

Taiwan-Iran Economic Relations Under the International Sanctions Regime

I-wei Jennifer Chang

The Lithuanian Model for Expanding Taiwan's Ties with Baltic States

J. Michael Cole

Taiwan's Participation in the "Summit for Democracy"—and Beijing's Coordinated Propaganda Campaign in Response

John Dotson

Limits to Proposed US Security Assistance Measures to Taiwan

Michael Mazza

Taiwan's Energy Security and the Threat of a PRC Blockade

Jordan McGillis and Anthony B. Kim

Changing of the Guard: The Politics of German-Taiwanese Relations in a Post-Merkel Era

Dominika Remžová

Taiwan-Iran Economic Relations Under the International Sanctions Regime

By: I-wei Jennifer Chang

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On November 29, [Iran and world powers](#) converged in Vienna in talks on reviving the 2015 Iran nuclear deal, formally called the [Joint Comprehensive Plan of Action](#) (JCPOA). Amid mounting [US-China tensions](#), the resumption of the Iran talks presents a potential venue for Washington and Beijing to collaborate on a global issue of concern. After then-President [Donald Trump pulled](#) the United States out of the JCPOA in 2018 and [reimposed sanctions](#) on Iran that had been [lifted](#) following Tehran's compliance with the nuclear deal, Iran began to [enrich uranium](#) to a level closer to weapons-grade. President Joseph Biden has made renewing the Iran nuclear deal a [foreign-policy priority](#)—and China is seeking to leverage its [role in the Iran talks](#) to gain concessions from the United States on the Taiwan issue. Besides the linkages between China's posturing on Iran and US Taiwan policy, Taiwan's own economic and trade relations with Iran have been adversely affected by the international sanctions regime on Iran. Under pressure from US and European Union sanctions, Taiwan has reduced both its [oil imports](#) and [overall trade relations](#) with Iran, and has had to find alternative foreign energy sources.

Linkages between the Iran Nuclear Issue and Taiwan

During their [November 15 virtual meeting](#), President Biden and Chinese President Xi Jinping (习近平) discussed the Iran nuclear talks ahead of the Vienna meeting, among a list of other issues that included tensions over Taiwan. "The two presidents had the chance to talk about how we can align our perspectives heading into that meeting so that the P5+1 is united in dealing with Iran and trying to pave the way for a return to the [deal]," said White House National Security Advisor [Jake Sullivan](#), referring to the five permanent members of the United Nations Security Council (UNSC) plus Germany, who are all engaged in the talks on the Iran nuclear deal, though the US and Iran are not in direct talks with each

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other. Although China favors [resumption of the JCPOA](#), which it had helped to negotiate in 2015, the current tensions in US-China relations, including over [Taiwan](#), make it unlikely that Beijing will readily offer Washington full support on the Iran nuclear issue in the short run. Beijing has made statements suggesting that it cannot [compartmentalize](#) cooperation with the United States on issues of mutual interest—for example, climate change—without first making progress on other issues that spark bilateral tensions such as Taiwan.

In the past, Beijing has sought to obstruct progress on the UNSC resolutions that would impose sanctions on Iran due to tensions with Washington over Taiwan. In 2007 and 2008, China withheld support for UN Security Council efforts to penalize Iran in order to protest US support of Taiwan, including American arms sales to the island. [1] An Iranian op-ed published in February 2010 argued that China's behavior in a recent UN meeting on Iran "was not an indication of a 'strategy' in support of Iran or a 'policy' to delay consensus in favor of Iran, rather it was purely a 'reaction' to the sale of US weapons to Taiwan." [2] Such Chinese actions on Iran-related meetings and resolutions in the UNSC suggest that Beijing has used its role in these forums to pressure Washington on Chinese "core interests" (核心利益) such as Taiwan; progress on the Iran nuclear talks is of secondary concern to Beijing. Indeed, Chinese policy has tended to frame Beijing's cooperation on the Iran issue as dependent on US accommodation to China's position regarding Taiwan. Chinese officials have argued that if the United States can sell arms to Taiwan, then China can also continue its [arms sales to Iran](#). However, US policymakers tend not to link the Iran nuclear issue and US policy towards Taiwan.

Ahead of the Vienna meeting, Beijing has taken steps to shore up its support of Iran—thereby buttressing Tehran's position *vis-à-vis* the other negotiating powers, and also complicating Chinese collaboration with the rest of the P5+1. In a [phone conversation in May](#) between Xi and then-President Hassan Rouhani of Iran, the Chinese leader said that "China supports Iran's reasonable demands" on the JCPOA and "is willing to strengthen coordination with Iran to safeguard the common interests of both sides."

At the same time, China's economic relations with Iran have helped to shield Tehran from US and European

sanctions and pressure. After the Trump Administration pulled out of the JCPOA and urged all countries to stop importing Iranian oil, China continued to [purchase oil](#) from Iran despite US sanctions, and has emerged as Iran's [largest trade partner](#) and [top oil client](#). In 2020, China imported a monthly average of [2.4 million barrels](#) of oil from Iran. In March 2021, China and Iran signed a "[Comprehensive Strategic Partnership](#)" that promises at least [USD \\$400 billion of Chinese investment](#) in Iran in return for guaranteed supplies of Iranian oil for 25 years. From the Western perspective, the Chinese have given the Iranians an economic lifeline, which not only [undercuts the international sanctions regime](#) but also could fund Tehran's growing nuclear program. At the same time, China wields the most [leverage](#) over Iran, due to their economic partnership. If Western countries request that Beijing use its influence over Tehran to help revive the Iran deal, then the Chinese government may also demand some concessions from Western countries on other issues of interest, including Taiwan.

Taiwan-Iran Economic Relations and the Oil Trade

As a net oil importer, Taiwan is almost [entirely dependent](#) on foreign energy sources, in particular crude oil. In the early 2000s, Iran constituted Taiwan's [third-largest oil trade partner](#), following Saudi Arabia and Kuwait. Iran shipped [59,746,000 barrels of oil](#) to Taiwan at the height of their oil trade in 2003, but rounds of [international sanctions on Iran's nuclear program](#) that also penalized foreign buyers of Iranian oil have dealt significant blows to Taiwan's trade relations with Iran. Two-way trade reached [USD \\$5.6 billion](#) in 2008 owing to large Taiwanese imports of Iranian oil.

Today, economic and trade ties between the two sides could not be more lackluster: bilateral trade reached [USD \\$146 million](#) in 2020 with [low levels of two-way foreign direct investment](#) (FDI) over the past several decades. According to Taiwan's Ministry of Economic Affairs (MOEA, 經濟部), 78 Iranian FDI cases in Taiwan totaling [USD \\$7.72 million](#) were approved from 1952 to 2019, compared to only one Taiwanese FDI case in Iran (amounting to USD \$183,000) that was approved during the same time period. The main [Iranian products](#) imported by Taiwan have been petroleum, aluminum, and steel. [Taiwanese exports](#) to Iran are mostly steel, storage devices and storage units, and polyvinyl

chloride.

Taiwan-Iran trade has been largely influenced by the imposition and lifting of Western sanctions on Iran. Bilateral trade climbed to [USD \\$1.3 billion](#) in 2016, coinciding with the [lifting of US and European sanctions](#) imposed on oil exports from Iran that same year. Indeed, Taiwan's imports of Iranian oil jumped from [3,925,000 barrels of oil](#) in 2015 to [11,774,000 barrels of oil](#) in 2016, according to statistics from MOEA's Bureau of Energy (經濟部能源局). However, two-way trade fell from [USD \\$1.6 billion](#) in 2018 to [USD \\$179 million](#) in 2019, representing an 88-percent drop. This was largely due to Taiwan's precipitous cuts in [Iranian oil imports](#) starting in 2019.

