flash memory chip foundry in September of 2020, only for its parent company, Tsinghua Unigroup, to default on a USD $198 million bond just two months later.

In addition to the challenges presented by new licensing criteria, Beijing has also been blocked from obtaining crucial extreme ultraviolet (EUV) scanners as the Trump administration mounted a campaign to block the sale of Dutch chip manufacturing technology to China. Blocking access to EUV technology is a significant problem for China, as it was already far behind the competition in an industry that innovates at a breakneck pace. [3] If China is to be able to catch up to...
Taiwan in advanced fabs—which already cost between **USD $15 billion and USD $20 billion** to build—it must acquire EUV scanners. As this technology took more than **30 years for Dutch chip-maker ASML** and its partners to research and develop, Beijing has been forced to ramp up government spending.

China is at least two generations behind the leading edge of semiconductor fabrication in Taiwan and is unlikely to catch up in the **short term**. Nevertheless, with the **global chip shortage** possibly continuing into 2022, and global demand for semiconductors leading to a **19.7 percent sales jump**, the Chinese government has increased government grants and **R&D funding** for its biggest company SMIC (Figure 1). Although big firms like SMIC are receiving an enormous amount of capital investment, there are questions about the sustainability of this strategy.

**Image: Chinese Central Government Investment Steadily Increasing Over Time.**
*(Source: Semiconductor Industry Association)*

Despite **SMIC’s 2021 sales** jump resulting from the global chip shortage, US blacklisting—and the **blocked sale** of Dutch semiconductor equipment company ASML’s **most advanced lithography** machines—currently poses a **serious roadblock** for advanced production development.

**The Threat to Taiwan**

There is evidence that China will resort to more clandestine methods to build market share. FBI Director **Christopher Wray** has stated that China has the capacity to use a wide range of techniques, to include **corrupting trusted insiders or conducting cyber intrusions**. China also has a reputation for **poaching TSMC engineers**, leading to a heightened risk of a brain drain in Taiwan and exposing TSMC’s valuable intellectual property (IP). As for cyber incursions, Chinese spies have been accused of leaking stolen technology to a **state-linked company**. Taiwanese firms were also **hacked** in “**Operation Skeleton Key**.” By employing these tools, China could damage Taiwan by undermining its long-term economic viability and stealing critical IP.

According to **Justin Hodiak and Scott W. Harold**, the PRC is a determined actor and is “likely to continue pursuing multiple pathways to industrial catch-up in semiconductor manufacturing, leveraging a combination of indigenous development, foreign talent attraction programs, joint ventures, intellectual property theft, [and] vertical integration.” China has the capacity to exploit vulnerabilities in Taiwan’s supply chain. Therefore, the new EPP should consider stepping up coordination in basic supply chain risk management.

There is no panacea to eliminate the inherent risk that **China poses** to semiconductor supply chains. According to Eric Lee, research associate at Project 2049, supply chains are “notoriously complex, working as more of a web than an entity that can be vertically integrated as a package.” **[4]** However, most experts, including Lt. Col. Mark Stokes, agree that the latest EPP Dialogue could lead to developments in cooperation for the United States and Taiwan on supply chain security and semiconductor production. **[5]**

**The Solution? Bitter and Boring Work**

Taiwan must ensure that its production capability retains its relative dominance to maintain geopolitical relevance. In the same vein, the United States needs Taiwan to succeed in order continue supplying the US with the most advanced hardware. Therefore, Washington and Taipei have a common strategic interest in
preventing China from catching up to Taiwan’s level of innovation, and it is safe to say that Taiwan faces a real threat from China. [6] While the most advanced semiconductors—and the supply chains that create them—must be secured from China’s control, the United States and Taiwan both have a vital security interest in continuing to outpace China in semiconductor innovation.

The United States should consider Taiwan’s innovation speed as a strategic interest in maintaining a competitive edge over China. Taiwan should also consider vertical integration of its own small and medium-size enterprises as an additional step to counteract increased FDI from competing countries. Although it is unclear whether increased funding will directly lead to a growth in Taiwan’s innovation, it could allow small and mid-tier companies to launch larger projects, which could slow the brain drain from Taiwan to China.

