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Signpost for 2024: Poll on Satisfaction Ratings for Taiwan’s National Political Figures

By: Russell Hsiao

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

Taiwan will hold local elections in late November this year. The “nine-in-one” elections—which will see voters elect mayors and city councilors in the special municipalities, as well as local officials in the other counties, county-level cities, and other localities—could be a bellwether of public sentiments ahead of the presidential election that will follow in 2024. The incumbent president, Tsai Ing-wen (蔡英文), is currently serving her second and last four-year term in office, and the field of candidates for the major political parties is wide open for the 2024 race. While the presidential election is still two years away, the race is already underway, even though no one is officially running yet. Indeed, the period between now and early 2023—the spring/summer of the year preceding an election is when the presidential primaries of the two parties are generally held—could determine which political figures are in the best shape to become their parties’ presidential candidates for 2024.

In the first polling on voter sentiments in 2022, the Blue-leaning TVBS Public Opinion Center (TVBS, 民調中心) conducted a survey in January of the satisfaction ratings for major political figures in Taiwan, and the results provide a glimpse into who voters may want to see in the running as presidential candidates in 2024. According to the poll, the top five most popular political figures in Taiwan with their corresponding popularity ratings are: Hou You-yi (侯友宜, 70 percent), Chen Shih-chung (陳時中, 57 percent), Ko Wen-je (柯文哲, 48 percent), Chen Chi-mai (陳其邁, 46 percent), and Cheng Wen-tsan (鄭文燦, 46 percent). Chu Li-luan (朱立倫), the current chairman of the KMT, came in 13th place with a 21 percent satisfaction rating.
Reading the Tea Leaves

The TVBS survey results show that Taiwan’s top-ranked politician is New Taipei Mayor Hou You-yi of the opposition Kuomintang (KMT, 國民黨) with a comfortable lead at first, with a satisfaction rating at 70 percent—significantly higher than that of the other politicians. Minister of Health and Welfare Chen Shih-chung of the ruling Democratic Progressive Party (DPP, 民進黨) came in second place with a satisfaction rate of 57 percent. Taipei City Mayor Ko Wen-je of the Taiwan People’s Party (TPP, 台灣民眾黨) is in third place at 48 percent. Notably, 71 percent of those who support the KMT indicated that they were satisfied with Ko, a substantial increase of more than 20 percent from the previous year. This could be significant for Ko, who is serving his second and final term as mayor and is widely believed to be considering running for president in 2024.

One thing is particularly telling for the DPP: there are no clear favorites among its leading politicians. Even though Chen leads the pack at 57 percent, the health and welfare minister is not a politico and has given no indication that he covets the top political office. Meanwhile, the poll shows that all the party’s other candidates are concentrated around a narrow range of support. Chen Chi-mai, the mayor of the southern metropolis of Kaohsiung, is tied for fourth with Taoyuan Mayor Cheng Wen-tsan at 46 percent. Notably, Cheng has long been floated in the media as a potential presidential contender for 2024 and made a high-profile visit to the United States in 2019. Tainan Mayor Huang Wei-chen, a relative newcomer without a national or international profile, came in a competitive fifth at 43 percent. President Tsai Ing-wen’s satisfaction rating stayed at 41 percent, while Premier Su Tseng-chang (蘇貞昌) landed in ninth place at 39 percent, followed by Vice President Lai Ching-te (賴清德) at 38 percent. The speaker of the Legislative Yuan, You Si-kun (游錫堃), came in 11th at 31 percent. Overall, the popularity of major DPP political figures has not changed much from the previous year’s rankings.

The result for the KMT is more mixed. While only four KMT politicians made the list, the clear national favorite at this time is the New Taipei City mayor. Hou is also the only politician on the list with whom a majority of supporters from all the parties appear to be satisfied. The second most popular KMT politician is Taichung City Mayor Lu Shiow-yen (盧秀燕), who came in a distant eighth place, with a satisfaction rating of 40 percent. The results were not as promising for the next two politicians from the KMT, as former President Ma
Ying-jeou (馬英九)—who does not currently hold any office—dropped to 12th place with 26 percent. Most troubling for the KMT, Party Chairman Chu came in dead last, with 21 percent expressing satisfaction and 61 percent expressing dissatisfaction with him, which is the highest among the 13 political figures in the survey. Critically, only 38 percent of those who support the KMT are apparently satisfied with him. Noticeably, the list did not include other potential presidential contenders such as Terry Gou (郭台銘) or Jaw Shaw-kong (趙少康).

**Implications of the Local Elections**

The satisfaction ratings for the major political figures could affect the local elections. According to the survey, “The performance of the major blue and green political figures will also affect the victory or defeat in the local election[s].” While support for the two major parties can ebb and flow in the local elections, the number of seats that swing between the two parties has grown in recent local elections—perhaps reflecting the increasing nationalization of local politics.

Given the headwinds facing KMT Party Chairman Eric Chu, the 2022 local elections may become a make-or-break moment for the embattled leader. Even with a successful result—as measured by the degree to which the KMT is able to flip seats currently held by the DPP—the strength of the chair’s ultimate power could be determined more by which faction of the KMT becomes stronger as a result of local elections.

