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Political Warfare Alert: Retired Taiwan Air Force General Claims Taiwan's ADIZ is China's Territory

By: Russell Hsiao

Russell Hsiao is the executive director of the Global Taiwan Institute (GTI) and editor-in-chief of the Global Taiwan Brief.

As military tensions across the Taiwan Strait tick ever upwards against the backdrop of the [record number of incursions](#) of Chinese fighter jets into Taiwan's Air Defense Identification Zone (ADIZ), a retired air force general from Taiwan was [quoted](#) by the *Global Times* (環球時報)—a subsidiary of the Chinese Communist Party (CCP) mouthpiece *People's Daily* (人民日報)—as stating that China had the right to be in Taiwan's ADIZ because the military aircraft were patrolling “on their own national territory” (自己的國土上). In the [interview](#), the tabloid mouthpiece of the CCP noted, “when talking about the recent PLA patrols in the southwest airspace of Taiwan Island, Hsia Ying-chou told the *Global Times* reporter that the PLA fighter planes, which appeared in the southwest airspace of Taiwan Island were on their own national territory, and they had full rights to patrol.” The retired general's comments sparked outrage among members of Taiwan's ruling party who called for [revoking Hsia's military pension](#) and suggested legal action may be taken for possible violations of laws, the incident reignited concerns within the country over [CCP's political warfare activities](#) against the island.

Who is General Hsia?

General (ret.) Hsia Ying-chou (夏瀛洲, b. 1939) [served](#) for nearly four decades in the Republic of China (ROC) armed forces and obtained the rank of general in the ROC Air Force. General Hsia served in senior positions as deputy chief of the general staff, strategic advisor to the president, the commandant of the Air Force Academy, and the first president of the military university after it was reorganized as the National Defense University (國防大學). He [retired](#) from active military service in 2003.

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Editor-in-Chief

Russell Hsiao

Associate Editor

John Dotson

Staff Editor

Katherine Schultz

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Global Taiwan Institute
1836 Jefferson Place NW,
Washington DC 20036
contact@globaltaiwan.org

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Hsia has been no stranger to [controversy](#) since his retirement. An outspoken advocate for unification between Taiwan and China, Hsia has regularly participated in delegations organized by retired General Hsu Li-nong (許歷農; b. 1918) through the New Revolutionary Alliance (新同盟會)—a non-governmental organization Hsu started named after Sun Yat-sen's underground movement, which advocates for cross-strait unification—and has accompanied retired generals from Taiwan to visit China since 2010 through the Zhongshan-Whampoa Cross-Strait Affairs Forum (中山黃埔兩岸情論壇). The forum is one of the most prominent conduits for retired generals and military officers on both sides of the Taiwan Strait to interact with one another.

Hsia's recent comments do not represent the first time that the retired general made controversial comments that made the news. In 2011, when Hsia attended the second annual Zhongshan-Whampoa Cross-Strait Affairs Forum in Beijing, he was cited by Chinese state-media as supposedly [stating](#): “In the future, there will be no more divisions between the national army and the communist army. We are all the Chinese army.” While Hsia denied having made those specific remarks, the damage had already been done. The reported statement caused a major political controversy within Taiwan—even President Ma Ying-jeou [lamented](#) how Hsia's action was “betraying the people of Taiwan.”

Then in 2012—according to the [Global Times](#)—Hsia attended the “Academic Symposium on the Xi'an Incident Across the Taiwan Straits” hosted by China Strategy Culture Promotion Association (中國戰略文化促進會) and the Xi'an Incident Research Association (西安事變研究會). At the conference, Hsia reportedly [stated](#): “The Nationalist Army and the People's Liberation Army can be said to have different philosophies, but for the unification of the Chinese nation, the goals are completely the same.”

More recently at the end of 2016, Hsia [attended](#) the high-profile 150th anniversary celebration of Mr. Sun Yat-sen's (孫中山; b. 1866) birthday held in Beijing. Sun was the founder of the Nationalist Party (Kuomintang) and the Republic of China, and is often revered in Taiwan as the “Father of the Country” (國父). Beijing rolled out the red carpet for the “revolutionary hero”

in a high-powered ceremony that was attended by senior Chinese cadres, which also included participation by retired senior military officers from Taiwan. Hsia was [among 32 retired military officers](#) from the Taiwan military who sat in the audience to listen to General Secretary Xi Jinping's speech, and was seen on Chinese-state run television standing up for the national anthem of the People's Republic of China. This event shook Taiwan politically and brought into public view the [threat of CCP political warfare](#) and efforts to co-opt Taiwan's retired military brass through united front activities.

Another related event that underscores the troubling trend of retired military veterans—especially older retired generals—from Taiwan who have apparently been coopted into supplicants of the CCP is the [case of retired General Hsu Li-nong](#) (the convener of the New Revolutionary Alliance). Already 103 years old, during his military career General Hsu once served as director of the Ministry of National Defense's Political Warfare Department from 1983 to 1987. In that role, he was the senior officer responsible for countering communist ideology and psychological warfare. Hsu turned into a vocal advocate for unification with the PRC after his retirement. In 2017, the retired general [issued a public letter](#) urging the two sides to issue a communiqué stating that there is only “One China in the world, Taiwan and ‘mainland’ are a part of China, China's territory and sovereignty brook no division.”

The Function of Huang Fu-hsing

As with many other military veterans as well as their families, Hsia and also Hsu have been part of the Nationalist Party's [Huang Fu-hsing Party Branch](#) (黃復興黨部). Officially known as the “Party Headquarters for Retired People from the National Army,” its members include retired officers and soldiers and their dependents, as well as affiliated veteran institutions. Since its members account for a significant proportion of the party members (roughly 25 percent in 2020) and boasts a high mobilization rate, it is considered [highly influential](#), especially for intra-party elections. It is noteworthy that nearly [60 percent](#) of Huang Fu-hsing members reportedly voted for Chang Ya-chung (張亞中) in the KMT's recent chairmanship election.

The current head of Huang Fu-hsing, handpicked by

the newly minted KMT Chairman Eric Chu (朱立倫, b. 1961), is retired [Lieutenant General Chi Lin-liang](#) (季麟連, b. 1947). Chi graduated from the Army Command and Military Academy and the War College of the National Defense University. He [once served](#) as the commander of the ROC Marine Corps, joint logistics, and strategic adviser to the Presidential Office. In 2019, Chi attended a [united front conference](#) in China commemorating the Second Sino-Japanese War (1937-1945). Chi began his current position in October and [landed in hot water](#) after he told a radio show that any country can fly in the skies over the Pratas Islands (Dongsha Islands, 東沙群島), which he referred to as “international airspace.” In reference to the uptick in Chinese fighter jets, Chi [reportedly said](#) “[l]et them come through—it’s fine.” Chi’s comments appeared to be an effort to downplay the significance of Chinese military patrols, and to shift the blame to the Tsai government for fanning the flames of public concerns. Chi said in a news [interview](#) that “the CCP’s full-scale exercises are not a harassment to Taiwan,” but that the Tsai government is “making people panic.”