Increased supply chain security could mean expanding the capabilities of entities focused on supply chain analysis. The United States should prioritize increasing its supply chain tracing capacity to the level necessary to unravel this complex web of supply chains. [7] Whether that is accomplished by the Commerce Department’s Bureau of Industry and Security, the Defense Department, the State Department, the Office of Commercial and Economic Analysis, or another US Government agency, Washington must continue to add to its extensive list of PLA-linked entities. President Biden’s most recent executive order on America’s Supply Chains involves multiple agencies on tracing, and diversifying supply chains, as well as calls for coordination between allied nations to jointly strengthen supply chains. [8] Bringing Taiwan into these projects through the EPP is essential. As Lee stated, “Taiwan knows China better than any other country, and could add to the extent Taiwanese companies work with the Chinese military apparatus.” [9] The EPP Dialogue, and this year’s summit with industry leaders at the White House to discuss the chip shortage, are both great first steps towards strengthening mutual economic cooperation. However, there is no “silver bullet,” just a lot of “hard but boring supply chain risk management,” according to John VerWey, business intelligence analyst at U Group and former US Director of Investment. [10]

The main point: The US-Taiwan Economic Prosperity Partnership (EPP) has already succeeded in bringing supply chains to the forefront of the conversation on security. Although there is no easy answer to securing integral semiconductor supply chains, further cooperation between the United States and Taiwan is essential to unraveling the web of China’s influence, securing vital IP, and furthering innovation in Taiwan’s semiconductor sector.

[7] Ibid.
[8] Ibid.

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Fortifying Taiwan: Making the Case for Allied Missile Defense Support

By: Guermantes Lailari

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The People’s Republic of China (PRC) has been ratcheting up its military presence around Taiwan, raising...
alarm bells that these activities could indicate preparation to invade the island—especially after Xi Jinping’s July 1, 2021 speech in which he stated that “Resolving the Taiwan question and realizing China’s complete reunification is a historic mission and an unshakable commitment of the Communist Party of China.” If true, inaction by Taiwan’s allies, especially the United States, could encourage the People’s Liberation Army (PLA) to move forward with its various invasion plans. A layered air and missile defense (MD) system could stop and reverse this concerning trend by conducting defensive actions that signal to the PRC and the world that Taiwan is not going the way of Hong Kong, Xinjiang, or Tibet.

As recently as March 2021, the Taiwanese Ministry of National Defense (MND) acknowledged that it needed “to build a high-altitude missile defense network.” Specifically, to enhance Taiwan’s defense the President of the United States should request the Secretary of Defense to conduct a missile and air defense threat analysis of Taiwan in cooperation with Taiwan’s MND. Simultaneously, at least one US Navy AEGIS-capable ship should be sent to the waters near Taiwan, and at least one US Army Terminal High Altitude Area Defense (THAAD) system should be deployed to the island. Additional necessary defense assets could be deployed once the threat analysis is complete.

Current US government policy, in accordance with the 1979 Taiwan Relations Act, is to “provide Taiwan with arms of a defensive character” and “maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan.” Pursuant to this legal obligation, MD capabilities as aforementioned should be immediately deployed to Taiwan for several reasons:

1. To signal to the PRC that the United States will not stand by while China harasses and intimidates Taiwan, and that the United States will deploy additional forces, as needed and when needed.

2. To show US allies that the United States will adhere to its treaty and other obligations, and to encourage other countries to work with the United States and its allies to encourage free trade, enforce freedom of the seas, and oppose PRC hegemony.

3. To encourage like-minded countries to support Taiwan. For example, multiple US allied countries, including Japan and South Korea, possess Aegis-capable ships and other missile and air defense capabilities that could be deployed to defend Taiwan. Several countries and international organizations have recently recognized that Taiwan is being threatened by PRC actions. Japan and Australia, in a joint statement issued on June 9, “confirmed the importance of peace and stability across the Taiwan Strait and concurred to encourage the peaceful resolution of cross-Strait issues.” G7 countries (Canada, France, Germany, Italy, Japan, United Kingdom, and the United States) and the EU advocated a “peaceful resolution of cross-Strait issues” on June 13, 2021.