At the same time, there is no telling what Beijing will do. Even though the KMT had a strong showing in the 2018 local elections, the events in Hong Kong overwhelmed the political malaise then facing President Tsai Ing-wen and significantly buoyed her public support. Moreover, even a strong showing in local elections is no guarantee that Chu will clinch the party’s candidacy for 2024—one need only look at former KMT Chairman Wu Den-yih (吳敦義), who was sidelined by the meteoric rise of Han Kuo-yu (韓國瑜).

**Implications for the Presidential Election**

Both major political parties conduct their party primary through a series of nationwide opinion polls. Therefore, general popularity rankings like the poll provided can be instructive as to how the primaries could shake out, so long as the candidates are registered in their respective primaries and for the general presidential race. While the DPP might appear to have better odds—61.5 percent of the top-ranked politicians are affiliated with the DPP and just 30.7 percent affiliated with the KMT—it is not all that clear cut.

It is important to keep in mind that the TVBS survey is only one poll and has limited predictive value, especially given how long it is to 2024. Any predictions at this point are entirely speculative. That being said, what could we glean from it about the prospects for the 2024 presidential election? For one, both parties face major constraints, although the problems that they face are quite different. As noted earlier, there is no clear front runner in the DPP, which could result in a very competitive and potentially divisive primary race.

The KMT suffers from a different type of problem. For the KMT, there is clearly a short bench of viable candidates. Even though the most popular politician is from the KMT, it is not at all clear whether Hou will run in 2024. Hou is up for re-election as New Taipei City mayor this year, and could potentially further burnish his political credentials and policy chops while waiting to run in 2028. For the most part, he has largely stayed out of the political fray and that seems to be his asset. Indeed, Hou was unscathed by the failures of the KMT in both the December referendums and recall efforts. However, it should be noted that a strong showing in his re-election bid will likely increase his chances of being drafted to run for the KMT, as was the case for Han in 2018.

Moreover, this poll was taken against the backdrop of sliding party support for the KMT. According to a poll from the Green-leaning Taiwanese Public Opinion Foundation (台灣民意基金會), also released in January, the current support rating for the DPP stands at 30.5 percent, followed by KMT at 15.6 percent, the TPP at 12.5 percent, and the New Power Party (NPP, 時代力量) at 2.1 percent, with around 33.8 percent indicating no support for any political party.

Ultimately, the most important actor who will determine whether the KMT can reform—which observers believe will be essential for the party to attract middle ground voters and win a national election—has the lowest satisfaction rating. Chu needs to put some
points on the political board or he risks being marginal-ized by more radical elements within the KMT, who still wield sizeable influence within the party. This fact was demonstrated by their stronger than expected showing in the 2021 chairmanship primary, when Chang Ya-chung (張亞中), a political ally of former KMT Chairwoman Hung Hsiu-chu (洪秀柱), came in second.

The Taipei city mayor increasingly seems to be a wild card for the 2024 race. While Ko is very likely to run in the 2024 race, the question has always been whether he would take more KMT or DPP votes. According to his current satisfaction rating among KMT members, and in light of the low satisfaction ratings for most KMT candidates—even among its party supporters—if Ko ran in 2024 in a three-way race, he could take more votes from the KMT. However, the possibility of him forming coalitions with either party or some other ar-

rangements cannot be ruled out.

The main point: A poll on satisfaction ratings for Taiwan’s political figures provides a glimpse into who voters may want to see in the running as presidential candidates in 2024. At the moment, both parties face major constraints, although the problems that they face are different.

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**TSMC: Taiwan’s Silicon Dagger**

By: Eric Chan

*Eric Chan is a non-resident research 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.*

A recent article in the US Army War College’s quarterly journal, *Parameters*, has garnered significant attention for proposing a new method of Taiwanese deterrence against the People’s Republic of China (PRC). In “Broken Nest: Deterring China from Invading Taiwan,” authors Jared McKinney and Peter Harris discuss how Taiwan could threaten to destroy Taiwan Semiconductor Manufacturing Company (TSMC, 台灣積體電路製造股份有限公司) facilities as part of a scorched earth strategy to deter an invasion. They argue that by threatening to self-destroy the TSMC plants, by targeting PRC semiconductor plants, and by holding out the prospect of a drawn-out insurgency, Taiwan could make itself a “broken nest” that the PRC would not want.