Conclusion

The recurring pattern of some military veterans in Taiwan engaging in overt political activities and their associations with the Huang Fu-hsing are difficult to separate from one another. On a related note, the woven nature of the Huang Fu-hsing with the Nationalist Party highlights the complicated nature of the Party’s internal predicament regarding ongoing reform efforts. While such individual comments by Hsia may be justly characterized as inappropriate and distasteful, they also raise an important question: just how much influence do Hsia and other retired generals—now in their 80s, 90s, and even 100s—have on younger junior officers (or for that matter, the general population)? The answer to these questions, in addition to the severity of act, should weigh on the degree to which any recourse would necessarily need to be considered. In any case, it seems clear that their influence among Huang Fu-hsing members and the Nationalist Party remains strong. This shines a spotlight on the difficulty faced by the government in regulating some activities on the part of its retired senior military personnel, while balancing that with their right to freely express themselves and engage in political activities within a demo-

cratic political system.

The main point: A recent case in which a retired Taiwan Air Force General claimed China had the right to be in Taiwan’s ADIZ has reignited concerns over the CCP’s efforts to co-opt Taiwan’s retired military brass through united front activities.

Assessing the Concept of Integrated Deterrence for Taiwan

By: Eric Chan

Eric Chan is an adjunct fellow at the Global Taiwan Institute and a senior airpower strategist for the US Air Force. The views in this article are the author’s own, and are not intended to represent those of his affiliate organizations.

Over the last several years, the dual threats of accelerating [Chinese gray zone warfare](#) and the [increased risks of an actual Taiwan invasion](#) have caused US strategic planners to rethink how best to re-establish effective deterrence. The 2018 National Defense Strategy talked about the concept of great power competition, but through a relatively narrow, national aspect of [“building military advantage”](#) and [“maintaining important regional balances of power.”](#) Threats were defined in a [“2+3” framework](#), with the People’s Republic of China (PRC) and Russia being the primary two issues for the Department of Defense (DoD), while North Korea, Iran, and violent extremist organizations constitute the secondary three issues.

The DoD is now developing a new concept, *integrated deterrence*, that will likely be [a part of the 2022 National Defense Strategy](#). This concept was first publicly discussed by Secretary of Defense Lloyd Austin in an April 30, 2021 speech, in which he [briefly outlined a vision](#) of how networks of technology, concepts, and capabilities could effectively deter an adversary. In the months since, other members of the DoD have provided more details on the concept, [wherein networks of US allies and partners would be crucial](#) in extending deterrence beyond traditional military strength alone. Moreover, both [public discussion](#) and administration actions (such as the [recently-announced AUKUS pact](#) and [the revitalized “Quad”](#)) indicate that this concept is primarily aimed at PRC deterrence, with the 2022

NDS likely prioritizing the PRC above all else.

This concept has significant implications for Taiwan, especially because DoD senior leaders are now openly connecting deterrence of the PRC not simply to a wide range of scenarios, but [specifically to the defense of Taiwan](#). In this article, I will explore these implications and propose some methods by which Taiwan can work to realize shared security goals.

Tying Down Gulliver, Quickly

Integrated deterrence has dual implicit admissions. First, the growth of PRC military capabilities has outpaced American deterrent efforts to forestall an invasion. Moreover, the balance of future military technology development—[hypersonic weapons](#), for instance—does not favor the United States in the short term. It is not for nothing that the AUKUS pact emphasizes [“radical” technology-sharing and integration](#). This emphasis on sharing is all the more remarkable, as the US defense establishment has traditionally [prioritized technological solutions](#), and thus values absolute technological superiority over adversaries and allies alike.

However, developing war-winning technologies takes significant time and effort, even in conjunction with partners. A number of wargames over the last few years have shown how the [legacy US military would fail](#) in a Taiwan invasion scenario. As a number of senior defense officials—ranging from [the Chairman of the Joint Chiefs of Staff General Mark Milley](#), the [previous INDOPACOM Commander Admiral Philip Davidson](#), and [Taiwan Defense Minister Chiu Kuo-cheng](#) (邱國正)—have pointed out, the potential for an invasion will increase by the 2025-2027 timeframe. Recently developed US operational concepts, such as agile combat employment, [are important but largely defensive in nature](#), trading aircraft sortie generation efficiency for survivability. Future concepts, melded with technologies not yet fully developed, point to [more optimistic victory scenarios for the United States—but only in the 2030 timeframe](#). This points to a dangerous time gap of roughly 5-10 years, during which US military developments will be playing catch up just as [PRC national strength and Xi Jinping’s \(習近平\) political power are peaking](#).

Thus, integrated deterrence means that the United States will rely more heavily on allies and partners to

provide a regional mesh of deterrent power, essentially providing enhanced coordination to [already ongoing regional efforts](#) to balance Chinese military strength. Recent public discussion on the [increased Japanese support for Taiwan](#), as well as Australia’s switch from littoral defense diesel submarines to [nuclear submarines that can easily range to Taiwan](#), are examples of these regional initiatives. The implication for Taiwan is that it is *critical to surge military power through 2030*. Taiwan military acquisitions and reforms should prioritize gaining capability and capacity by 2025, with a limited number of operational goals against which to clearly measure combat readiness. Similarly, even if the United States and Taiwan cannot develop bilateral operational plans, discussions should be held so that both sides can at least have bilaterally informed operational plans with some level of deconfliction. The end goal of this surge would be to generate enough doubt within the People’s Liberation Army (PLA) leadership over the probability of success, and their ability to limit the extent of war, so that the Chinese Communist Party (CCP) will not take direct action during this decade of danger.

Flipping the Script on Cost Imposition

The second implicit admission of integrated deterrence is that prior deterrence aimed at maintaining a regional balance of power was not flexible enough to address PRC gray zone warfare. The United States has responded to this fairly slowly—in part because of a long-standing [security focus on armed conflict](#), and because gray zone warfare costs to date have [largely been shouldered](#) by US allies and partners. Given that gray zone warfare is [designed to get around traditional modes of deterrence](#), other, [more indirect methods](#) must be used. However, merely mitigating the costs on a bilateral level is not sufficient. If the United States is to rely on allies and partners in surging conventional deterrent power, then this means it will also need to impose heavy costs of its own on the PRC.