Increasing PRC Military Intimidation Directed at Taiwan

Recently, the PRC has stepped up aggression intended to weaken Taiwan’s security and its social and economic system. A 2020 Federation of American Scientists (FAS) report described the history of PLA Air Force (PLAAF) Air Defense Identification Zone (ADIZ) violations (over 4,000 from 2013–2020) with Japan, South Korea, and Taiwan, including the incursions across the median line between the PRC and Taiwan:

In July 1999, Chinese aircraft intentionally crossed the median line following what China perceived to
be pro-independence remarks by then-President Lee Teng-hui. Contemporary reports indicate this was the first intentional intrusion since the line was established in the 1950s. Public accounts suggest the next intentional crossing came twenty years later. On March 11, 2019, two PLAAF J-11 fighters crossed 43 miles over the median line in the southwestern area of the Taiwan Strait.

The PLAAF’s ADIZ violations beginning in March 2019 probably resulted from the Trump Administration informally approving to sell 66 F-16V fighters to Taiwan and upgrade 166 older F-16s.

On 15 June 2021, 28 PLAAF aircraft intruded into the Taiwan ADIZ, the largest number of PLA aircraft flown towards the island since the Taiwan MND started publishing these violations (pictured below). This PLAAF aggression was most likely the PRC’s expression of disapproval against the June 13 G7 official announcement on human rights in Xinjiang and Hong Kong.

The June 15 series of incursions was not unique. In the past six months, the PLAAF and PLA Navy (PLAN) have conducted more aggressive flights into the Taiwan ADIZ than in prior years. Moreover, the PRC has deployed an extensive ballistic missile, cruise missile, and UAV threat against Taiwan: according to the 2020 DOD annual report on Military and Security Developments Involving the People’s Republic, more than a thousand PLA missiles are aimed at Taiwan.

The Potential Benefits of Missile Defense Systems

A THAAD battery and an AEGIS-capable US Navy ship would be the best-suited systems to help Taiwan enhance its defense against the Chinese missile threat. The US military should deploy these systems until Taiwan develops and deploys its own layered MD system. AEGIS and THAAD are defensive weapon systems.

The US Navy AEGIS is a shipborne system designed to protect ships, sea platforms, and land areas from ballistic missile threats as well as air threats. Depending on the types of missiles on-board, the weapon system can intercept short-, medium-, and intermediate-range ballistic missiles (MD mission) and/or shoot down aircraft and anti-ship cruise missiles (air defense mission).

THAAD is the US Army’s deployable area defense BMD system that can protect an area with a diameter of about 240 miles. THAAD radar is a non-rotating phase-array X-band radar (AN/TPY-2) and has been deployed to the Middle East and Asia. One to two THAAD radars could cover most of the island of Taiwan (which is 245 miles long, and 90 miles wide across its widest point). The THAAD missile is designed to defend against short-, medium-, and intermediate-range ballistic missiles, and has a range of 200 km and altitude of 150 km.

Taiwan should plan to purchase these or similar systems. In the meantime, Taiwan could make a request to the United States and other allies to provide immediate MD capabilities. THAAD has already been exported to the United Arab Emirates (two batteries), and is currently being sold to Saudi Arabia (seven batteries). Currently, Japan is the only ally that has a BMD capable AEGIS naval system. The US government approved a $1.7 billion defense purchase by Canada in May 2021 for four BMD-capable AEGIS ships. South Korea, Australia, Norway and Spain all have AEGIS systems that are air defense only and can be used to protect US and Japanese AEGIS BMD capable ships from the PLAAF threats. These allies could participate in the air and missile defense of Taiwan as part of an allied operation. Poland and Romania have purchased and deployed an AEGIS ashore capability. Japan had planned to purchase two AEGIS ashore systems; however, domestic concerns reversed this decision in June 2020. The US Congress plans to fund an AEGIS ashore system on Guam. However, an AEGIS ashore on Guam cannot defend Taiwan due to extended distance (over 1700 miles).

Taiwan’s Ministry of National Defense is currently working to upgrade the missile systems fielded by the island’s armed forces. Taiwan’s MD defense capabilities are designed for point defense and consist of the following: Patriot PAC-2, PAC-2/GEM; Avenger Air Defense System; Hawk; Sky Bow; Sky Sword 2; and Sea Oryx (soon to be deployed) systems. For example, with a range of 60 miles for the PATRIOT PAC-2 system, these point defense systems are designed to protect a small area such as a city or a strategic site.