While such a strategy is novel, there are multiple issues that make it infeasible—and worse, ineffective as a deterrent against invasion. The vaunted “silicon shield” and the economic disruption of microchip supply is simply another cost that Xi Jinping (習近平) must consider, alongside an enormous number of other, still greater concerns. *(In the Spring 2022 edition of Parameters, I will take a deeper look into these issues.)*

**However, while threatening to blow up TSMC would not be particularly effective at deterring an invasion nor popular with the Taiwanese public, there is considerable value in TSMC integration into a defensive strategy intended to counter gray zone warfare. While TSMC is not and should not be a Taiwan state-owned enterprise, an enhanced degree of private-public partnership and coordination with US companies like Intel could be both profitable and strategically effective. In this article, I will look at why Western responses to PRC gray zone activity have not been effective. Instead of formal, symmetric responses, the United States and Taiwan can leverage chokepoint technologies, as well as the party’s fears of economic blackmail, to deter PRC gray zone aggression. By having TSMC be part of a strong diplomatic and economic toolkit to impose**
gray zone costs on the PRC, additional resources could be freed up for the Taiwan military to focus on readiness against invasion. In short, the value of TSMC in Taiwan’s security should not be thought of as a silicon shield, but as a *silicon dagger*.

**The Other “Deterrence by Denial”**

The Chinese Communist Party (CCP) sees deniability as key to its political, informational, economic, and gray zone warfare (an integration of the first three concepts with military action). During the 2018-2021 US-PRC trade war, both sides engaged in formal *tariff imposition*; the PRC, however, also engaged in a series of *unofficial bans, delays, and ad hoc coercive measures*. In gray zone activity, this has been exemplified by the *swarm tactics of fishermen and dredgers around Matsus*. This use of deniability allows the party greater flexibility in moving up and down the escalation ladder with less fear of retaliation. Moreover, it exploits *organizational, political, and national* seams to encourage paralysis on the part of opponents, and to leverage the full force of the Chinese state. As a result, current Western responses to this style of coercion have not been very effective, as evidenced by the *number of Western companies* being forced to toe the party line.

Taiwan has done somewhat better, given its experience over the last decade with the PRC’s attempts to influence *Taiwanese media, trade, universities*, and the *internet ecosystem*. However, Taiwan’s victories in the gray zone have been defensive successes that do not impose significant costs on the adversary. Instead, the PRC has doubled down on other, sharper gray zone tactics. These measures include the aforementioned fishermen/dredgers, as well as *incursions into Taiwan’s Air Defense Identification Zone*. In these cases, Taiwan has found it difficult to respond in a sustainable way. Instead, symmetric responses of matching intercept to incursion have significantly increased operational costs for Taiwan’s air force. A new method of response must be found.

**Identifying Chokepoints**

In the US-PRC technological rivalry, both sides recognize the criticality of so-called chokepoint technologies: technologies that allow for the domination of whole fields, with the ability to set standards and market share. One often mentioned example is *lithography systems for semiconductor chip circuitry*, a field in which the PRC semiconductor industry is badly dependent on the machinery of the Dutch company ASML. The PRC has identified *some 41 sectors vulnerable to chokepoints*, including operating systems and telecom. The United States, too, has its own chokepoint in the *design and manufacturing of advanced semiconductors*.

Fortunately, the current monopoly on advanced semiconductors is held by Taiwan’s TSMC. This state of affairs, while not ideal from the US perspective, still gives the United States a significant edge in the tech rivalry. The party’s response has been predictable: the October 2020 14th 5-Year Plan (十四個目標規劃) established high-tech self-sufficiency as a top priority. In practice, this has meant the establishment of several “National Integrated Circuit Industry Investment Funds” (國家產業投資基金, also known as “Big Funds”) with a *valuation of USD $50 billion, with an additional USD $25 billion from local and provincial governments*. Private venture capital funding reached a *record USD $131 billion in 2021, with USD $8.8 billion* going to semiconductor manufacturers.

Despite this vast flood of money, the PRC has not been successful in its drive for self-sufficiency. In 2021, PRC domestic chip production only met *16 percent of domestic demand*, falling well short of the government goal of 40 percent by 2020, and 70 percent by 2025. A number of lavishly-funded *chipmakers*, including *PRC national champion Tsinghua Unigroup* (清華紫光), have collapsed. Current PRC state of the art semiconductors (14-28nm) *remain at least 3-4 generations behind* the chips coming out of TSMC (3nm). In short, the party is desperate to reach technological self-sufficiency in fields that do not lend themselves to self-sufficiency—due primarily to difficulties in *overcoming low global market-share, American intervention, and lack of domestic expertise/technology*. This desperation can be exploited. Until recently, however, both the United States and Taiwan have been relatively inefficient in using this weakness to deter PRC aggression.

**Putting a Dagger to the Chokepoint**

In 2016, the United States effectively used the chokepoint of advanced semiconductors to *badly hobble*
PRC national champions ZTE (中興通訊股份有限公司) and Huawei (華為) through inclusion on the export control “Entity List,” which barred their access to US technologies. In the latter’s case, this also prevented the PRC from being able to dominate another choke-point technology, 5G communications.

Taiwan has used its own leverage somewhat differently from the United States, but also in an ad hoc way. In the recent diplomatic fracas over Lithuania opening a Taiwanese Representative Office, Taiwan has attempted to offset the PRC embargo of Lithuania by offering a USD $200 million TSMC investment plan, along with talent development. Similarly, Taiwan has dangled even more significant TSMC investment in Japan and the United States to strengthen ties with Taiwan’s closest partners. All of this is good for defending national interests and building partnerships, but insufficient to deter PRC gray zone activity.