The United States has already begun carrying out such cost imposition through *distributed, multilateral* groupings designed to globally impede PRC coercive use of economic and military power. Over the last three months, it has demonstrated this through successes in [developing the Quad](#), [re-orienting NATO](#) towards countering the PRC, [the announcement of AUKUS](#), and

[revitalizing the US-Philippine alliance.](#)

On a more Taiwan-specific scale, the United States has organized [a joint US-Canada warship transit](#) through the Taiwan Strait, while encouraging [UK, French, and Australian efforts](#) to do the same. [US, UK, Japanese, Netherlands, New Zealand, and Canadian warships](#), including four aircraft carriers, have recently conducted anti-submarine warfare, air defense, and communication drills off the northern coast of Taiwan. This essentially distributes operational costs of competition across a variety of US allies and partners, while forcing the PRC, bereft of allies, to respond individually.

Taiwan can assist with this counter cost-imposition by pursuing a diplomatic strategy that focuses on *people-to-people* ties based on values. In particular, it should place a priority on nations and groupings with the economic heft and power to influence the CCP's cost-benefit calculus of an invasion—European nations and Australia, for instance, rather than those in Latin America. Just as proponents of a Taiwan asymmetric military strategy call for a [“large number of small things,”](#) this can also apply to diplomatic initiatives. The point of this would not be to gain formal recognition, but rather to highlight the commonalities between democratic peoples under siege from an autocratic power. This would not only make turning a blind eye to CCP aggression politically unpalatable, but would also use the PRC's economic strength against itself. For instance, the CCP's response to Taiwan's current values-based diplomacy in Europe has been [typically ham-fisted](#), with threats of [economic blackmail](#) undermining [years of united front work](#) and [billions in Belt and Road Initiative \(BRI, formerly known as “One Belt, One Road,” 一帶一路\) investment](#). Encouraging the Party to rant and throw good money after bad would impose serious long-term costs and make it easier for the United States to encourage further bandwagoning.

Conclusion

The US concept of integrated deterrence is a relatively risky national defense concept, as it involves intensive coordination and a certain level of trust across a variety of US allies and partners to create its envisioned mesh of deterrence. However, it is a necessary risk for the United States to take, as technological development and integration, as well as the necessary changes

to operational concepts, do not match well against the coming period of maximal PRC power—and danger.

This has created a hugely favorable environment for Taiwan, both independently and cooperatively with the United States, to surge both military and diplomatic power in such a way as to create sustained strategic advantage. Given that the CCP has done its utmost to assist the US strategy (albeit unintentionally through abrasive diplomacy and unrestrained use of coercion), Taiwan can certainly do no less.

The main point: The new US strategic concept of integrated deterrence is designed to apply American global strengths as a security partner to deter the PRC from an invasion of Taiwan and to impose sustained costs on PRC gray-zone warfare. Taiwan can take a number of independent and cooperative steps to increase the effective execution of this concept.

Managing Taiwan's Pacific Islands Strategy with Regional Powers

By: I-wei Jennifer Chang

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

Western democracies and Indo-Pacific powers recently have stepped up their diplomatic, economic, and security engagement in Oceania as the region becomes a strategic arena of competition with China. [French President Emmanuel Macron](#) visited French Polynesia in July amid growing concerns of Chinese influence and [support for independence movements](#) in far-flung French territories in the South Pacific. Similarly, [Australia](#) opened representative offices in the Marshall Islands and French Polynesia in May 2021 and later offered [financial support](#) to help Pacific island-nations facing rapidly [rising sea levels](#) mitigate the effects of climate change. President [Joseph Biden](#) also affirmed US commitments to drastically cut carbon emissions at the Pacific Islands Forum (PIF) leaders meeting held in August, marking the first time a sitting US president has attended this regional forum. This greater Western attention to the Pacific Islands provides an opportunity for Taipei to collaborate with other like-minded partners to counter the growing profile of the People's

Republic of China (PRC) in Oceania, and to safeguard Taipei's remaining diplomatic alliances in the region.

China's Growing Influence and Interests in Oceania

In the post-Cold War period, [Australia and New Zealand](#) were the primary regional powers actively involved in the central and southern parts of Oceania, known as Melanesia and Polynesia, respectively. The United States was still engaged in the northern part, referred to as Micronesia, with its [military base in Guam](#) and its [Compact of Free Association](#) (COFA) agreements with the Marshall Islands, Palau, and the Federated States of Micronesia (FSM). Under the COFA agreements, the United States provides [financial assistance](#) to these Freely Associated States (FAS), while retaining rights to establish [military bases](#) on these territories and to make [national security decisions](#) affecting the United States and FAS. For instance, [the Marshall Islands](#) is a major test site for US ballistic missiles and space operations. Japan, which [occupied and ruled](#) several Pacific Islands during World War II, is also a major source of [development and technical aid](#) to the region.

However, China has increasingly asserted itself as a challenger to the United States and other traditional powers in Oceania and the broader Indo-Pacific region. There are concerns that Beijing's expansionism in the [South China Sea](#)—which includes the construction of airfields and military installations—may extend to the Pacific Islands in an effort to deny US primacy in the Pacific region. After convincing Taiwan's former diplomatic ally [Kiribati](#) to shift diplomatic recognition to the PRC in 2019, China has developed plans to upgrade an old [airstrip](#) that had accommodated military aircraft during World War II on Kiribati's island of Kanton, located a mere [1,860 miles](#) southwest of Hawaii. An increased Chinese presence and military build-up in the Pacific Islands could challenge [US military capabilities](#) in Guam along the so-called second island chain. In light of the China threat, some [US lawmakers](#) are calling on the Biden Administration to swiftly negotiate and renew the COFA agreements, which are set to expire at the end of 2023 for the FSM and the Marshall Islands, and in 2024 for Palau. However, the COFA [talks have stalled](#) over the legacy of US nuclear weapons testing in the Marshall Islands during World War II, with [the Biden Administration](#) refusing to bear responsibility for cleaning up the lingering nuclear waste.

Despite US concerns over Chinese military intentions in Oceania, Beijing's main objectives *vis-à-vis* the Pacific Islands are more political in nature and related to its ongoing diplomatic competition with Taiwan. In September 2019, China dealt a diplomatic blow to Taiwan after coaxing the [Solomon Islands](#) and [Kiribati](#) to recognize the PRC and cut diplomatic ties with the Republic of China (ROC). The loss of these two allies whittled Taipei's diplomatic alliances in Oceania down to [four island-nations](#)—Palau, Nauru, Tuvalu, and the Marshall Islands. Yet Beijing continues to target Taiwan's remaining Pacific allies, using both promises of [financial aid](#) and bans on [Chinese tourist groups](#) to pressure these poor and tourism-dependent countries to switch allegiance. Indeed, China has become a major [aid donor](#) to the Pacific Islands, though reports suggest that the height of Chinese assistance to the region was in [2018](#), which was subsequently followed by annual declines in aid.