The PRC will present at least three objections to Taiwan’s deployment of Aegis and THAAD systems. First, it will object saying that the US is interfering with PRC’s efforts to deal with an internal problem—the lost “Taiwan.” Second, it will argue that sending US Army or US
Navy personnel to Taiwan violates the US-PRC agreement on Taiwan. Finally, China will protest on grounds that the THAAD radar will be able to “see” deep into the PRC, thus violating the PRC’s sovereignty.

Taiwan needs its allies to demonstrate that they oppose a belligerent PRC that is increasingly threatening to the island democracy, and THAAD and AEGIS systems would undoubtedly support Taiwan’s defense. THAAD has been deployed to Hawaii (2009), Guam (2013), South Korea (2017) and other parts of the world, including Israel (2019). The United States has deployed the THAAD system to South Korea to send a similar message to North Korea and its patron, the PRC. The UAE (UAE is 2.3 times the size of Taiwan) purchased two THAAD batteries and Saudi Arabia is in the process of purchasing seven batteries. Why do they need THAAD? Because Iran, an ally of the PRC, threatens both of them with its massive ballistic missile program. Saudi Arabia has been a victim of attacks from Iranian armed drones, as well as ballistic and cruise missiles. Similarly, Taiwan faces an enormous PLA missile threat that THAAD and AEGIS could help mitigate.

Taiwan has deployed an MD radar—the US-designed AN/FPS-115 Precision Acquisition Vehicle Entry Phased Array Warning System (PAVE PAWS), located on Mount Lu Chang (鹿場大山) in the island’s northwest, at over 2,500 meters above sea level. PAVE PAWS can detect ballistic missiles over 3,000 miles away; 360-degree threats; and aircraft, cruise missiles and ships. PAVE PAWS can also see farther than the AN/TPY-2 (which detects threats from only one direction). PAVE PAWS thus provides early warning and cueing to Taiwanese MD units for incoming missiles. (In April 2021, press reports indicated that Taiwan is looking into a second radar to cover the southern part of the Island, but this option won’t be discussed by Taiwan’s legislature until 2022.) Integrating PAVE PAWS, AN/TPY-2, and AEGIS radars, along with other Taiwanese MD radars and longer range anti-ballistic missiles, would provide Taiwan with an enhanced defensive shield and demonstrate US resolve to protect Taiwan from PRC aggression.

In conclusion, PRC aggression must be met with deterrent actions, and President Biden should direct immediate deployment to Taiwan of a THAAD battery, as well as a US Navy AEGIS ship. In doing so, President Biden would remind the PRC to follow its agreement to not interfere militarily with Taiwan. At the same time, Taiwan should also purchase at least one THAAD battery and several MD AEGIS systems to ensure that it has the capabilities to defend itself against the PRC should it go it alone. Moreover, Taiwan should encourage its allies to participate in patrolling its shores with AEGIS capable ships to keep the PRC in check.

The main point: The US military should deploy at least one US Navy AEGIS capable ship to the waters near Taiwan, and at least one US Army’s THAAD system to Taiwan’s mainland, to defend against increasing PRC aggression.

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Three Scenarios for China’s Evolving Nuclear Strategy: Implications for the Taiwan Strait

By: Michael Mazza

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The People’s Liberation Army (PLA) is building 120 new missile silos on the outskirts of the Gobi Desert, raising anew questions about the future of Chinese nuclear forces and China’s approach to wielding them. Answers to those questions, which may not become clear for some time, could have significant effects on US-China strategic stability. In the meantime, it is worth thinking through the role that nuclear weapons play in the Taiwan Strait, a factor that is too often overlooked in analyses of the likelihood of a conflict in the Strait and the courses such a conflict might take.

A comprehensive assessment of nuclear dynamics surrounding the Taiwan Strait would consider nuclear force modernization efforts and doctrinal revisions in both China and the United States, and perhaps in Russia and India as well. Such an assessment would likewise take account of changes in conventional force structure and posture, missile defense capabilities, and conventional threats to strategic forces. This type of wide-ranging evaluation is not possible here. Instead, the analysis below will focus on one pillar of China’s
nuclear approach and three scenarios for how it may evolve in the coming years: China’s “no first use” policy.