In addition to these activities, the United States and Taiwan should consider the following:

1. Elevate the partnership between the US semiconductor industry and TSMC, including TSMC participation in the proposed US CHIPS Act.

With the pandemic-induced global supply chain disruption, a stable Western supply of microchips—as well as continued US/Taiwan dominance of cutting-edge microchips—is crucial. US policy towards Taiwan microchips is somewhat haphazard in that regard: there are both Cabinet-level and Senatorial requests for Taiwan to increase microchip supply to the United States; but at the same time a desire to prop up Intel, especially via the proposed USD $52 billion “Creating Helpful Incentives to Produce Semiconductors for America” (CHIPS) Act. Currently, both Intel and TSMC are enjoying historically high profit margins. Thus, the time is ripe for the US and Taiwan governments to have strategic-level discussions via the newly-developed Technology Trade and Investment Collaboration (TTIC) framework to ensure that Intel and TSMC view each other as “friendly competitors,” as opposed to a “hostile competitor” like the PRC’s Semiconductor Manufacturing International Corporation (中芯國際製造集成電路有限公司). This level of discussion could hold out the prospect of TSMC being able to also benefit from the CHIPS Act—which in turn would improve TSMC’s bottom-line, expand its R&D budget, further diversify its manufacturing base, and increase US semiconductor manufacturing capability.

2. Turn deniability against the party.

A secure Western chip supply with a diversified manufacturing base would give Taiwan an even stronger hand to utilize its semiconductor dominance against the CCP. In 2021, TSMC announced a USD $2.8 billion investment in its Nanjing fabrication plant (“fab”) to double 28nm automotive chip building capacity. If the PRC continues to lean on deniable gray zone activity against Taiwan, then Taipei could return the favor by unofficially slow-rolling the expansion to cause PRC economic disruption. This would incur little long-term cost: while current supply chain disruptions have made 28nm chips more profitable lately, these chips also face obsolescence issues (TSMC first developed the 28nm node in 2011). Furthermore, they face the potential for a supply glut, as PRC national champions have focused on this node given their current inability to build more advanced nodes.

This deniable threat would strengthen once Western demand could fully substitute for PRC demand; as things stand now, the United States accounts for 60 percent of TSMC’s sales, while the PRC only accounts for 20 percent. In addition to threatening future investment in the PRC, Taiwan could also slowroll or deny semiconductor exports to the PRC, which would have far more systemic effects on the PRC high tech sector. In conjunction with the US-led campaign to design bilateral tech alliances to constrain the PRC’s chip industry, this would force the PRC to spend still greater sums to prop up its tech industry.

Conclusion

The idea that TSMC represents an effective “silicon shield” for Taiwan is unsound. To be sure, a thriving PRC high-tech sector is highly important to the CCP as a prerequisite for the “rejuvenation of the Chinese nation” by 2049. However, a thriving high-tech sector is not crucial for the survival of the CCP, and Xi has demonstrated that he is willing to stomach significant economic costs to assert greater party control. The threat of stoppage of TSMC products or investment by itself is insufficient to generate the uncertainty of party survival that is required for deterrence against
invasion.

Yet, what TSMC can do to contribute to Taiwan’s security—and the security of the free world—is to act as a “silicon dagger” against gray zone warfare. By turning the party’s weapon of deniable coercion back upon itself through the hinted withholding TSMC’s investment or products, Taiwan can deter PRC gray zone aggression and impose severe costs if deterrence is not sufficient. Given coordination with the United States and other friendly powers, these effects could be magnified; every renminbi the party spends on inefficient tech indigenization is one less renminbi that will be spent on the People’s Liberation Army.

The party leadership engages in gray zone warfare because they feel that it is a painless way of coercing others. A reminder that others hold a dagger to the throat of the PRC tech industry would do much to remind them of the risks of aggression.

**The main point:** The CCP utilizes deniable actions as a key weapon in gray zone warfare. By integrating TSMC into a Taiwanese and American whole of government strategy, including deniable responses, Taiwan will have a powerful deterrent against gray zone warfare.

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**What Is the CCP’s “Comprehensive Plan for Resolving the Taiwan Problem”?**

By: John Dotson

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

In early January, an official report from Taiwan’s cabinet to the Legislative Yuan reportedly assessed that the government of the People’s Republic of China (PRC) would take steps to both diversify and intensify its pro-unification propaganda in 2022, including the sustained employment of online disinformation. This prediction is in keeping with an observable trend: in recent months, even as it has ramped up psychological pressure on Taiwan in the military and diplomatic realms, Beijing has attempted to present a friendlier image in terms of its pro-unification propaganda. Events such as the “13th Straits Forum” in December 2021—an event that saw participation by senior members of Taiwan’s main opposition party, the Kuomintang (KMT, 國民黨)—stressed the idea of “people-to-people” exchanges (民間交流) and expanding opportunities in China for young adults and businesspeople. The Chinese Communist Party (CCP, 共產黨) Central Committee Taiwan Affairs Work Conference (中央對台工作會議), held on January 25 in Beijing, further signaled a redoubled focus on “reunification” with the island. *(See further discussion on this topic by Norah Huang separately in this issue.)*