In addition, China has been utilizing its relations with Pacific Island nations to build its political influence in international arenas. Beijing has placed conditions on its aid packages, coercing recipients in the Pacific to promote Chinese interests in the United Nations (UN), including its bid to prevent Japan from joining the UN Security Council as a permanent member. [1] From Beijing's perspective, sending money to small island governments in exchange for more [UN votes](#) in favor of Chinese initiatives—as well as votes that could potentially shoot down any anti-China resolution—can be an effective strategy to enhance Chinese influence in international organizations. Thus far, China's [Pacific Island partners](#) have expressed support for President Xi Jinping's (習近平) Belt and Road Initiative (BRI, formerly known as “One Belt, One Road,” 一帶一路), as well as the newly announced [Global Development Initiative](#) (GDI, 全球發展倡議) to enhance exchanges with China on governance issues.

Furthermore, China has a strong interest in securing a steady supply of [natural and marine resources](#) from Oceania. The Pacific Island states, notably the Federated States of Micronesia, have some of the world's largest [exclusive economic zones](#) (EEZ), which possess [fertile fishing grounds](#). The Pacific Islands are also poised to be major players in the [blue economy](#), but also face the challenge of managing the maritime activities of

larger, more powerful neighbors such as China. Beijing wants access to marine resources, including fish, and its [vast fishing fleet](#) has now turned towards fishing in the seas near the Pacific Islands. However, reports of [Chinese vessels](#) engaged in illegal, unreported, and unregulated (IUU) fishing have raised concerns about the negative impact that China's presence could have on [Pacific economies and ecology](#). For instance, Palauan President [Surangel Whipps Jr.](#) has accused China of ignoring his government's request to rein in illegal fishing by Chinese vessels that have trespassed into Palau's territorial waters.

Taiwan-China Diplomatic Competition

Beijing and Taipei have engaged in intense diplomatic competition in Micronesia and Melanesia, which has resulted in the reshuffling of diplomatic alliances on numerous occasions over the past two decades. Some Pacific Island nations have switched recognition between China and Taiwan, only to reverse positions years later, as both sides of the Taiwan Strait have offered [financial sweeteners](#) and political support. In one example of constantly shifting positions, Kiribati established relations with the PRC in [1980](#), later switched diplomatic recognition to Taiwan in [2003](#), and then restored official ties with China in [2019](#). In another example, Nauru cut ties with Taiwan in [2002](#) after 22 years of diplomatic relations, choosing to recognize China, but later switched its allegiance back to Taipei in [2005](#). In a short-lived diplomatic switch, [Vanuatu Prime Minister Serge Vohor](#) signed a communiqué recognizing Taiwan on November 3, 2004, citing Taiwanese promises of [financial assistance](#). One week later, [Vanuatu's government](#) withdrew the communiqué and maintained official ties with Beijing. Vohor was later deposed in a [no-confidence vote](#) in December 2004 for his attempt to establish relations with Taiwan.

For Taipei, elections in Pacific Island nations hold the possibility of changing Taiwan's position with these island governments, either for better or for worse. With each election, there is concern that the new leader or government that comes into power could favor China over Taiwan. Following the loss of the Solomon Islands and Kiribati in September 2019, Taipei heavily scrutinized the November [general election](#) in the Marshall Islands, which included an [opposition](#) that supported closer ties with China. However, the Marshall Islands'

freshly elected parliament chose a new president, [David Kabua](#), who has sought to maintain diplomatic ties with Taiwan. Meanwhile, Taipei's hopes to regain Kiribati as a diplomatic ally were dashed in the June 2020 presidential election, which resulted in the re-election of incumbent president [Taneti Maamau](#), who had presided over the diplomatic switch in 2019. The political opposition claimed that the [Chinese Embassy in Kiribati](#) was heavily involved in swaying voters with material benefits, including donations of toilets, water tanks, and sports equipment.

Tensions between Taiwan and Australia

The diplomatic battles in the Pacific have frustrated Australia, which has criticized both Beijing and Taipei for interfering in the domestic politics of fragile Pacific Island nations. [2] From Australia's perspective, China's and Taiwan's so-called "checkbook diplomacy" endangered vulnerable island polities and exacerbated violence, political instability, and government corruption. [3] Taiwan and Australia clashed over their respective policies towards Papua New Guinea, the Solomon Islands, and Vanuatu in the late 1990s and early 2000s. [4]

Canberra's main concern was that Taiwanese financial assistance to these Pacific Island governments was thwarting Australia's governance agenda in these countries. As the Australian Department of Foreign Affairs and Trade (DFAT) noted, "Australia opposes such chequebook [sic] diplomacy, because [...] we have made a very considerable effort to try to address governance issues [...] [and we] see chequebook diplomacy as directly undermining the efforts that we have made." [5] Tensions arising from the competition between Australia and Taiwan over their respective roles in the Pacific Islands also resulted in political attacks on Taiwan by Australian politicians, who often used Taipei as a scapegoat for setbacks in Canberra's own policy. [6] Taiwan was accused by a politician in the Solomon Islands of interfering in the 2006 election by funding various political candidates, an unverified claim that Australian policymakers later used to criticize Taipei's involvement in the region. [7]

Taiwan's checkbook diplomacy was particularly prevalent during the presidency of Chen Shui-bian (陳水扁), when the contest for diplomatic recognition was

especially heated and led to domestic political scandals that exposed a dark nexus of foreign aid and corruption. [8] Three Taiwanese ministers resigned after it was revealed that Chen's plan to lure Papua New Guinea with USD \$32 million fell through and the money vanished. [9] As a result, Taiwan-Australia relations reached a low point during the Chen Administration. [10] Such tensions began to ease after President Ma Ying-jeou (馬英九) came into office declaring an end to "checkbook diplomacy" and with the beginning of a diplomatic truce across the Taiwan Strait. [11]

Moving Forward

In the current period, Taipei needs to carefully manage its Oceania policy with respect to Australia, since tensions previously boiled over during the heyday of Taipei's checkbook diplomacy. Specifically, it is important for Taipei to recognize that Canberra's main interests are improving governance and stability in these Pacific countries and protecting its regional influence, rather than assisting Taiwan to secure its diplomatic footing. Therefore, Taipei should work to engage Canberra on a range of governance, economic, and environmental issues currently facing Pacific Island nations, and should be careful not to overstep into what Canberra considers its traditional [sphere of influence](#). At this critical juncture, Taipei needs the support of [Australia](#) and other regional and like-minded democracies in its political and military struggle against China. As Western interest in the Pacific region grows in response to Chinese activities, Taipei could serve as an invaluable player in supporting regional initiatives on Pacific Island issues, leveraging its longstanding presence in Oceania.

The main point: As Western interest grows in Oceania in response to a rising challenge from China, Taiwan should carefully manage its Pacific Islands strategy, particularly with respect to Australia.