In April 2019, then-President Trump indicated that the United States would not be renewing [special waivers](#) that had allowed five countries—China, India, Japan, South Korea, and Turkey – that import oil from Iran to be exempt from US sanctions. The Trump Administration declined to renew the waivers set to expire on May 2, in an effort to bring Iran's global oil exports to “zero” and as part of the US “[maximum pressure](#)” campaign against Tehran. [Secretary of State Mike Pompeo](#) commented following the White House announcement: “The goal remains simply: to deprive the outlaw regime of the funds it has used to destabilize the Middle East for decades and incentivize Iran to behave like a normal country.”

Prior to Trump's announcement, [Taiwan](#), which had also received a special sanctions exemption from Washington, was already cutting its oil purchases from Iran. Taiwan stopped purchasing Iranian oil in [late 2018](#). Indeed, the last available figure for Taiwan's oil trade with Iran was in 2018, which showed that the island imported [5,986,000 barrels of oil](#) from the Islamic Republic; however, no data is available for Iranian oil imports into Taiwan from [2019 to the present](#). This suggests that Taiwan's oil imports from Iran have approached zero since 2019, coinciding with the [Trump Administration's drive](#) to cut off Iran's foreign oil revenues.

Indeed, [Iran](#) has dropped off the list of Taiwan's main oil trade partners. Meanwhile, Taiwan has increased its oil imports from other Middle Eastern producers, including [Saudi Arabia](#) and [the United Arab Emirates](#) (UAE),

as well as [the United States](#). Starting in 2017, Taiwan began importing [2,583,000 barrels of US oil](#). In 2018, US oil exports to Taiwan grew to [43,900,000 barrels of oil](#), a staggering jump of nearly 1,600 percent from the previous year. The next year, US oil imports to Taiwan reached [59,743,000 barrels of oil](#), and then dropped slightly to [53,064,000 barrels of oil](#) in 2020. Taiwan imported [46,575,000 barrels of oil](#) from the United States between January and October 2021. Furthermore, in 2020, Taiwan also increased its oil imports from other foreign suppliers, including [Angola](#) and [Qatar](#). From January to October 2021, Saudi Arabia ([30 percent](#) of Taiwan's total oil imports), Kuwait ([20 percent](#)), the United States ([19 percent](#)), and the UAE ([10 percent](#)) constituted Taiwan's top four oil exporters.

Conclusion

Taiwan's ability to develop stronger economic and trade ties with Iran has been severely hampered by the international sanctions regime that was erected to punish Iran's nuclear program. As one of Taipei's [former top oil trade partners](#) in the Middle East, Iran could potentially reprise its position if international negotiations to resurrect the Iran nuclear deal ultimately prove successful. Taiwan's [past trade relations](#) with Iran under the sanctions regime have indicated how the lifting of US and European sanctions on Iran has also economically benefited Taiwan's trade with Iran. Therefore, the talks to revive the JCPOA could affect Taiwan's trade relations with Middle Eastern oil producers. Arguably, renewing the 2015 Iran deal is in the interest of the United States and its European allies; a revived deal not only could reduce tensions with Iran, but also enable Western democratic nations to focus more on the security challenges posed by China in [the Indo-Pacific region](#). Moreover, Taipei will also find itself less restricted when it comes to purchasing Iranian oil and engaging in commercial opportunities with Iran.

The main point: The recent attempt to revive the 2015 Iran deal has shed light on the linkages between China's posturing on Iran and US Taiwan policy, as well as the ways in which Taiwan's own economic and trade relations with Iran have been adversely affected by the international sanctions regime on Iran.

Special thanks to GTI Intern Adrienne Wu for her research assistance.

[1] “Hu Offered Gates No Help on Iran, Criticized US on Taiwan,” *East-Asia-Intel Reports*, November 14, 2007. “China Blocked UN Pressure on Iran After US Arms Sales to Taiwan,” *Geo-Strategy Direct*, November 5, 2008.

[2] “Iran’s Nuclear Case: China’s ‘Trump Card’ Against US – Daily,” *BBC Monitoring Middle East-Political*, February 8, 2010, retrieved in Nexis Uni.

The Lithuanian Model for Expanding Taiwan’s Ties with Baltic States

By: J. Michael Cole

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The [opening](#) of the Taiwanese Representative Office in Lithuania in the middle of November is being regarded as a *coup de main* by Taipei in the continuous battle for Taiwan’s international space. The speed by which relations between Taipei and Vilnius developed in 2021 appears to have caught Chinese officials completely by surprise, and the establishment of reciprocal representative offices completely bucks Beijing’s strategy of using coercion and incentives to isolate Taiwan internationally.

This unexpected turn of events adds insult to injury for Beijing, which had counted on its “17+1” Initiative in Central and Eastern Europe to draw in the region economically, and in so doing to ensure compliance with China’s political goals. The recent defiance by small states like the [Czech Republic](#) and Lithuania, highlighted by those two countries’ decision to deepen their engagement with Taiwan despite threats of retaliation by Beijing, stems from a variety of factors. These include the Chinese cover-up of the origins of Covid-19, the crackdown in Hong Kong, the realization that China’s economic inducements were largely illusory, and an [overall downturn in global perceptions of China](#) under Xi Jinping (習近平).

Chinese belligerence in response to states’ exercising their sovereign right to engage Taiwan within their own understanding of a “One-China Policy” has backfired—not only by further embittering attitudes toward China

but also by encouraging democracies to show [solidarity](#), much of this with the [support and encouragement of the United States](#). Beijing’s tone-deaf reaction to the flourishing, albeit unofficial, ties between Taiwan and Lithuania has highlighted the complete inability of Chinese officials—both in Beijing and on the ground in the Baltic republic—to understand the nature of the people they are dealing with: proudly democratic and independent, viscerally aware of the traumas of authoritarian rule, and largely Roman Catholic—attributes that, as Lithuanians will tell us, are part of their cultural DNA.

“Losing” Lithuania

China’s inability to keep small, potentially captive states in line has deeply troubled Beijing, as this threatens to expose the emptiness of its strategy. With Lithuania in particular, the lack of economic leverage by Beijing has undermined its ability to retaliate. In 2020, China accounted for [less than 1 percent of Lithuania’s overall exports](#), or USD \$357.76 million, while China’s [exports to Lithuania](#) were approximately USD \$1.34 billion. Still, this lack of leverage did not deter Beijing from seeking further ways to punish Vilnius for its insubordination. China has [downgraded](#) relations between the two countries to the sub-ambassadorial level of *chargé d’affaires*, suspended consular services, and [delisted Lithuania as a country of origin](#). All these measures have been accompanied by a drumbeat of threats and invective in Chinese state media, with the ultra-nationalistic *Global Times* recently comparing punishing Lithuania to “[swatting a fly](#).”

This savaging of Lithuania over its “[provocation](#),” however, is unlikely to compel Vilnius to reverse course and has arguably been self-defeating. Instead, Beijing’s principal policy at this point appears to be the use of diplomatic “carpet bombing” to deter other small states from following in Lithuania’s footsteps. This, in turn, has given renewed impetus to ongoing efforts within the EU to draft and implement [anti-coercion mechanisms](#)—measures that, once in place, could mitigate the effects of such retaliatory action by China against other EU member states.

Opportunities and Responsibilities for Taiwan

The establishment of a representative office in Lithuania constitutes a victory for Taiwan in its efforts to



Image: Taiwanese diplomatic officials at the opening of Taiwan's Representative Office in Lithuania, Nov. 18, 2021. (Source: [Taiwan Ministry of Foreign Affairs](#))

counter both international isolation and the Chinese *narrative* of Taiwan's supposedly inevitable international isolation. By focusing on a part of the world that has not traditionally been an area for Taiwanese presence and engagement, Taipei has also demonstrated the virtues of an asymmetrical approach to combating China on the world stage. This development also exposes the fact that Beijing is willing to break its own rules on "One China," in that it is now willing to punish states even when they continue to abide by their "One-China Policy" by not establishing official ties with Taiwan. Although the object of Beijing's ire is ostensibly related to the nomenclature used for Taiwan's office in Vilnius (which uses the word "Taiwan"), at a deeper level, the source of its anger is the gains that Taiwan has made in Europe, an area where China had hoped to increase its influence.