Beijing’s propaganda messaging regarding the annexation of Taiwan has grown ever-more insistent since at least January 2019, when CCP General Secretary Xi Jinping (習近平) gave a New Year’s address on Taiwan policy that enshrined the current messaging regarding the “inevitable trend” (不可逆轉的趨勢) of unification as a necessary component of China’s “national rejuvenation” (民族復興). The major slogans and policy directions as laid out in this speech remain in effect, and are fundamentally unchanged. However, the CCP propaganda system has continued to produce new messaging on Taiwan policy, with a handful of significant statements emerging in late 2021 and early 2022.

**The Commentary on Taiwan in the CCP’s Resolution on History**

On November 11, following the proceedings of the CCP Central Committee Sixth Plenum (中國共產黨第十九屆中央委員會第六次全體會議), the CCP released the official third resolution on party history (officially, “The Communist Party Central Committee Resolution Concerning the party’s Hundred Years of Struggle, Major Accomplishments and Historical Experiences,” 中共中央關於黨的百年奮鬥重大成就和歷史經驗的決議) *(hereafter, “Resolution”).* Although the Resolution touches upon a wide range of topics—with, of course, effusive praise for the wise and forceful leadership of the party in all things—Taiwan features prominently in the text. [1] As stated in one section of the document:

“Resolving the Taiwan question and realizing China’s complete reunification is a historic mission and an unshakable commitment of the party. It is also a shared aspiration of all the sons and daughters of the Chinese nation, and it is essential to realizing national rejuvenation. [...] Guided by the conviction that we are all of the
same family, the party has promoted peaceful development of cross-Strait relations, unveiling a host of policies for the benefit of our compatriots in Taiwan and strengthening economic and cultural exchanges and cooperation across the Strait. Since 2016, however, the Taiwan authorities have stepped up separatist activities aimed at “Taiwan independence,” which has seriously impacted the momentum of peaceful development of cross-Strait relations. Upholding the one-China principle and the 1992 Consensus, we firmly oppose separatist activities seeking “Taiwan independence” and firmly oppose foreign interference [...] For realizing China’s complete reunification, time and momentum are always on our side.”

Image: The members of the CCP Politburo Standing Committee vote during the 6th Plenary Meeting of the 19th CCP Central Committee, held in Beijing from November 8-11, 2021. This meeting approved the official “third resolution” on CCP history, which described “China’s complete reunification” as a “historic mission” of the party. (Source: PRC Central Government)

Of particular note, the Resolution provided the first apparent mention of the “Party’s Comprehensive Plan for Resolving the Taiwan Problem in the New Era” (新時代黨解決台灣問題總體方略) (hereafter, “Comprehensive Plan”). This term is mentioned in passing once, in one of the document’s repetitive recitations of obsequious praise for CCP General Secretary Xi Jinping: “Comrade Xi Jinping has put forward a series of important concepts [and] major policy positions, forming the party’s Comprehensive Plan for Resolving the Taiwan Problem in the New Era.” However, no further elaboration was provided in the Resolution. So, what is this “Plan”?

The “Five Groups of Keywords” for the “Comprehensive Plan”

In mid-January 2022, the official CCP mouthpiece People’s Daily (人民日報) shed further light on this when it unveiled a new set of propaganda slogans under the heading of “Five Groups of Keywords for Studying and Understanding the party’s Comprehensive Plan for Solving the Taiwan Question in the New Era” (五組關鍵詞讀懂新時代黨解決台灣問題總體方略). These “Five Groups of Keywords” are as follows: [2]

“National Unification, National Rejuvenation” (國家統一、民族復興)

The official commentary on this slogan asserts that “national unification” (國家統一) is an “inevitable trend” (大勢所趨) of history, in keeping with a long-standing theme of CCP propaganda. It is particularly striking how many times the commentary repeatedly invokes the necessity of unification in order to achieve the “rejuvenation” (復興) of the Chinese nation: the word is invoked 8 times in a relatively brief, four-paragraph (558 character) section of text. One such example is this excerpt, which asserts that all Chinese people must “...earnestly reflect upon the position and role of Taiwan in national rejuvenation, advance the country’s complete unification, [and] collaborate in the glorious enterprise of national rejuvenation.”

“Ending Political Antagonisms, Realizing Lasting Peace” (結束政治對立、實現持久和平)

The People’s Daily commentary notes that, due to the unresolved nature of China’s civil war and “interference by external forces” (外部勢力干涉), the two sides of the Strait were divided after 1949. It cites Xi Jinping’s 2019 speech to assert that the PRC will be willing to engage with “Taiwan’s various parties, groups and people” to “extensively exchange views, seek common understanding, [and] advance political talks,” in order to address “cross-Strait political problems and advance peaceful reunification of the motherland.” In this process, it will be critical to adhere to Beijing’s official framework of “One Country, Two Systems” (一國兩制), which is invoked five times in this section.