[1] Kobayashi Izumi, "China's Advances in Oceania and Japan's Response" in *China in Oceania: Reshaping the Pacific?* edited by Terence Wesley-Smith and Edgar A. Porter (Berghahn Books, 2010), p.88.

[2] Joel Atkinson, "Big Trouble in Little Chinatown: Australia, Taiwan and the April 2006 Post-Election Riot in Solomon Islands," *Pacific Affairs*, Volume 82, No. 1,

Spring 2009, pp.49, 53-56.

[3] Atkinson, "Big Trouble in Little Chinatown," pp.56-58. Rowan Callick, "Taiwan's Retreat from Alms Race Good for Pacific," *The Australian*, October 29, 2008, retrieved in Nexis Uni. Rowan Callick, "Taiwan Purges Pacific Island Graft," *The Australian*, March 29, 2010, retrieved in Nexis Uni.

[4] Atkinson, "Big Trouble in Little Chinatown," pp.49, 52.

[5] *Ibid.*, p.52.

[6] *Ibid.*, p.64.

[7] *Ibid.*

[8] Callick, "Taiwan's Retreat from Alms Race Good for Pacific."

[9] *Ibid.*

[10] Atkinson, "Big Trouble in Little Chinatown," p.64.

[11] Callick, "Taiwan's Retreat from Alms Race Good for Pacific."

Security Intelligence Exchanges Create Untapped Opportunities for Engagement with Taiwan

By: J. Michael Cole

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

For far too long, the discourse regarding Taiwan has been framed in terms of the need to "save" a democracy from the threat of annexation by an authoritarian neighbor. However noble such appeals may have been, they tended to depict a country's relationship with Taiwan as a mainly one-way street: country X would provide something that helped Taiwan, and the recipient of that assistance would express gratitude. Under such framing, the nature of the relationship was therefore altruistic, with Taiwan acting in mostly passive fashion. The problem with such a dynamic, however, was that continued aid to Taiwan depended upon the vagaries of politics. A change in government in country X—either one that put less of a premium on democracy or

that sought closer ties with the People's Republic of China (PRC)—could therefore quickly result in abandonment of a policy of assistance to Taiwan. Public support (or lack thereof) for such engagement can also affect a country's ability to collaborate with Taiwan.

This narrative, which arguably has been detrimental to Taiwan's ability to secure its rightful place among the community of nations, has begun to shift. This is largely attributable to increasingly negative international perceptions of China—caused by, among other factors, China's [cover-up of the origins of the COVID-19 pandemic](#), the behavior of its so-called "[Wolf Warrior diplomats](#)," and undelivered promises under both the [Belt and Road Initiative](#) (BRI, formerly known as "One Belt, One Road," 一帶一路) and [the "17+1" group](#) (中國-中東歐國家合作) in Central and Eastern Europe (CEE). The emerging consensus on the risks posed by closer interactions with the PRC has, in turn, engendered a reassessment of the value of Taiwan not just as a threatened democracy in need of outside protection, but rather as a country that is extraordinarily well positioned to understand China and the Chinese Communist Party (CCP)—specifically, what motivates the CCP, and how it can be engaged while ensuring that the values that we share, and the technologies that fuel our economies, are not unduly compromised.

Beyond Altruism

In times of global health emergency and economic crisis, Taiwan's lead in such sectors as the semiconductor industry, advanced manufacturing, and healthcare has underscored the country's value as both an indispensable player in the global supply chain and as a provider of assistance. More and more, therefore, engagement with Taiwan is less a one-way street and more a relationship between equals, one in which both sides make contributions for the greater good.

Such promising developments, however, cannot be taken for granted, nor should their continuation be expected to continue indefinitely. A window of opportunity has opened in recent years thanks largely to CCP General Secretary Xi Jinping's (習近平) alienating policies, contrasted by the pragmatism shown by the Tsai Ing-wen (蔡英文) Administration in Taipei. A passive attitude in Taiwan, or the lack of a long-term strategy to sustain fledgling relationships, would leave the door

open for abandonment at a future point—especially if Beijing, realizing the error of its ways, decided to reconfigure its approach to the rest of the world so as to make itself more appealing.

It is therefore essential that Taiwan build upon its current momentum by building solid foundations for bilateral and multilateral ties. Recent efforts to consolidate and [strengthen economic ties with countries like the Czech Republic, Slovakia, and Lithuania](#), for example, are a good early example of a policy that exploits dissatisfaction with China's approach to Central and Eastern Europe by delivering where Beijing's promises have largely failed to materialize. Awareness among such countries of the threat posed by authoritarianism only accentuates their desire to establish closer ties with a society that shares that experience. The dependence of those countries on the US/NATO security umbrella, furthermore, also makes them more amenable to following US "encouragements" to develop closer ties with Taiwan.

In recent years, multilateral settings such as the [Global Cooperation and Training Framework](#) (GCTF, 全球合作暨訓練架構) have also served as a platform to encourage relationships with Taiwan on a variety of subjects, from disease control to combating disinformation. Such exchanges, however, carry the risk of being one-off affairs that could cease altogether following a change of government. What is necessary, therefore, is for bilateral ties between Taiwan and its growing list of partners to become routinized, institutionalized, and mutually beneficial, to such an extent that they would survive and continue after a leadership transition in either country.

Normalizing Security Intelligence Exchanges

One area where such relationships can and should be developed is the security sector. Although most countries are reluctant to have direct military-to-military ("mil-mil") relations with Taiwan due to how their governments interpret their "One-China Policy" (一個中國政策), other areas, such as law enforcement and security intelligence, have been ignored for far too long. Notwithstanding the fact that the ban on military exchanges with Taiwan is often self-imposed and is not based upon language contained in a country's "One-China Policy," mil-mil interactions with Taiwan—

such as joint exercises or the posting of reciprocal defense attachés—tend to be visible and therefore subject to coercion by Beijing. Not so in the law enforcement and intelligence spheres, however, where routine contact can be established more easily and with less controversy. While several countries have interactions with Taiwan’s [Ministry of Justice Investigation Bureau](#) (MJIB, 法務部調查局) and host MJIB officers posted at Taiwan’s representative offices, this tends not to be the case with intelligence agencies, where, with a few exceptions, contact is either rare or non-existent. This is an area that plays to Taiwan’s strengths, and in which Taiwan can make major contributions to those countries that have little experience identifying the intelligence threats posed by the PRC—and precious few capabilities in terms of linguistic ability and cultural understanding.