China’s Current Approach: A Brief Overview

China has long maintained a relatively small nuclear arsenal and a nuclear strategy that M. Taylor Fravel and Fiona S. Cunningham have described as “assured retaliation.” Assured retaliation, they write, “uses the threat of inflicting unacceptable damage in a retaliatory strike to deter an adversary from attacking first with nuclear weapons. That is, following a first strike, China would still have enough weapons to retaliate and impose unacceptable damage on its adversary.” Chinese nuclear strategists have long held that maintaining a credible ability to hit only a handful of enemy cities in a retaliatory strike was sufficient to deter nuclear use or the threat of nuclear use against the People’s Republic of China.

Along with this assured retaliation posture, China has maintained “dual pledges”: that it would never use nuclear weapons first (called no first use, or NFU), and that it would never use nuclear weapons against non-nuclear states.

The People’s Republic of China (PRC) is currently growing its nuclear arsenal; it is also modernizing and diversifying its delivery systems. There has been a debate in recent years about the future of China’s nuclear strategy, and in particular about the value of NFU. Today, China’s nuclear force structure remains consistent with “assured retaliation” and authoritative statements do not suggest that there has been a doctrinal overhaul. There are reasons to suspect that China may one day set aside “assured retaliation” and NFU. But for now, PLA doctrinal writings include just one campaign for the use of nuclear forces: a “nuclear counterstrike campaign,” which “describes how China would execute a nuclear strike after it had been attacked with nuclear weapons.”

Scenario 1: China Maintains a Strict Interpretation of No First Use

It is possible that China’s NFU policy is sincere and that Xi Jinping (習近平) and other members of the Central Military Commission have no intention of using nuclear forces unless China is attacked first with nuclear forces. In this scenario, China’s leaders would be confident they have conveyed that clearly to the United States. Washington would recognize those efforts, but remain somewhat skeptical of the NFU pledge. Should conflict erupt in the Taiwan Strait, Washington might be less inhibited in conventional escalation, and be more aggressive in targeting Chinese territory—though probably taking care to avoid striking intercontinental ballistic missiles and their enablers. US forces might proceed cautiously in escalating conventional attacks on conventional Chinese military targets, as they feel about for any potential limits to China’s NFU commitment.

A key question in this scenario regards what type of nuclear signaling Washington would engage in. Would it seek to convey that it may “go first” in response to PLA strikes on American bases in allied countries, on bases on US territory in the Pacific (e.g., Guam), on American critical infrastructure (e.g. cyber attacks on the electrical grid), or on civilian and dual-use satellite systems (e.g. GPS)? Or does the United States see such attacks as the price it will have to pay for a nuclear-free conflict involving attacks on the PRC itself?

A strict Chinese NFU policy, especially if the PLA maintains a secure second-strike capability, makes heightened violence at the conventional level more likely. Despite the likelihood of a bloody conflict, however, reduced concerns about nuclear escalation could make China more comfortable launching military action against Taiwan in the first place. On the other hand, strict NFU binds Beijing’s hands in ways that make it more difficult to deter American intervention and to potentially avert a disastrous defeat if a war goes poorly for the PLA. Given the importance that Chinese lead-
ers place on unification, they are unlikely to enter into a conflict under such conditions.

**Scenario 2: China Maintains a “Squishy” Interpretation of No First Use**

As noted, in recent years there has been a debate within China about the future of the NFU policy, with some strategists arguing for a looser interpretation of “first use.” For example, some argue that the NFU policy should not prohibit a launch-on-warning posture or that it should not prohibit China from using nuclear weapons in response to conventional attacks on its nuclear forces. If Chinese leaders come to embrace such thinking, the scenarios under which they would consider nuclear use could expand significantly. American military planners must also consider the possibility that even if a “loose” NFU policy was sincere, it might not hold in particularly stressful circumstances.