“Placing Hopes in the Taiwan People, Opposing ‘Taiwan Independence’ Separatism” (寄希望於臺灣人民、反對「台獨」分裂)
Despite the preceding pledge to engage in dialogue with all groups in Taiwan, the commentary reflects Beijing’s hardline policy of denying any legitimacy to Taiwan’s Democratic Progressive Party (DPP, 民主進步黨)-led government, and of blaming the DPP for the downturn in cross-Strait relations. The text states that “‘Taiwan independence’ is the greatest obstruction to the reunification of the motherland, [and] the gravest danger to national rejuvenation.” This has been made more severe “Since the DPP authorities appeared on the stage since 2016, joining with foreign forces […] recklessly provoking ‘independence’, continuously making trouble, creating tense upheavals in cross-Strait relations, bringing about extreme peril to peace and stability in the Taiwan Strait region.” In the face of this, the PRC will continue to maintain “people-to-people” exchanges (民間交流) that will “allow Taiwan compatriots, especially the grassroots masses, to better enjoy the benefits of the peaceful development of cross-Strait relations.”

“Integrated Development, Common Market” (融合發展、共同市場)

Efforts to cultivate and coopt Taiwan businesspeople (台商) have been a major theme of the PRC’s united front work directed at Taiwan. This slogan reinforces this line of effort, stressing the economic benefits that will accrue to Taiwan businesspeople by having increased access to production and markets in China. The commentary states that “the mainland resolutely maintains sharing with Taiwan compatriots in development opportunities, offering Taiwan businesses equivalent treatment, [and] persisting in expanding cross-Strait economic cooperation.”

“Cultural Inheritance, Spiritual Concordance” (文化傳承、心靈契合)

The commentary on this fifth and final slogan states that “Chinese traditional culture is the common spiritual root [and] spiritual home of compatriots across the Strait.” Accordingly, further cultural exchanges, emphasizing shared aspects of Chinese cultural heritage, should be conducted to build closer connections and common feeling among the people living on both sides of the Taiwan Strait.
another periodic propaganda campaign.

However, the progression in the use of the term—from a possible trial balloon mention in the resolution on party history, to the People’s Daily commentary, to the authoritative language on “thoroughly implementing” the concept unveiled at the time of the Taiwan Work Conference—suggests that this is likely to become another of the major ideological campaigns-cum-policy initiatives directly associated with Xi Jinping. As such, it would herald intensified focus by Beijing on the Taiwan “problem” in the months ahead. The evolution of the “Comprehensive Plan for Resolving the Taiwan Problem”—and what it might mean in real terms for Taiwan itself—will be well worth watching in the lead-up to the CCP’s 20th Party Congress later this year.

The main point: In a series of steps since November 2021, the CCP propaganda system has unveiled a concept called the “Party’s Comprehensive Plan for Resolving the Taiwan Problem in the New Era.” This set of ideas, directly linked to CCP General Secretary Xi Jinping, is likely to become a centerpiece of CCP narratives related to Taiwan policy in the lead-up to the CCP’s 20th Party Congress.

[1] Taiwan is mentioned a total of 16 times in the document, in addition to six further mentions of “cross-Strait” issues. This contrasts with Tibet, mentioned twice, and Xinjiang, mentioned three times; Hong Kong was the region mentioned most of all in this count, appearing in the text 21 times.


The CCP’s 2022 Taiwan Affairs Work Conference Signals Continuity in Taiwan Policy

By: Norah M. Huang

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Researchers working on China and Taiwan issues have traditionally looked at the annual Taiwan Work Conference (對台工作會議) to determine the direction of China’s approach toward Taiwan in the year ahead. Convened by the Chinese Communist Party (CCP) Central Committee at the beginning of each year, the CCP held the 2022 Work Conference on January 25. Wang Yang (汪洋), who serves as the chairman of the Chinese People’s Political Consultative Conference (CPPCC, 中國人民政治協商會議)—as well as deputy director of the Taiwan Affairs Leading Small Group (TALS, 中央對台工作領導小組), the party’s inter-agency policy-coordinating body—delivered the opening remarks laying out the central leadership’s guidance on Taiwan work.

Two weeks before Wang’s remarks, the Chinese state media outlet Huanqiu (環球網) published an interview with Sun Yafu (孫亞夫), vice chair of the Association for Relations Across the Taiwan Strait (ARATS, 海峽兩岸關係協會), which conducts relations between China and Taiwan in the absence of direct government-to-government relations. In the interview, Sun provided retrospective assessments of developments in cross-Strait relations that occurred in 2021 and offered his projections for 2022. In this interview, Sun alluded to Xi Jinping’s (習近平) warning to US President Joe Biden during their virtual summit last November, touched upon US-China competition, and clarified Chinese leaders’ thoughts on the struggles taking place in the Taiwan Strait. By lending elaboration to Wang’s brief remarks, Sun’s interview reaffirmed some observations extracted from the interactions among relevant actors in recent years.