Intelligence agencies worldwide therefore would find it advantageous to explore, formalize, and routinize closer relationships with Taiwan’s [National Security Bureau](#) (NSB, 國家安全局). Given the scope and nature of the Chinese threat in areas such as traditional espionage, cyber warfare, and the much-less understood discipline of political warfare, countries worldwide would benefit tremendously from Taiwan’s experience as a democracy that has lived—and prospered—for decades under China’s shadow, and that has learned to strike a balance between engagement and threat mitigation. Bilateral intelligence ties should first be regularized, with the aim of eventually having security liaison officers (SLO) posted reciprocally. Such agents could either be deployed officially or under cover, and in no way would such exchanges “violate” a country’s “One-China Policy.” Proper channels for intelligence sharing to ensure that classified material is handled safely would also need to be established.

The MJIB and NSB have a wealth of experience identifying, tracking, and countering various PRC actors that engage in “gray zone” activities, which can easily overwhelm intelligence agencies in the West due to a lack of experience dealing with such emerging threats. This is particularly true for societies with a large Chinese diaspora, where the CCP can activate proxies—triads, secret societies, “cultural” organizations, and so on—to conduct political warfare or engage in surveillance and harassment against critics of the CCP. Not only would

intelligence and best practices shared by Taiwanese agencies help security/intelligence agencies to identify potential malefactors within their own societies; the linguistic, historical, and cultural knowledge that Taiwanese agencies bring to the table could also help avoid excessive actions that could result in the targeting of innocent Chinese nationals.

Countries that remain hesitant to have any contact with Taiwanese intelligence agencies need to realize the tremendous potential of such untapped engagement, and how detrimental this is to their ability to track and counter nefarious CCP “gray zone” activities on their soil.

Taipei can also be more proactive on this front by providing skills and knowledge that simply do not exist elsewhere. Despite the nearly universal realization that the PRC’s global ambitions and Xi’s ideology threaten free societies worldwide, intelligence and law enforcement agencies, foreign services, and academia are still woefully unprepared to analyze and understand the CCP’s doctrine, the means and ends of Chinese influence operations, and the constellation of often overlapping institutions that engage in such activities abroad. The linguistic abilities, cultural understanding, and historical knowledge to fully understand the nature of the threat simply do not exist in sufficient numbers. Taiwan, therefore, is in an unequalled position to help plug that gap. One good way to start would be to compensate for this dearth of expertise by committing to translating—and making available—all CCP and People’s Liberation Army (PLA) doctrine, as well as other key party and government documents, into English. Such an effort, inspired in part by the Central Intelligence Agency’s (CIA) now-defunct [Foreign Broadcast Information Service](#) (FBIS) or its successor, the [Open Source Enterprise](#), would provide a treasure trove of information that is otherwise missing as government agencies worldwide attempt to make sense of Chinese ideology, ambitions, and foreign policy.

The main point: There is tremendous room for mutually beneficial expansion in intelligence and law enforcement relationships between Taiwan and the rest of the world. Making such engagement possible depends on a more proactive approach by Taipei, as well as the realization by potential partners that such contact is both in their national interest and entirely permissible un-

der each country’s “One-China Policy.”

Addressing the Social Economic Factors Behind Taiwan’s Fertility Crisis

By: Nick Fuhrman

Nick Fuhrman is currently a first-year MA student at the Johns Hopkins School of Advanced International Studies, and was a Summer 2021 GTI intern.

At the end of 2020, Taiwan’s slow population decline hit a grim milestone: new deaths [outpaced](#) births, and the crude birth rate fell to a stunningly low [6.01 births per 1,000 people in the first quarter of 2021](#). Coupled with [declining migration](#), Taiwan’s population crisis seems all but certain to continue well into this decade. Taiwan’s National Development Council (國家發展委員會) predicts that the island’s current population of 23.5 million will fall to below [20 million by 2056](#). The consequences of this decline are more immediate than many realize: estimates indicate that the [Labor Insurance Fund](#) (勞動基金) and the [National Health Insurance](#) (全民健康保險, NHI) program could face [financial insolvency](#), as senior citizens using these programs outnumber workers paying into them. The sustained population decline will likely wreak havoc on [Taiwan’s productivity](#)—and by extension, its gross domestic product (GDP) and [economic health](#). To reverse this trend, Taipei must embrace pronatalist policies that could include establishing a robust child tax credit system for new families.

Factors Behind Taiwan’s Declining Birthrate

Taiwan’s population problems began with a sharp decline in marriage rates. According to the Ministry of the Interior (內政部), marriage rates have fallen continuously in the [last 10 years](#). This trend is due in part to shifting attitudes toward marriage. A 2017 poll conducted by Academia Sinica (中央研究院) found that “self-reliance” took precedence over [starting a family](#) among single Taiwanese aged 28-32. [Nearly 96 percent](#) of poll participants rated independence as more important than marriage. However, this is not entirely due to disinterest in marriage on the part of young people in Taiwan. Economic factors, including the price tag associated with raising children and urban housing

costs, have deterred young people from considering marriage. The disparity in Taiwan’s major urban centers between [median household income and average housing costs](#) is one of the most severe in the world. The average household in Taipei pays upwards of [two-thirds](#) of its monthly income towards mortgage payments. Stuck between [stagnant wages](#) and expensive urban housing, it is not surprising that young Taiwanese do not find the idea of starting a family particularly appealing.

In a 2019 [poll](#) conducted by the Ministry of Health and Welfare’s Department of Statistics (衛生部統計處), 56.9 percent of female respondents ranked the “economic burdens” of raising children as the top reason for abstaining from starting a family. On a related note, [80 percent](#) of women surveyed in the poll said they wanted children; however, [39.4 percent](#) said they would not want to change their current lifestyle to have children. Women also face potentially dire consequences for taking maternity leave: specifically, the possibility that they may be passed over for promotions or even [let go from their jobs](#) due to their pregnancies.



Image: A Taiwanese news graphic showing the world’s top five and bottom five countries for birthrate—with Taiwan ranking last, at an average of 1.07 births per woman. (Image source: [Radio Taiwan International](#))

Consequences of Population Decline

It is clear that a major demographic shift is occurring in Taiwan, even if the long-term economic effects are not yet apparent. However, much like a train that requires a mile to come to a full stop, reversing the drop in fertility will take time, so Taiwan’s population policy will need to shift very soon to avert a major future crisis. According to [studies](#) conducted in the United States, a 10-percent increase of the 60 and up age group leads to significantly [decreased economic growth](#). A pop-

ulation structure in which a relatively small group of working age adults supports a large group of children and the elderly, who consume much more than they produce, puts more pressure on the younger people in the working population.

Transfers (between family members or from the government) are the typical measure used to fill gaps in production and consumption. However, [consumption](#) by the elderly is [increasing](#), and the burdens of increased use of government services like the National Health Insurance program will [fall to the working age population](#), which already faces economic strain. Innovation in the technology sector could also be hurt; for example, a smaller talent pool operating semiconductor fabs and researching new innovations would [decrease Taiwan's competitiveness in the global economy](#).