Lithuania has taken some risks in placing its bets on Taiwan, and besides the retaliation it is currently facing, the move may also have cost it future economic opportunities. Consequently, it will be crucial for Taiwan to demonstrate that Vilnius' risk-taking was not in vain. Already, a large [Taiwanese trade and investment delegation](#) has visited the country, with a total of 240 online and offline trade talks involving more than 150 Lithuanian firms and various Taiwanese ones. Taiwan must build on the complementarity of the two economies to replicate its successes in countries like the Czech Republic, where despite much Chinese propa-

ganda, Taiwan has been a [much more substantial investor and job creator](#). Lithuania has a hard-working, highly educated and productive workforce in the manufacturing sector, with strengths in areas such as the laser industry—which has also become a target for Chinese retaliation, with China deciding to [halt cooperation](#) between its laser industry bodies and Lithuania.

Trade forms the basis of bilateral relations and must be mutually beneficial. Lithuania has made it clear that it expects to reap the benefits of engagement with Taiwan, a country with an economy approximately 11 times larger than its own, as well as a highly advanced tech sector. Lithuania therefore represents a golden opportunity for Taiwan to showcase the advantages of engagement and to demonstrate that small and medium states not only can afford to defy China but can actually benefit materially from doing so. Conversely, failure to build upon and to sustain this momentum could dissuade prospective partners from going down that path. Thus, Taipei must demonstrate a commitment to building prosperous and mutually beneficial ties with its new Baltic ally, and the tangible results must materialize as expeditiously as possible.

Opportunities for Expanding Engagement between Taiwan and Baltic States

The potential for engagement between Taiwan and the Baltics goes well beyond trade and investment, however. Lithuania, Latvia, and Estonia all have traditions of resistance to external aggression and, by virtue of their proximity to Russia, have developed their own strategies to counter the security threat posed by their much more powerful—and like China, expansionist—neighbor. Taiwan and the Baltic states therefore have much to learn from each other, in areas ranging from cyber and hybrid warfare to the implementation of an asymmetrical defense posture. While Russia poses the more immediate threat to the Baltic region—underscored by apprehensions across the region that Moscow could launch an [invasion of Ukraine](#) as early as next January—it is also clear that China has become a more active player in the region, with all the risks of espionage, cyberattacks, co-optation, and hybrid threats that this new presence entails.

Countries like Lithuania that have already defied Beijing are now bracing for the very real possibility of cy-

berattacks against their institutions, and this is an area where Taiwan's expertise in addressing such threats can come in handy. Appropriate intelligence-sharing mechanisms must therefore be established to facilitate communication, threat mitigation, and response; these are areas where, again, Baltic states can make real gains from a deeper relationship with Taiwan, whose capabilities in the cyber sector are larger by orders of magnitude. The fledgling relationship with this part of Europe also creates opportunities for Taiwan's indigenous defense industry, particularly in the unmanned vehicle sector: for example, Taiwan [donated 10 police drones](#) to Lithuania in October to assist the country as it deals with an influx of refugees from Belarus.

For its part, Taiwan has much to learn from the Baltic states in non-traditional military areas, particularly in areas of state resilience and the concept of total defense. For example, as it explores ways by which to increase its deterrence against a Chinese attack, the Taiwanese military could learn important lessons from the Lithuanian *Lietuvos Šaulių Sąjunga* ("[Riflemen's Union](#)"), the Estonian Defense League, and the National Guard, initiatives that blend traditional military forces with a militia and civilian component. Among other things, Taiwan could learn from those countries' experiences in providing training to these additional layers of defense, as well as how and where to safely store weapons so that they can be quickly accessed by paramilitary forces in times of national emergency. No doubt Taiwan could learn a thing or two about forming and training a proper Reserve Force. Taiwan and the Baltics can also identify areas for the joint training of special forces and other units charged with waging asymmetrical war against a much more powerful and better-equipped opponent. Latvia and Lithuania, in particular, have clearly signaled their willingness to engage Taiwan more closely on such matters.

For this to happen, the Taiwanese government will have to be willing to go beyond its traditional areas of engagement on security issues, and civilian authorities will have to contend with a culture of historical resistance within the Ministry of National Defense to the idea of giving the population a role in national security (especially one that involves arming them). But as with trade, Taipei will need to overcome those difficulties and, as rapidly as possible, demonstrate to its potential

partners that it is ready to engage them in a way that is mutually beneficial.

As the experience with Lithuania shows, an unprecedented window of opportunity has been created for Taiwan in the Baltics—one that will not remain open indefinitely. While we cannot expect results overnight, especially on security matters, Taipei cannot afford to drag its feet—and must therefore be proactive in its efforts to turn this potential into a source of real benefits for all the countries involved. It has natural and willing partners in the Baltics; Taipei, too, must demonstrate that it means what it says. If it does well in that area, there is a high likelihood that countries elsewhere will take notice. Failure to seize this moment, however, could have long-term detrimental effects on Taiwan's appeal, and thereby strengthen China's ability to deter engagement with Taiwan. The ball, therefore, is very much in Taipei's court.

The main point: A window of opportunity has opened for Taiwan to deepen its engagement with the Baltic states, a grouping of small nations that also faces an existential threat from a powerful authoritarian neighbor. In areas ranging from trade to non-traditional defense, these states are natural allies for Taiwan, and provide a chance for Taipei to showcase the real benefits of closer ties despite threatened retaliation by Beijing.

Taiwan's Participation in the "Summit for Democracy"—and Beijing's Coordinated Propaganda Campaign in Response

By: John Dotson

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On December 9-10, the Biden Administration hosted a two-day "[Summit for Democracy](#)," which was intended to "bring together leaders from government, civil society, and the private sector to set forth an affirmative agenda for democratic renewal and to tackle the greatest threats faced by democracies today." Hosting the summit fulfilled a vow made by President Biden in

a [speech](#) in February, in which he declared his intent to “host [a] Summit of Democracy early in my administration to rally the nations of the world to defend democracy globally [and] to push back [against] authoritarianism’s advance.”

The virtual event included government and civil society representatives from [110 invited states](#) and one supra-national body (the European Union). Although [questions were raised](#) by some regarding the list of invited states (e.g., Pakistan and the Democratic Republic of Congo were invited, while Bosnia and Bangladesh were not), the list of invitees was largely representative of most of the world’s democratic states. Taiwan stood out on the list as the only democratic polity lacking in widespread international official diplomatic recognition to be invited.



Image: Taiwan’s Digital Minister Audrey Tang speaking at the virtual “Summit for Democracy” on December 10, 2021. (Source: [Summit for Democracy/YouTube](#))

Taiwan’s senior [representatives](#) for the summit were Digital Minister Audrey Tang (唐鳳) and Hsiao Bi-Khim (蕭美琴), Taiwan’s *de facto* ambassador to the United States. [1] Speaking at the summit on December 10, Minister Tang [expressed](#) Taiwan’s support for liberal democratic measures such as upholding a free press, promoting anti-corruption initiatives, and combatting online disinformation. In her speech, she stated that:

“Although Taiwan is a young democracy, it’s standing firm on the front lines of the global struggle with authoritarianism. It also plays a leading role in advancing freedom, democracy and human rights worldwide. [...] As democracies, we must trust our citizens and invest in public infrastructure in the digital realm. This is the

best and only way to protect and advance our shared values. Today’s summit is the perfect platform to bring democracies together and explore ways to collaborate.”