Clues Regarding China’s “Comprehensive Plan” for Taiwan Issues in the New Era

In the first few words of his remarks, Wang set the tone for the CCP’s work toward Taiwan in 2022, stating that fulfillment of the work will warrant a successful 20th
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Image: Wang Yang (center left), Chairman of the Chinese People’s Political Consultative Conference and the Politburo member with responsibility for the united front portfolio, speaking at the CCP Central Committee Taiwan Work Conference, held in Beijing on January 25. (Source: Xinhua)

Party Congress at the end of the year. The citation of the relatively new terminology in Wang’s remarks, the “comprehensive plan” (總體方略) for tackling Taiwan issues (see discussion separately in this issue), invited a flurry of discussion in Chinese media. However, as presented in its initial debut in the Third Historical Resolution at the sixth plenum held last November, the “comprehensive plan” is largely a summation of Xi’s thoughts and policy statements rather than a brand new approach towards Taiwan. Taken together with what Sun pointed out in his interview, the CCP leadership will provide guidance regarding Taiwan policy for the next five years in the coming Party Congress, and the guiding thoughts will likely evolve and be streamlined according to existing policy formulations. Therefore, more continuity is to be expected than disruption. With that in mind, the newly emerged “comprehensive plan” is probably not where to look. Instead, the depiction of Xi’s new era gives more clues regarding how CCP leaders will approach key actors, such as “Taiwan independence” activists and “external forces,” and plot their own moves in pushing forward initiatives directed toward Taiwan.

In Xi Jinping’s concept of the “new era,” the West is declining while the East is rising. As a result of this fundamental shift, China has arrived at a position of power, allowing it to view the world with its head held high. Xi demonstrated this growing confidence and patience in resolving the Taiwan issue during his virtual meeting with Biden last November, according to people briefed by US officials. Sun Yafu’s interview offered consistent and further elaboration: according to this account, China’s approach to the Taiwan Strait is not witnessing fundamental change. While the balance of power will continue to favor China as time goes on, it has not yet reached the tipping point of upending the balance. This confident and patient mindset has primarily focused on deterring challenges to China’s “One-China Principle” (一個中國原則) and preventing other countries from altering their “One-China Policies” (一個中國政策). This has become the most prioritized goal of the CCP’s work toward Taiwan.

Lithuania’s recent decision to allow Taiwan to establish an office under the name of “Taiwanese Representative Office” (rather than the usual Taipei Economic and Cultural Representative Office, or TECRO) has been viewed by Beijing as an attempt to challenge the “One-China Principle.” Accordingly, the CCP has treated it as a serious risk, requiring an all-hands-on-deck response. The increasingly warm relationship between Taiwan and the United States under both the Trump and Biden Administrations in recent years has been viewed in a similar light. China’s response to Lithuania escalated swiftly from downgrading diplomatic ties to enacting a full trade ban on Lithuanian products, which then expanded to products with Lithuanian components. As a result, China risks taking on the world’s largest single market, the European Union.

It has recently been reported that the United States is also considering allowing Taiwan to rename the Taipei Economic and Cultural Representative Office (TECRO) in Washington, D.C. as the “Taiwan Representative Office.” Although this was first reported in early September 2021, the decision has remained pending. The US decision on the matter apparently carries more weight, as it may serve as a leading example for other countries to follow, even though both Lithuania and Somaliland have now respectively hosted a Taiwanese Representative Office and Taiwan Representative Office. Reflecting the magnitude of the decision, Xi Jinping himself reportedly issued a warning to President Biden about drastic measures to be taken in response to events considered to be crossing a red line, a message reinforced in Chinese state media.

In a recent NPR interview on the topic, China’s Ambassador to the US Qin Gang (秦剛) conveyed yet another warning, this time targeted at a broader American audi-
ence. Specifically, he mentioned the threat of potential military conflict between China and the United States. These two high-profile warnings demonstrated the PRC’s comprehensive efforts to reinforce its “One-China Principle,” to prevent Taiwan independence, and to maintain a tight grip on power in the lead-up to the 20th Party Congress, an important party event where many expect Xi will push his reign into a third term.

Having said that, by not specifying which events would be considered as crossing his red lines, Xi gave himself leeway to possibly avoid a self-inflicted showdown with the United States. In the meantime, one can expect China to conduct aggressive actions and threaten potential drastic measures—be they military, economic, or diplomatic—in order for the relevant counterparts to impose self-restraints. This has long been the CCP’s modus operandi for maintaining maximum deterrence.