An even more dire situation could emerge in which society-wide low fertility becomes cyclical. According to some demographers, countries with low birth rates could fall into the "[low fertility trap](#)." In this situation, low incomes, desires for a more comfortable material life, and normalized small families of one child or fewer perpetuate a cycle of very low birth rates. [Studies have shown](#) this is not the case just yet in Taiwan, as 60 percent of women would like to have two children—but the share of women who want 0-1 children has also risen exponentially. Economically, this situation is unsustainable, and Taiwan's future will depend largely on which policy interventions are used to reverse the downward trend.

Recommendations

As stated above, the fertility crisis in Taiwan is largely due to individual economic burdens in the housing and childcare sectors. Other countries facing similar falling birthrates have tried to curb the problem with one-time payments for newly married couples (a policy instituted [in Japan](#)), or by setting aside housing for couples with children (as [Singapore has done](#)). While both of these policies are a step in the right direction, they do not directly address the problem. A bonus for married couples may help, but it is a one-time benefit. Allotted housing also only benefits those who already have multiple children, and it does not directly encourage citizens to start families. In the end, these policies

are half-measures that are unlikely to reverse wider downward trends in fertility.

Child Subsidies as a Fertility Booster

To avert a population crisis, Taiwan should avoid the well-intentioned half-measures of its regional neighbors. Instead, direct cash transfers to parents on a per-child basis until they hit working age should boost fertility. Combined with a strong paternal and maternal leave policy, subsidies could play a major part in turning the fertility crisis around. Other countries have instituted this policy, including the United States in 2021. The US Child Tax Credit has been touted as a revolution in bringing children out of poverty. Indeed, the subsidies are projected to [cut child poverty in half](#). However, this policy is also incredibly useful in terms of boosting [fertility](#) and could be successful if instituted in Taiwan. Direct cash transfers to parents can offset the costs cited by Taiwanese women as barriers to having children. But what evidence is there to support subsidies as a way to boost fertility rates?

Two neighboring European countries, the Czech Republic and Austria, provide success stories in reversing downward fertility trends that bode well for Taiwan. After the dissolution of the Soviet Union, the Czech Republic saw its total fertility rate [fall to 1.13 in 1999](#). This was due mostly to the economic transformation caused by leaving the Eastern Bloc. By 2008, however, the total fertility rate in the Czech Republic had rebounded to 1.5, a modest yet significant reversal driven by [expanded family policies](#). Paid parental leave for each child until age 4 was guaranteed to parents. In addition, Czech families can receive a monthly stipend, although it is [modest and mostly reserved for low-income families](#). Austria's monthly payments are larger, around 10 percent of a family's net income. As a result, Austria has kept fertility rates [stable](#) over the past few decades.

Clearly, pronatalist, direct transfer policies like these can stabilize or reverse negative fertility trends. In particular, boosting family incomes via subsidies does have a [measured effect on fertility](#). President Tsai Ing-wen's (蔡英文) administration has already begun using this type of intervention in moderation. [Education and childcare subsidies](#) are part of a childcare budget that will reach NTD \$85 billion (USD \$3 billion) by

2023. However, the current subsidy, which only applies to children under the age of 5, is only NTD \$3,500 (USD \$125). The expanded [subsidies are limited](#), and are estimated to help 870,000 people, or less than 4 percent of Taiwan's total population. It would be in the government's best interest to not simply copy the policies used in Singapore and Japan, which have had little effect. Instead, Taipei should consider instituting a permanent subsidy for each child until age 15 that would provide a strong lifeline for families to grow. Under the [Labor Standards Act](#) (勞動基準法), minors can begin working at age 15, so this subsidy would end at that age. If combined with a strong family leave policy, the subsidies could be a boon to Taiwan's population struggles.

How would this policy look in action? Due to the different nature of [housing](#) markets, following the Austrian model of setting the subsidy amount at 10 percent of average yearly income is unlikely to make much of an impact in Taiwan. In 2019, Taiwan's per capita household income was [NTD 401,398](#) (USD \$14,378). Boosting the government subsidy to 20 percent of the yearly income would give families a check of approximately NTD 6,700 (USD \$240) per month. Extra money for families could be used how they see fit: for housing, education, necessities, and more. The subsidy system could also be tailored to benefit families who need it most, and exclude wealthier families that make more than three times the average household income.

Challenges

As part of Taiwan's stimulus response to a recent COVID-19 surge in the island, the government included a one-time version of this idea, giving families [NTD \\$10,000](#) (USD \$358) under a policy called the [Epidemic Prevention Subsidy for Families with Children](#) (孩童家庭防疫補貼). A stopgap measure to help families make it through COVID-19 restrictions, this policy has helped up to 2.5 million people. As for making this policy permanent, one of the main roadblocks will be the perceived cost of the measure. However, in looking at Austria's and the Czech Republic's spending on family policies as a portion of total GDP, the cost comes in at only 3 percent and 2.6 percent, respectively—which is also the average for high-income [Organization for Economic Cooperation and Development](#) (OECD) countries. While not insignificant, these costs are also

not overwhelming, and are a worthwhile policy in the long-run.

The main point: Taiwan is inching closer to a demographic disaster, where elderly dependents will far outnumber working age people. Giving young adults financial incentives to start a family, such as child subsidies, could help to reverse this trend.

Germany Faces Challenges Ahead in Balancing Cross-Strait Supply Chains

By: Christina Lin

Christina Lin is an adjunct fellow with the Global Taiwan Institute.

After a 16-year reign at the helm of Berlin's foreign policy, German Chancellor Angela Merkel is finally retiring. Her likely successor is [Olaf Scholz](#), who will inherit Merkel's foreign policy portfolio—and along with it the challenge of Germany's China policy and balancing competing interests across the Taiwan Strait, especially in terms of economic relations with both Taiwan and the People's Republic of China (PRC).

While most observers expect that Scholz will continue with Merkel's pragmatic policy towards Beijing, there is a new dilemma surrounding Hamburg (Europe's third largest port after Rotterdam and Antwerp). According to a recent [Bloomberg](#) article, this port city's strong economic ties to China may now be “exposed to the vagaries of great power politics as tensions between the US and China spill into global supply chains.” As a result, Berlin's interest in Taiwan as a partner for strengthening its semiconductor supply chain appears to be growing. How Scholz, who hails from Hamburg, balances these competing interests is one of the main questions that Germany's incoming government will have to face.

Hamburg-China Supply Chain

Hamburg is often marketed as China's gateway to Europe, and is the continent's number one rail port with over [200 freight train connections](#) to China each week. It is a key node of China's “[New Silk Road](#),” and according to [Bloomberg](#), half of Germany-China trade worth [€213 billion](#) (USD \$244 billion) passes through Ham-

burg. The port city has [street names](#) like “Shanghaiallee” and “Hongkongstrasse,” and Chinese companies have a large presence here. China’s shipping giant COSCO is one of more than [550 Chinese companies](#) with offices in Hamburg, which is now Germany’s richest state and home to about 100 consulates. As such, there is [little talk](#) of Germany dislodging trade ties with its largest export market, even as Sino-US rivalry intensifies.