In this scenario, China would adhere to a less restrictive NFU policy and there would be reasonable doubt in Washington—perhaps intentionally stoked by official Chinese statements and documents—that Beijing would refrain from nuclear use even if it is at risk of losing a war over Taiwan’s fate. China would be more likely to engage in robust nuclear signaling in the event of a conflict: for example, sending ballistic missile submarines to sea, mating warheads with land-based missiles, raising the alert status of its missile forces, and issuing warnings via the media or directly to US officials. Under these conditions, the United States would likely be far more cautious in conducting conventional strikes on Chinese territory in the event of conflict, especially if the circumstances under which NFU holds are ambiguously defined. US forces, for example, might strictly limit themselves to operations along China’s southeastern coastline, eschewing deep strikes and avoiding PLA Rocket Force command and control nodes. The PRC might likewise exercise restraint in attacks on US and allied territory, and especially on the 50 states, out of concern that nuclear escalation will be more difficult to avoid.

A “squishy” Chinese NFU policy could bound the conventional fight in a Taiwan Strait conflict scenario, in particular instilling caution in Washington regarding actions that threaten the Chinese Communist Party’s hold on power. The result could be a fight more or less contained to the western Pacific and China’s eastern seaboard—a fight more likely to become a numbers game and in which China can better take advantage of interior lines and thus one that favors the PRC, at least in the short term.

This is perhaps the ideal scenario for China, and arguably the most realistic of the three presented here. A looser interpretation of its NFU policy could (from Beijing’s perspective) helpfully shape the American approach to fighting a war in ways conducive to Chinese interests, and might even deter American intervention in the first place. Nuclear escalation is more likely in this scenario than in the first one—but so is Chinese victory, given the advantages China can bring to bear in a localized fight, even without nuclear use.

It is worth noting, however, that heightened concerns about Chinese nuclear use in this scenario could, somewhat paradoxically, lead the United States to contemplate early strikes on PLA nuclear forces. This will be especially true if Washington assesses that Beijing has been unsuccessful in fielding a secure retaliatory capability. In other words, the nuclear dynamics that would pertain under a looser Chinese NFU policy are considerably more prone to destabilization.

**Scenario 3: The Death of NFU**

Finally, it is possible, particularly as Chinese nuclear forces evolve, that NFU turns out to be little more than a slogan—in which case Beijing would have no intention of abiding by its NFU pledge in the event of a conflict, and Washington would have little expectation that China would do so—or that Beijing formally abandons the pledge. In this scenario, China may also include nuclear use in its campaign plans.

In this case, the United States would not only be hesitant to strike Chinese territory, as in the preceding scenario; it would also have concerns about a much lower Chinese threshold for nuclear use. Those concerns would become especially pronounced if China were to undertake a significant expansion in the size of its nuclear arsenal. American planners would have to worry, in particular, about nuclear strikes on US regional bases or on carrier strike groups at sea. And while it is true that lack of an NFU policy does not imply a first use policy, Chinese investment in capabilities like the dual-use DF-21 and DF-26 raise the prospect that
a doctrine inclusive of nuclear warfighting could be in China’s future.

For the United States, having to grapple with nuclear strikes on assets in the region would present a significant challenge. The use of nuclear weapons against US bases in allied countries, for example, could trigger “nuclear umbrella” commitments, and the United States might struggle to settle on a proportionate response (or a disproportionate one) to nuclear use against naval forces at sea. This would be a potentially very different fight for Taiwan than the one often imagined, and one in which there could be substantial pressure for the United States to employ counterforce capabilities and resort to first use of nuclear weapons.

China might think such an approach is far more likely to convince America to leave Taiwan to its own devices and more likely to ensure victory if America does intervene. After all, quick nuclear strikes on US regional assets could devastate America’s ability to operate in the western Pacific, presenting Washington with a menu of unappetizing choices (to put it mildly). But, of course, things might not play out as Beijing might imagine. If the United States did come to Taiwan’s defense in these circumstances, Beijing and Washington might find themselves performing a highwire act to avoid a nuclear exchange.

The main point: Analyses of the likelihood of conflict in the Taiwan Strait, and of the course such a conflict might take, too often overlook the role nuclear weapons are likely to play. The content and fate of China’s “no first use” policy is just one factor that will significantly shape outcomes in the Taiwan Strait.