Beijing’s Reaction and Attacks on the United States

Beijing’s reaction to Taiwan’s participation in the summit was predictably strident. Following the initial announcement of the US invitation to Taiwan, People’s Republic of China (PRC) Foreign Ministry spokesman Zhao Lijian (趙立堅) [stated](#) on November 24 that:

“China resolutely opposes the United States inviting the Taiwan authorities to join this so-called ‘leaders democracy summit.’ There is only one China in the world. The government of the People’s Republic of China is the only legal government to represent China, and Taiwan is an inseparable part of Chinese territory. [...] Aside from being a part of China, Taiwan has no status under international law. We sternly urge the US side to abide by the One-China Principle... [and] to cease offering any platform to ‘Taiwan independence’ forces [...] playing with fire alongside ‘Taiwan independence’ forces will lead to getting burned.”

The governments of the PRC and the Russian Federation were pointedly excluded from the summit, prompting a harsh [joint statement](#) from the PRC and Russian ambassadors to the United States that the gathering represented “an evident product of [America’s] Cold-War mentality,” which would “stoke up ideological confrontation and a rift in the world, creating new ‘dividing lines’” among nations. Xu Lin (徐麟), the vice-director of the Chinese Communist Party (CCP) Propaganda Department (who also serves as the director of the PRC State Council Office, although it is the former title that matters), stated in a [press conference](#) on December 4 that: “The United States calls itself a democratic leader, and organizes and manipulates the so-called ‘US Summit for Democracy’ [...] it actually uses democracy as a guise to suppress and contain countries with different social systems and different development models, and cover its own undemocratic moves. This will be a joke in the history of democracy.”

Making an oblique response to criticisms from the PRC, Taiwan’s Minister Tang [contrasted](#) Taiwan’s model with “some nearby authoritarian regimes,” and further

commented that “For all the governments and peoples around the world who feel maybe slighted that they have not been invited as a participant, my suggestion is to double down on realizing democracy so that, maybe by the next round, we will be sharing the same stage.”

Beijing’s Coordinated Propaganda Campaign on the Nature of “Democracy”

Further official PRC comments reinforced that, for the leadership of the CCP, the invitation list for the summit was a double provocation: with Taiwan’s participation representing a violation of the PRC’s claimed sovereignty over the island, and China’s own exclusion representing an implicit but clear US statement that the PRC did not qualify for attendance. Beijing’s furious reaction was channeled into a multi-faceted propaganda campaign unveiled in the first week of December, beginning on December 2 with the [“Chinese and Foreign Scholars Talk Democracy’ High-Level Dialogue”](#) (“中外學者談民主” 高端對話會), which was convened in Beijing and hosted by PRC Vice Foreign Minister Le Yucheng (樂玉成). The event [previewed](#) themes to be further emphasized later in the week, with Le making a speech on how the model of “people’s democracy” in China “fits its own national conditions well,” and asserting that the government enjoyed “the universal support of the Chinese people,” while the United States and other foreign critics advocated democracy on their own model as a ploy “to contain the development of other countries.”

Foreign speakers at the event were trotted out to offer similar praise for the PRC system, as well as parallel criticisms of alleged Western democratic failure. For example, John Ross (a former advisor on economic policy to the mayor of London, who has since become a regular [propaganda columnist](#) for PRC state media) [criticized](#) European states on the grounds of their “claim that democracy is instead defined purely in terms of certain formal and official structures which they possess,” and asserted that “the issue of democracy is how much in reality rule by the people exists.” On these grounds, Ross argued that the PRC’s “concept of rule by the people” demonstrated that “China’s framework and delivery on human rights and democracy is far superior to the West’s.”

A second such event followed two days later with the



Image: A publicity photo showing PRC Vice Foreign Minister Le Yucheng (at podium, left) alongside other participants in the “Chinese and Foreign Scholars Talk Democracy’ High-Level Dialogue” held on December 2. The event was part of a larger propaganda effort by the CCP to promote counter-narratives in the face of its exclusion—and Taiwan’s invitation—to the US-hosted “Summit for Democracy.” (Image source: [PRC Foreign Ministry](#))

[“International Forum on Democracy: The Shared Human Values”](#) (“民主：全人類共同價值” 國際論壇) conference in Beijing, organized by the CCP Propaganda Department (中國共產黨中央委員會宣傳部). [2] The event featured a keynote address by Huang Kunming (黃坤明), director of the CCP Propaganda Department and a member of the CCP Politburo, along with another roster of both Chinese and foreign speakers who lined up to [praise](#) the superiority of China’s “socialist democracy.” A particular point was made to extol the governance record of the PRC in contrast to the alleged failures of other countries: as pointedly asserted by one speaker, “Of the top 100 countries with the highest death rate per 1 million people [during the pandemic], 85 are the very same democracies that Joe Biden invited to the ‘Summit of Democracies.’”

The capstone of this propaganda campaign came with the release of two government reports. On December 4, the PRC State Council Information Office (國務院新聞辦公室) (the more public face of the CCP Central Propaganda Department) issued an official white paper—published in English, for the benefit of an international audience—titled [China: Democracy That Works](#). This document contains little that is new, instead reiterating traditional CCP talking points—such as the assertion that [“consultative democracy”](#) (協商

民主) is a hallmark and superior aspect of the PRC's CCP-controlled political system. As is now *de rigeur* for any official statement in China, the document also gives a nod to the personality cult surrounding Xi Jinping (習近平), as in this passage that hails the “deeper understanding” of democracy that has taken root since Xi's ascension in 2012:

“The people's status as masters of the country is the essence of people's democracy. Since the 18th CPC National Congress in 2012, with a deeper understanding of China's path to democracy and the political system, the Party has developed whole-process people's democracy as a key concept and striven to translate it and relevant democratic values into effective institutions and concrete actions.

Whole-process people's democracy integrates process-oriented democracy with results-oriented democracy, procedural democracy with substantive democracy, direct democracy with indirect democracy, and people's democracy with the will of the state. It is a model of socialist democracy that covers all aspects of the democratic process and all sectors of society. It is a true democracy that works.”

On the following day (December 5), the PRC Foreign Ministry capped off this propaganda campaign with the release of a [report](#) on the state of democracy in the United States, which criticized the “deficiencies and abuse of democracy” in America, produced by “money politics, identity politics, wrangling between political parties, political polarization, social division, racial tension and the wealth gap [...] All this has weakened the functioning of democracy in the US.”

Conclusion

Taiwan's invitation and prominent participation in the US-hosted “Summit for Democracy” clearly struck a nerve in Beijing. This prompted an angry, coordinated, and multi-pronged pushback by PRC diplomatic representatives and the CCP propaganda system. This propaganda campaign seeks to [emphasize](#) the “weakness of Western-style political party systems” (i.e., systems in which political parties contend through competitive elections), while further engaging in Orwellian distortions of language to assert the superior “democratic”

nature of the PRC's totalitarian system. This brittle defensive reaction on the part of the CCP provides yet another reminder of the significance of Taiwan as a free society and flourishing democracy—one whose very existence gives the lie to CCP assertions that “Western-style” electoral democracy is incompatible with Chinese cultural traditions, and that the CCP's own model of authoritarian “socialist democracy” accords more naturally with these same traditions and China's national conditions. As long as the CCP under Xi Jinping pulls China in an increasingly totalitarian direction, the contrast between Taiwan's legitimate liberal democratic system on one hand, and the false “people's democracy” touted by the CCP propaganda system on the other, will be ever-more stark.

The main point: Taiwan's participation in the US-hosted “Summit for Democracy”—and the exclusion of China—prompted a furious reaction from Beijing, which was focused on an intense propaganda campaign intended to assert the superiority of the PRC's model of “socialist democracy” over that of the United States.

[1] Taiwan's Ministry of Foreign Affairs [indicated](#) that observer representatives from the National Security Council, the office of Minister without Portfolio Lo Ping-cheng (羅秉成), the Executive Yuan Department of Gender Equality; the Ministries of Foreign Affairs, Economic Affairs, and Justice, the National Human Rights Commission; and the Taiwan Foundation for Democracy would also participate.