Nonetheless, according to [Mareike Ohlberg](#), a senior fellow at the German Marshall Fund’s Asia Program, while Beijing has no immediate interest in decoupling, its gradual aim is to become more independent trade-wise while keeping foreign dependency on the Chinese market, so “Germany would be well served by recognizing that and act[ing] accordingly.” To that end, Berlin and Brussels have begun to address specific issues such as market access and intellectual property protection [by establishing trade defense mechanisms and investment screening](#). Additionally, Germany has enacted a [supply chain law](#) that will be introduced at the [EU level](#). Its main purpose is to bolster resilience while also addressing human rights and environmental risks in the supply chain. Although not exclusively aimed towards China, the legislation nonetheless bears [Beijing in mind](#).

In terms of German domestic politics as Scholz tries to form a coalition government, human rights issues are especially important for the Greens and Liberals, and they “both have a strong critical approach on China,” according to [Ariane Reimers](#) at the Mercator Institute for China Studies (MERICS). “But no matter who governs Germany, no political party has an interest to subscribe to an overly confrontational China policy since any cold-war or close-to-cold-war situation could harm German economic interests,” Reimers added.

Hans Kundnani, director of Chatham House’s Europe Program, agrees that the incoming government would likely continue Merkel’s legacy of balancing Berlin’s relationship with China and the United States. Regardless of Social Democratic Party (SDP), Christian Democratic Union (CDU), or Greens’ views towards China (and which ministries they control), [Kundnani](#) believes that China policy will be determined by the chancellor.

This puts Scholz in position as the key decision-maker for policy towards China—as well as towards Taiwan,

which has the coveted semiconductor chips that Berlin needs for its automotive industry.

Dresden-Taiwan Supply Chain?

Germany’s biggest industrial sector is the automotive industry, which had a turnover of [€379.3 billion](#) (USD \$434 billion) in 2020, accounting for 20 percent of total German industry revenues. In the same year, Germany was the global top exporter of cars with exports worth [USD \\$122.3 billion](#) (19 percent of total exported cars globally), followed by Japan at USD \$80.9 billion (12.8 percent of total car exports) and the United States at USD \$45.6 billion (7.2 percent of total car exports). In 2019, Germany’s [top car export markets](#) were the US, followed by China and the United Kingdom, with [40 percent of Volkswagen’s vehicles](#) being sold in China.

With [one in three](#) German cars sold in China, some observers worry whether German carmakers are too dependent on China’s market, especially after Berlin became even more reliant on this market in 2020 due to US and European markets being hit much harder by the pandemic. However, [Ferdinand Dundenhöffer](#) from the Center for Automotive Research (CAR) foresees that China will play a key role as “the locomotive of the automotive industry,” especially given forecasts of significant growth in the next ten years, according to [Daimler CEO Ola Källenius](#).

This is where Taiwan enters the picture. While China may be a large export market for German auto makers, these vehicles depend on critical semiconductor input mainly from Taiwan—without which German auto production would largely come to a halt. In April 2020, due to the pandemic and semiconductor supply chain distortions, nearly the entire production of passenger cars came to a [standstill](#) in Germany. This prompted Economic Minister Peter Altmaier to write a [letter](#) in January 2021 to his Taiwanese counterpart, Minister of Economic Affairs Wang Mei-hua (王美花), requesting a priority shipment of semiconductor chips from Taiwan Semiconductor Manufacturing Company (TSMC, 台灣積體電路製造股份有限公司). Subsequently, to reduce dependencies from Asian suppliers in the future, Berlin is also planning to ramp up semiconductor production capacities, and in June 2021, [Robert Bosch](#) opened a USD \$1.2 billion chip plant in Dresden, Saxony.

In August, a [Reuters](#) article reported that TSMC has been in talks with Infineon, Robert Bosch, and NXP to build a semiconductor plant—possibly in Dresden, which is Europe’s largest semiconductor hub. This was followed in September by a news briefing wherein German Institute Taipei Director-General [Jörg Polster](#) again invited TSMC to establish a new fab in Saxony. Polster has met with Minister of Economic Affairs Wang Meihua (王美花) and Minister of Foreign Affairs Joseph Wu (吳釗燮), but not yet with TSMC representatives. According to [Ray Yang](#) (楊瑞臨) from Industrial Technology Research Institute’s (ITRI) Industrial Economics and Knowledge Center, TSMC’s investments in Germany and Japan will likely differ from its US investments—which will use the 5nm process—while Tokyo and Berlin plants are expected to use specialty processes to cater to the requirements of auto manufacturing clients.

Back in January, when Berlin requested semiconductor chips from TSMC, Taipei brought up the possibility of exchanging TSMC chips for [German BioNTech vaccines](#), given the low vaccination rate in Taiwan at the time. However, according to [Taiwan’s representative in Germany](#), the talks broke down in February, likely due to Beijing’s intervention. In light of this incident, some scholars in Berlin are now calling for Germany to re-evaluate its approach towards Taiwan and to have better relations based on economic [cooperation, not bartering](#).

Berlin Needs Better Relations with Taiwan

According to Angelo Kruger from the Berlin-based Global Public Policy Institute (GPPI), Germany should apply the US model of greater economic cooperation with Taiwan to streamline its information and communication [supply chains](#). He recommended deeper cooperation in other areas such as software development and joint research. Given the strategic and political significance of semiconductors as an intermediate input for high-tech industries, the EU’s *de facto* Ambassador to Taiwan, [Filip Grzegorzewski](#), has suggested that Taiwan should make better use of this asset. This view is shared by Taiwan’s top trade official [John Deng](#) (鄧振中), who sees the semiconductor chip shortage as an opportunity to strengthen economic relations with the [West](#).

As the German government is now committed to bolstering its semiconductor industry and building a resilient supply chain, it is looking to Taiwan as an important partner in that endeavor. The incoming government, which will likely be led by Olaf Scholz, will need to balance its Hamburg and Dresden supply chains with those on both sides of the Taiwan Strait. Given that the auto industry cannot survive without critical semiconductor inputs, Berlin also needs to be a credible partner to Taiwan—and to have a new approach towards Taipei not based on *ad hoc* bartering, but on better overall economic cooperation.

The main point: Germany’s incoming government, likely led by Olaf Scholz, faces the dilemma of balancing auto exports to China with semiconductor chip inputs from Taiwan. In order to effectively partner with Taiwan to build resilience in its semiconductor supply chain, Berlin will need to build better relations with Taipei and upgrade overall economic cooperation.