[2] The title and overarching theme of this event—that of “democracy” (民主) as a “shared value of humanity” (全人類共同價值), is noteworthy for its textual connection to the cult of personality surrounding CCP General Secretary Xi Jinping (習近平). The slogan of a “shared community of common destiny for humanity” (人類命運共同體) has been a staple of PRC foreign policy propaganda during Xi's tenure. Furthermore, the specific invocation of the “shared values of humanity”—to include democracy—was a central theme of Xi's [speech](#) delivered at the ceremonies for the 100th anniversary of the CCP on July 1, 2021. The specific phraseology that “democracy is a shared value of all humanity” (民主是全人類共同價值) was also employed by PRC Foreign Ministry spokesman Zhao Lijian (趙立堅) at a [press conference](#) on November 24.

Limits to Proposed US Security Assistance Measures to Taiwan

By: Michael Mazza

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Taiwan faces an increasingly urgent threat from the People's Republic of China (PRC). The People's Liberation Army (PLA) will soon be capable of launching an invasion of Taiwan, and political conditions in Beijing may be increasingly conducive to Xi Jinping (习近平) making that call. Commendably, members of Congress are taking the threat seriously and proposing legislation designed to speed new equipment Taiwan's way—and to enhance Taiwan's ability to deter and, if necessary, defeat PRC aggression. Two recent pieces of legislation in particular—the [Arm Taiwan Act of 2021](#) and the [Taiwan Deterrence Act](#)—include provisions that could be effective in helping Taiwan to defend itself. As currently structured, however, these bills could be counterproductive if they were ever to become law.

A New Approach

A key insight inherent in both bills is that the current American approach to assisting Taiwan in defending itself has proven insufficient. Arms sales remain a crucial and necessary component, but they have failed to provide Taiwan with the full spectrum of needed capabilities at a suitably rapid pace. In September 2020, the American Enterprise Institute's Gary Schmitt and I [argued](#) that the United States should consider security assistance for Taipei. At present, and to its credit, Taiwan purchases all of the defense equipment and services that the United States transfers to it. This is not the case for numerous other partners and allies, however, including other relatively wealthy countries like Israel. If Taiwan's continuing *de facto* independence is an important American national security interest, the United States should be more creative in utilizing a variety of tools to achieve that end.

Schmitt and I suggested using security assistance in a potentially novel way: “military aid as a means to en-

courage Taiwan to invest more in its own defense.” In particular, we suggest that military assistance could be used to encourage specific kinds of investments in Taiwan above and beyond current levels of defense spending. The *Arm Taiwan Act of 2021* and *Taiwan Deterrence Act* both include language to enact such a program.

The *Arm Taiwan Act of 2021*, introduced by Senator Josh Hawley, would direct the secretary of defense to establish a “Taiwan Security Assistance Initiative” in order to “accelerate Taiwan's deployment of asymmetric defense capabilities required to deter or, if necessary, defeat an invasion by the People's Republic of China.” The bill would commit significant resources to the initiative, authorizing USD \$3 billion to be appropriated each year from 2023 to 2027, for a total of USD \$15 billion over five years. That is not chump change. The legislation makes that assistance conditional on several factors: Taiwan spending an equal amount on asymmetric defense capabilities; on spending at least three percent of its gross domestic product on defense; on buying asymmetric capabilities from foreign suppliers, if those suppliers can more quickly deliver capabilities than Taiwan's own manufacturers; and on “undertaking the defense reforms required to maximize the effectiveness of an asymmetric defense against an invasion.”

The *Taiwan Deterrence Act*, introduced by Chairman of the Senate Foreign Relations Committee Jim Risch, similarly embraces security assistance for Taiwan. Unlike the Hawley bill, the Risch legislation would provide foreign military financing (FMF) through the Department of State—in particular, USD \$20 billion over 10 years. Conditions on that assistance are less stringent and would require more collaboration than in the *Arm Taiwan Act of 2021*. In order to receive FMF, Taiwan would have to match proposed spending, but the act envisions that Washington and Taipei would work together to agree on expenditures, and would require that they “conduct joint long-range planning for capability development.”

Although the intent of the Hawley bill is admirable, an FMF initiative like that outlined in the *Taiwan Deterrence Act* provides a better starting point for any such program. Its inclusiveness—in particular, its focus on “joint long-range planning”—would ensure that Tai-

wan remained deeply involved in decisions about its own defense.

The *Arm Taiwan Act of 2021*, by comparison, could be seen as more heavy-handed—and in important ways, less conducive to Taiwan’s own interests. Consider, for example, its insistence that Taiwan source asymmetric abilities abroad if foreign suppliers can provide delivery more quickly than domestic firms. This provision, while well-meaning, ignores domestic political and strategic realities in Taiwan. Like all countries, Taiwan sees a need to ensure the viability of its domestic defense industry, both because of the economic benefits and because it provides insurance against being cut off from the US defense sector in the future. This is a wise precaution given Taiwan’s experience of international isolation in recent decades, as well as the fact that the United States has not always been a reliable supplier.

But more concerning is section 4 of the *Arm Taiwan Act*, titled “Limitation on Conventional Arms Sales.” Language from this section would describe “the sense of Congress” that Taiwan’s prioritization of the acquisition of conventional weapons has been “misguided,” and that the “future [...] provision of conventional weaponry [...] should be conditioned on meaningful progress by the Government of Taiwan on the acquisition of appropriate asymmetric defense capabilities.” In a statement of policy, the bill indicates that for each year during a five-year period, the United States shall make no conventional arms transfers unless the secretary of defense certifies that Taiwan has already spent sufficient funds on asymmetric capabilities; or else that the conventional capability in question “is necessary to enhance the ability of Taiwan to deter or, if necessary, defeat an invasion” or “will not slow, delay, limit, or otherwise detract from or undermine the ability of Taiwan to deploy such asymmetric defense capabilities.”

The problems here are twofold. First, the *Arm Taiwan Act of 2021*—and, to a lesser extent, the *Taiwan Deterrence Act*—assumes that invasion is the only threat for which Taiwan should be preparing. But the PLA has undertaken a decades-long modernization effort that now allows it to pose a multifaceted threat. Chinese leaders might opt, for example, to blockade Taiwan, carry out limited missile strikes aimed at decapitating Taiwan’s leadership or destroying critical infrastructure, or seize an offshore island. The invasion threat is

undeniably the most existential for Taiwan’s defenders, but Taiwan’s leaders may not assess it to be the most likely. Even if it is, Taiwan needs to be able to respond to a variety of contingencies, and do so on its own. The United States and Taiwan should be exchanging views at the highest levels of political and military leadership before Washington can presume to tell Taipei what it should and should not invest in. Such exchanges have not happened since the severing of diplomatic relations in 1979.

Second, and related, inherent in both pieces of legislation is a confidence that America knows best when it comes to understanding the PRC threat and how best to counter it. To be sure, the Department of Defense and the world’s most powerful military are increasingly focused on the Indo-Pacific region and are bringing significant resources, expertise, and experience to bear in studying and addressing the challenge. But a dose of humility is in order, too. Taiwan, after all, has been focused almost exclusively on the PRC threat for more than 70 years. It has a better understanding of the Chinese Communist Party, the PRC government, and how both operate. It may well be far more effective at collecting human intelligence in China. That does not mean that Taiwan is always right or always makes the best decisions about how to defend itself; but it does mean that there are good reasons to respect Taiwan’s own assessments and decisions, and to respectfully discuss differences.

Fundamentally, even as both bills seek to enhance Taiwan’s self-defense capability, they are, in important ways, disrespectful of Taiwan’s self-rule. Consider, for example, the first of two reporting requirements in the *Taiwan Deterrence Act*. It directs the secretary of defense to provide a report that “describes United States priorities for building more capable Taiwan security forces and organizations,” and includes “a priority list of defense and military capabilities that Taiwan must possess for the United States to be able to achieve its military objectives in the Indo-Pacific region.” The proposed legislation understandably and rightly puts American interests first; but Taipei is, of course, first and foremost concerned with fielding capabilities that allow Taiwan to achieve its *own* objectives. The language is unlikely to be reassuring in Taipei and, counterproductively, could even make the “joint long-range

planning for capability development”—which the *Taiwan Deterrence Act* calls for and is undoubtedly necessary—more difficult. Opposition politicians in Taiwan have already raised [concerns](#) the bill will impinge on its sovereignty. Because both bills so openly treat Taiwan as a junior partner, they threaten to undercut the *diplomacy* that is desperately needed to ensure an effective combined defense.

To be sure, the United States has often used a heavy hand in alliance management. But it bears reminding that Taiwan is not a treaty ally. In a nutshell, the American message to Taiwan lately has been as follows: “Focus on the asymmetric fight and let us handle the rest—but, no, we cannot assure you that we actually *will* handle the rest.” If that is a division of labor that makes sense, then it first requires an unambiguous commitment to come to Taiwan’s defense not only in the event of an invasion, but in response to a wide range of potential crises. FMF or other forms of security assistance for Taiwan should be driven by a more-or-less shared strategy for ensuring that country’s continued *de facto* independence. There is no such strategy at present—and unfortunately, Congress cannot legislate a solution to that problem.

The main point: Two recent pieces of legislation in particular—the *Arm Taiwan Act of 2021* and the *Taiwan Deterrence Act*—include provisions that could be effective in helping Taiwan to defend itself. As currently structured, however, these bills could be counterproductive if they were ever to become law.

Taiwan’s Energy Security and the Threat of a PRC Blockade

By: Jordan McGillis and Anthony B. Kim

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The growing challenges to Taiwan’s energy security necessitate a sharp focus on building energy storage

capacity and geographically distributed power generation sources, particularly against the threat of energy supply disruption instigated by Beijing. While natural gas serves important economic and air pollution goals, it also depends on consistent shipborne fuel delivery that would be disrupted by a People’s Republic of China (PRC) blockade. Offshore wind, similarly, could fall prey to PRC maritime militias. In the face of this contingency, and alongside a tactical expansion in trade with the United States and Australia, Taiwan ought to maintain a degree of critical capacity to provide secure power through nuclear and coal-fired generation.

The State of Taiwan’s Energy Security

Taiwan’s energy security challenges have been well documented. As Sih Ting Jhou and Huei-Chu Liao wrote for [the Brookings Institution](#) in September 2013, “Taiwan has almost zero energy endowment, and relies on imports for nearly 98 percent of its consumption.” In the past decade, this status quo has held. The island still lacks a domestic energy production base capable of powering its industrial economy—and, as a result, it imported an almost identical portion of its total energy supply in 2020 ([97.8 percent](#)) as it did in the early 2010s. Given that Taiwan imports nearly all of the fuel that moves its economy, it is unusually vulnerable to the multitude of measurable energy market risks.

Taiwan relies on coal, natural gas, and nuclear energy as its major sources of electricity generation. The [most recent statistics](#) indicate that coal provides 45 percent of Taiwan’s power and natural gas provides 35.7 percent, while nuclear comes in a distant third at 11.2 percent. Imports constitute almost the entirety of Taiwan’s supply of each of these resources. No indigenous source currently contributes more than 2.2 percent of Taiwan’s power. To complicate matters, environmental considerations have prompted President Tsai Ing-wen (蔡英文) to introduce an electricity plan targeting a mix of 50 percent natural gas, 30 percent coal, and 20 percent renewables by 2025.

Meanwhile, surging industrial power demand is driving the island’s electricity consumption to unprecedented heights. In 2020, [Taiwan used over 270,000 gigawatt-hours](#) compared to 250,000 gigawatt-hours in 2015. Industrial electricity use now constitutes more than five-ninths of Taiwan’s power consumption, ac-

According to [the Bureau of Energy](#), Taiwan's robust industrial development has pushed [year-over-year GDP growth](#) well above 5 percent for 2021. But as Taiwan's rolling blackouts earlier in 2021 attest, this demand surge stresses the island's energy system and jeopardizes the Tsai Administration's targets.

Looking beyond electricity, [Taiwan's consumption of oil products](#) has doubled since 1990, and in 2020 Taiwan imported almost 100 percent of its oil supply. Taking electricity, transportation, industry, and other energy applications into account, crude oil and petroleum product imports make up 44.2 percent of the island's total energy supply. All told, fossil fuels contribute 91.3 percent of Taiwan's energy.

Taiwan's energy import balance is similar to those of Korea and Japan. Korea, which obtains [87 percent](#) of its total energy supply from fossil fuels, relies on imports for nearly all of its consumption. Japan also gets [87 percent](#) of its energy from fossil fuels, importing more liquefied natural gas than any other country and ranking among the world leaders in coal and crude oil imports. Similar to Taiwan, Korea and Japan have rising renewable electricity generation targets, and are seeking to reduce coal use. Yet, following other East Asian countries' model of energy supply would not be suitable for Taiwan's circumstances given the acute nature of the military threat it faces.

Geopolitical Threat to Taiwan's Energy Security: China

While geopolitical turmoil at the Strait of Hormuz, the Malacca Strait, or in the South China Sea would endanger energy security across Northeast Asia, Taiwan faces the additional, distinct, and growing risk of hostile action emanating from the PRC in the Taiwan Strait. In early November 2021, the Taiwan Ministry of National Defense issued [a report](#) detailing the possibility of a PRC blockade of Taiwan.

"At present," the ministry warns, "[the People's Liberation Army] is capable of performing local joint blockade against our critical harbors, airports, and outbound flight routes, to cut off our air and sea lines of communication and impact the flow of our military supplies and logistic resources." The Brookings Institution's Michael E. O'Hanlon, likewise, [describes the risk of a "protracted Chinese blockade of the island"](#) and details the tactical challenges it would present to the

United States, should it commit to defending Taiwan.

The possibility of a PRC blockade heightens the imperative for proactive energy security planning, an objective towards which US government and private entities may be capable of forging partnerships, but that will ultimately be predicated by Taiwanese decision-making.

Amid these geopolitical stresses, the primary influence on Taiwan's energy security will be from domestic politics. Taiwan's democratic institutions devolve extensive direct control of public policy to the people through referenda. In opposition to Tsai's preferences, the Taiwanese people voted in 2018 against an accelerated nuclear phaseout. Voters will return to the polls in December 2021 to weigh-in on a long list of questions. The energy-related queries include whether to remove an LNG terminal from the Taoyuan Datan Reef (桃園大潭藻礁), and whether to re-start progress on a fourth nuclear facility. Both are overt challenges to the Tsai government's plans and could have important ramifications for energy security.



Image: Taiwan President Tsai Ing-wen (center) visiting the site of the liquefied natural gas terminal under construction at Datan Reef, near Taoyuan (Nov. 25, 2021). President Tsai has expressed support for the project as an important measure to reduce air pollution and improve Taiwan's electrical power production capacity. (Image source: [Formosa News/YouTube](#))

The natural gas-forward policy supported by President Tsai and the ruling-Democratic Progressive Party (DPP) rests on tenuous footing in terms of energy security. In its favor, completing the third LNG terminal (and potentially others in the future) would expand Taiwan's power options and fuel the island's ongoing industrial

success. It would also reduce Taiwan's coal reliance, the DPP's main electricity power generation goal.

Yet, the Taiwan defense ministry report makes clear that Taiwan needs pragmatic strategies to withstand as long as possible the hardships that would be imposed by a PRC blockade. In the energy sector, that means building on-site storage capacity and establishing an array of distributed resources. To that end, [Taiwan already places security reserve and storage capacity requirements](#) on natural gas import enterprises. The security reserve requirement is at least 7 days as of 2021, and will be at least 14 days in 2027. The storage capacity requirement is at least 15 days as of 2021, and will be at least 24 days in 2027. Oil refinery operators and importers, similarly, are required to maintain stockpiles of no less than 60 days of supply and the government must also maintain an oil security stockpile of no less than 30 days, according to the [Petroleum Administration Act](#) (石油管理法). On this note, the US Department of Energy could assist Taiwan with its extensive institutional knowledge related to oil and natural gas storage best practices.

But for all of the advantages that natural gas presents environmentally and economically, it is difficult to argue that upping natural gas reliance would also support energy security and strategic endurance. While placing natural gas at the center of a vulnerable island's energy system could increase US strategic interest in Taiwan, and thus raise the stakes for the PRC—it would also make Taiwan more dependent on US blockade-busting.

In this context, nuclear fuel and coal are surer bets in terms of energy security because they enable more storage. Renewable sources, of course, require no ongoing fuel imports. Unfortunately, the Tsai government's turn away from nuclear energy exacerbates Taiwan's energy security needs. While nuclear fuel does require import, nuclear generation requires little land relative to its power output, and is, thus, optimal when facing land constraints. Taiwan's voting public would be wise to again issue a rebuke against Tsai's eschewal of this vital power source when the issue is up for vote in December 2021.

In lieu of nuclear generation, the Tsai plan calls for a massive ramp-up in wind and solar generation. The appeal of these technologies for Taiwan is clear: they

do not emit greenhouse gases or local air pollutants, and they do not require the ongoing import of fuels. At this time, solar photovoltaic generation far outstrips that of wind, but Taiwan has embarked on an ambitious campaign of offshore wind construction. Taiwan will have 5.5 gigawatts of capacity from offshore wind power by 2025, and an additional 15 gigawatts on paper. Should these projects be completed, [Taiwan will rank second in Asia](#) in offshore wind capacity, behind only the mainland.

In the event of a PRC move on the strait, however, the value of solar would be heightened while the value of offshore wind would be diminished. Distributed solar provides a geographic hedge and can operate at distributed locations, even if the Taiwan electricity grid is brought down by cyber or physical attack. Offshore wind, on the other hand, would be uniquely vulnerable to PRC "gray zone" tactics, such as the sabotage of turbines or cables by PLAN or maritime militia elements. Since the 1970s, the PRC has recruited nominally civilian seafaring vessels into maritime militia activity. As the Asia Maritime Transparency Initiative describes in its November 2021 report, [Pulling Back the Curtain on China's Maritime Militia](#), the PRC uses maritime militia to lower a "shroud of uncertainty and deniability" over its interference with its neighbors' peaceful maritime resource enterprises. Taiwan's offshore wind could fall prey to such tactics in the event of a PRC escalation in cross-Strait tensions.

Coal power has fallen out of favor in Taipei and, according to Tsai's plan, will forfeit almost half of its generation share by 2025. Yet, the argument in favor of coal in the event of PRC interference with Taiwan's imports is enhanced. Coal's energy density is twice that of even liquefied natural gas, it can be stored either on- or off-site, and it can be dispatched as needed. These attributes could bolster Taiwan's strategic endurance in the face of a blockade. Moreover, as with US and Australian cargoes of LNG, strengthened commercial ties through coal sales could elevate Beijing's perception of the risk entailed by blockading or otherwise interfering with Taiwan's trade. Maintaining coal-fired generation capacity and coal stockpiles is critical to Taiwan's energy security, even if its role in day-to-day generation diminishes.

Time to Advance Free Energy Trade and Security for Taiwan

President Tsai's natural gas-forward policy aligns with its broader goal of integrating Taiwan with the global economic and political order, particularly because the United States and Australia are among the world's largest producers of natural gas. While US and Australian natural gas can move Taiwan closer to its electricity generation targets, the more important value may be the links qua links. The greater the degree of economic integration between Taiwan, the United States, and Australia, the greater would appear the risk to the PRC of taking a major escalatory step such as enacting a blockade of the island. While existing trade values are already substantial, in the context of US strategic ambiguity, each additional dollar of bilateral commerce increases the probability of a forceful US/AUKUS response to PRC trade obstruction. Thus, increasing economic interaction between the United States and Taiwan may itself help to secure Taiwan. Whether US and Australian firms have the appetite to take on more risk is an open question.

For the US government, a number of options are available to bolster Taiwan's energy security. The most obvious option is to remove as many trade barriers as possible to incentivize American firms to make energy sales to Taiwan. One avenue that may prove useful is the [Asia EDGE \(Enhancing Development and Growth through Energy\) program](#). Another would be an outright free trade agreement (FTA) that could systematically lower the cost of doing business across the Pacific. One example among the benefits this would confer is that US LNG exports to FTA countries are automatically treated as being "in the national interest." LNG exports to non-FTA countries, conversely, are subject to a rebuttable presumption that can slow approvals.

Enhancing energy trade and security between the United States and Taiwan is a natural and constructive step. It is in the interest of policymakers both in Washington and Taipei to work together in order to ensure that America's energy production capacity also facilitates Taiwan's energy supply and security. To further bolster trade ties between the two countries, the United States and Taiwan should develop a forward-looking bilateral strategic energy trade initiative to ensure that no artificial barriers impede the development of a

durable energy partnership.

The main point: Against the threat of a PRC blockade, Taiwan's energy security requires optionality. Trade expansion and renewable resources can play a part, but Taiwan's maintenance of energy-dense fuel supplies is essential.

Changing of the Guard: The Politics of German-Taiwanese Relations in a Post-Merkel Era

By: Dominika Remžová

Dominika Remžová completed her master's degree in Taiwan Studies at the School of Oriental and African Studies in London and was a summer 2021 intern at the Global Taiwan Institute.

Angela Merkel, the German chancellor who has been one of the staunchest supporters of engaging China through a so-called "change through trade" ("[Wandel durch Handel](#)") policy, has stepped down. Under the new chancellor Olaf Scholz, whose Social Democratic Party (SPD) defeated Merkel's Christian Democratic Union (CDU) in the [September election](#), there are both internal and external drivers that could lead to a potential shift in Germany's China policy. This could then create new opportunities for Taiwan, especially considering that both of the SPD's coalition partners—the center-left Greens and the center-right Free Democratic Party (FDP)—expressed [support for Taiwan](#) in their election manifestos. Regardless of whether the policy shift is substantive or rhetorical, the new governing coalition is unlikely to follow Merkel's business-oriented approach—at least not in its previous form.

Germany's Evolving China Policy: Continuity or Change?

Germany's relations with Taiwan are conditioned by the "One-China Policy" as defined by the PRC. [1] However, in an era of China's increasing assertiveness in both domestic and foreign affairs, Merkel's China policy—which was based on the well-established practice of [compartmentalization](#), or separating economic ties from security and human rights concerns—started drawing criticism from both outside and inside her own party.

The China policy divisions within the Christian Democratic Union were best captured by the debate over whether Huawei (華為) should be allowed to participate in building Germany's [5G infrastructure](#). Whereas the former Minister for Economic Affairs and Energy [Peter Altmaier](#) defended inclusion of Huawei on economic grounds, [Norbert Röttgen](#), who chairs the outgoing German federal parliament's (Bundestag) Committee on Foreign Affairs, opposed it due to security concerns. Others within the previous coalition government of center-right Christian Democrats and center-left Social Democrats took a more critical stance on China—at least on certain occasions. Among these was the former Minister of Defense [Annegret Kramp-Karrenbauer](#), who was a [driving force](#) behind the proposal to deploy a German frigate to the South China Sea in August 2021, which was seen as a step by Germany to take a tougher stance against China. However, Merkel's office agreed to the freedom of navigation exercise only [on the condition](#) that the frigate would not sail through the Taiwan Strait. The plan was additionally modified to include a stopover in Shanghai, which prompted critics to argue that the deployment may [strengthen, rather than challenge](#), China's territorial claims, although the stopover was later [denied](#) by Beijing.

Merkel's emphasis on cooperation over rivalry with China was rooted in the CDU's pro-business orientation. Big corporations, especially in the automotive industry, have long been criticized for their overreliance on the Chinese market, with Volkswagen and BMW generating [one-third or more](#) of their profits in China. At the same time however, the voices opposing Merkel's approach gained prominence in 2016, when the Chinese Midea Group (美的集團) [acquired](#) German robotics manufacturer Kuka. This [triggered](#) a significant pushback against China at both a national and EU level, with the federal government tightening its own investment rules while simultaneously pushing for an EU-wide investment screening mechanism. Another wake-up call came in 2019, when the Federation of German Industries (BDI) published a [report](#) describing China as a "systemic competitor." The report was pushed through by German small-and-medium-sized enterprises (SMEs), overriding the concerns of big corporations, and followed by the European Commission's [three-layered description](#) of China as a "negotiating partner," "economic competitor," and a "system-

ic rival." The BDI's [2021 report](#) further reiterated the federation's China-critical stance, calling the Belt and Road Initiative (BRI, formerly known as "One Belt, One Road," 一帶一路) a "hegemonic policy" and proposing a way of connecting business with values-based politics.

Merkel's successor will therefore face a variety of internal and external pressures, including increasingly China-critical positions across party lines, business sectors, and among the [German public](#), as well as among leading political figures in the United States and other like-minded countries. These pressures will curtail—at least to some extent—attempts to continue Merkel's engagement-first approach in Germany's relations with China. After all, German-China relations in 2021 are in a profoundly different state compared to when Merkel took office in 2005.

The Traffic Light Coalition and Prospects for an Independent German Policy on Taiwan

Following the [CDU's defeat](#), a "traffic light" coalition (so called due to the colors of the three parties) was established between the Social Democrats, Greens, and Free Democrats. Nevertheless, it was not until about a month prior to the election that the SPD's Olaf Scholz overtook the CDU's Armin Laschet as the main contender for the post of chancellor. Laschet, a former Minister-President of North Rhine-Westphalia—where the city of [Duisburg](#) serves as a European end point to China's BRI—was believed to strongly subscribe to a [Merkelian China policy](#). Scholz—the former Mayor of Hamburg—may find himself in a similar predicament, as Hamburg is another example of [structural constraints](#) the new government will face when trying to diversify Germany's supply chains away from China. Indeed, Scholz [cautioned against](#) economic decoupling throughout his election campaign. Although the [SPD's manifesto](#) condemned China's human rights violations in Xinjiang and Hong Kong, it did not voice support for Taiwan—mentioning only the party's concern about China's increasing military pressure. While [Nils Schmid](#), the SPD's Bundestag spokesperson on foreign affairs, repeatedly criticized Merkel's "change through trade" approach, a recent analysis by [MERICS](#) shows that the Bundestag members, irrespective of their party affiliations, have always been more critical of China than cabinet ministers. Indeed, the Bundestag's criticism of

China's human rights record had limited influence on the previous government's day-to-day dealings with China, and it is unclear to what extent this will differ under the new coalition.

Advocating for the [centrality of human rights](#), the Greens have long been the fiercest critics of Merkel's approach. Indeed, it was the possibility of a [Greens-led coalition](#) that has been most frequently associated with prospects for a substantive shift in Germany's China policy. As the peaceful resolution of cross-Strait relations and support for Taiwan's participation in international organizations are supported—at least implicitly—across party lines, it was the inclusion of Taiwan among Germany's Indo-Pacific partners and the call for deeper political ties that made the Greens' [manifesto](#) stand apart. The European Parliament has provided an additional platform for the Greens to push for stronger ties between Taiwan and Europe. Reinhard Bütikofer, who chairs the Delegation for Relations with the PRC, co-authored an op-ed in September 2020 calling for a [re-evaluation of the EU's "One-China Policy."](#) Citing China's disruption of the status quo, the [op-ed](#) calls for greater EU support for Taiwan, ranging from upgrading economic relations to opening dialogue with Taiwan's political figures. As a rapporteur, Bütikofer advocated for the inclusion of Taiwan in the [EU-Asia Connectivity Strategy](#)—especially when it comes to digital and health infrastructures—and the start of negotiations for an EU-Taiwan Bilateral Investment Agreement (BIA). The parliament's recent resolutions on a [new EU-China strategy](#) and [EU-Taiwan political relations and cooperation](#) provide further support for the BIA, the latter being the parliament's first ever standalone report on Taiwan, which was followed by an unprecedented [visit to Taiwan](#) by delegates from the Special Committee on Foreign Interference and Disinformation.

Similar to the Greens, the Free Democrats (FDP) took a more assertive stance on China within their [manifesto](#)—in fact, a tougher line in Germany's China policy is one of the few things the two parties [agree on](#). The FDP juxtaposed Taiwan's democratic system of governance with China's authoritarian system, while supporting the development of a joint strategy between Germany and its allies to prevent China from invading Taiwan. The party even went a step further by [removing](#) the

"One-China Policy" clause from its election program. However, what is particularly noteworthy about the FDP is the fact that despite being a pro-business party like the CDU, its manifesto was arguably the most critical of China and supportive of Taiwan. Indeed, when asked about this discrepancy, the FDP's [Gyde Jensen](#), who chairs the outgoing Bundestag's Committee on Human Rights and Humanitarian Aid, emphasized the fact that industry itself is becoming more critical of China, as seen in the case of the BDI's reports.

According to MERICS Senior Analyst [Roderick Kefferpütz](#), the main question going forward is whether Germany's China policy remains the chancellor's policy. The chancellery has, under Merkel, [seized control](#) of all important aspects of Germany's foreign policy, including the country's relations with China. If this trend persists under chancellor Scholz, the fact that the Greens are now in charge of the Foreign Office will not matter, as the new course in the country's China policy will be decided by the chancellor—who preached continuity in foreign policy throughout his election campaign. In this case, a shift in Germany's China policy could still occur, but it would be predominantly rhetorical in nature. On the other hand, returning some of the decision-making powers—if not all of them—to the Foreign Office could help develop a less reactive, more [strategic thinking](#) in Germany's foreign policy, which could enhance the country's role in international affairs. As Scholz will [most likely](#) be a less powerful chancellor than Merkel, and with the Greens' [Annalena Baerbock](#) becoming the new foreign minister, a more substantive shift in Germany's China policy may indeed occur. However, the structural constraint of German dependence on the Chinese market will limit its extent.

What Comes Next?

Whether the inclusion of the Greens and the FDP in the new government amounts to a substantive shift towards a values-based China policy or becomes limited to cosmetic adjustments will depend on which office decides the country's foreign policy. A foreign ministry held by the Greens is likely to produce a [genuine shift](#) in Germany's China policy. On the other hand, if the decision-making powers remain within the chancellery, changes to the country's China policy will be more subtle, as Scholz may be more inclined

to insist on business as usual. Nevertheless, the shift will still occur—albeit to a smaller extent—as Scholz is unlikely to withstand the multitude of internal and external pressures Germany faces. The increasing criticism of China and support for Taiwan by both political elites and the German public is one such pressure. What is more, the SPD's powers will be limited by its junior partners, neither of whom is keen to continue a Merkelian China policy. The administration of President Tsai Ing-wen (蔡英文) should therefore seize this window of opportunity to promote German-Taiwanese cooperation, especially in areas that are of relevance to both countries, such as [semiconductors](#), [renewable energy](#), and [SMEs](#).

The main point: Germany's new coalition is set to rethink the country's China policy, although we have yet to see whether this will take the form of a more substantive or rhetorical change. Even if the decision-making powers about the country's foreign policy remain within the chancellery, Scholz will be unable to continue Merkel's China policy in its previous form due to both internal and external pressures.

[1] Gunter Schubert, "The European Dimension of German-Taiwanese Relations – A Critical Assessment," Conference paper presented at Hong Kong Baptist University, June 22-23, 2001, p. 1-23.