**Attempts at “Unification” Expected to Step Up in Taiwan’s Election Year**

This bottom line/red line thinking is a key component of the defensive side of China’s Taiwan policy. The offensive side of its approach includes efforts to influence certain Taiwanese communities, as well as disinformation operations, especially in a Taiwan election year. These have been a part of China’s toolbox in its Taiwan integration campaign for some time. Moreover, China’s coastal province Fujian has long been designated as a model for demonstrating “fusion development” (融合发展), with Taiwanese youth looking for opportunities to launch business and careers in a region of the mainland where people speak a similar dialect. However, the Fujian platform has not yet developed into a promising incubator for stronger ties with the mainland among targeted Taiwanese demographics. Nevertheless, its implications for the CCP’s efforts to make inroads into Taiwanese grassroots communities should not be overlooked. For this reason, the Chinese government has kept the Fujian platform policy intact and continues to channel resources for its improvement.

Aside from the aforementioned charm offensive, a new Chinese maneuver falls into this category. As has been noted by researchers, at least one Chinese official described various “arrangements after unification” (統一後的安排) in 2021. In comparison to the CCP’s previous emphasis on “One Country, Two Systems” (一國兩制) as the primary framework for addressing the Taiwan issue, the model has become increasingly toxic in the wake of Beijing’s crackdown in Hong Kong. As a result, Chinese officials have sought to sell the solution by wrapping it in different packaging. We should expect more of these kinds of tactics to be employed in 2022 as a key part of future charm offensives. However, despite the CCP’s efforts to give it different faces, the inherent flaws of arbitrary rule in an authoritarian regime will continue to be unattractive to those living in a democratic system.

**China’s Duplicitous Approach to Taiwan Should Not Be Overlooked**

On top of what was mentioned above, Wang Yang’s remarks—as well as other various Chinese policy statements—were narrowly focused on realizing nationalist goals while overlooking the implications for the broader geostrategic picture. Specifically, Wang emphasized that efforts to contain Taiwan are fundamentally linked to the Chinese nation’s “great rejuvenation” (偉大復興). Outside observers have long interpreted China’s obsession with annexing Taiwan as limited to unifying the greater Chinese “nation” (民族). This narrative conveniently makes former approaches that emphasized engagement and cooperation with China seem more plausible and promising. Nevertheless, China’s various policy talking points (see examples here and here) have made clear that fulfilling the great Chinese national rejuvenation includes building up a world-class military. Anyone looking at the map could tell that Taiwan holds the key for the Chinese People’s Liberation Army to attain its geostrategic goals. That is one unspoken reality that is never overlooked by the Chinese. With that in mind, the Taiwan issue is never just a cross-Strait issue, but rather one important element of broader developments in the international system. Accordingly, it requires a broader perspective in order to orchestrate effective solutions to it.

**The main point:** The Chinese Communist Party’s annual Taiwan Work Conference, held in January, provided indicators of Chinese policies towards Taiwan in the coming year. These policies are likely to include prioritizing the “One-China Policy” in the name of blocking Taiwan independence, a renewed focus on “unification,” and efforts to cultivate grassroots groups in Taiwan, especially in an election year.
In the Taiwan Strait, Semiconductors are Secondary

By: Michael Mazza

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"Tech is at the center of the global strategic competition, and no tech is more essential to this competition than semiconductors." So declare Becca Wasser, Martijn Rasser, and Hannah Kelley in a new report from the Center for a New American Security (CNAS). In describing and drawing conclusions from an original global semiconductor competition strategy game, the authors effectively highlight Taiwan’s importance in the worldwide semiconductor supply chain and the challenges and opportunities that centrality poses for Taiwan, the United States, and the People’s Republic of China (PRC). The report, however, gives short shrift to historical context in the Taiwan Strait, and thus overstates tech’s determinative role there.

Taiwan does, of course, occupy a key node in global supply chains that are of importance to numerous countries’ national security. As the authors note, “Taiwan accounts for 92 percent of the world’s most advanced (below 10nm) semiconductor manufacturing capacity, more than 50 percent of overall semiconductor manufacturing capacity, and [is] a key source for silicon wafers.” Wasser, Rasser, and Kelley effectively argue that Taiwan’s domination of the semiconductor fabrication industry makes Taiwan “indispensable in the global market,” and thus reinforces Taiwan’s security. This is Taiwan’s so-called “silicon shield.”

That shield, according to the authors, is becoming a “double-edged sword.” Fundamentally, this is because China wants what Taiwan has: its expertise, its intellectual property, and its industrial capacity. Taiwan’s fabrication plants (fabs), then, are both shield and target; they may invite PRC efforts to seize control of the industry or of the island itself. “Military provocation aside,” the authors write, “Taiwan’s semiconductor industry may be one of the conduits through which China could gain significant control over Taiwan without firing a single shot.” How so? The details are fuzzy. Wasser, Rasser, and Kelley worry that “China may leverage gray zone tactics to exert de facto control over Taiwan’s semiconductor industry—and Taiwan,” and they rightly note that China has a long menu of potential coercive actions it could use in this regard. The authors, however, do not explain the mechanics of how this effort might actually work in practice. “Gray zone” tactics present genuine challenges, but here they are treated as a magic wand China can wave over Hsinchu (the location of a major semiconductor industrial center) to solve its Taiwan and semiconductor challenges in one fell swoop.

What is more, the authors do not grapple with China’s mixed record in achieving desired results from the use of “gray zone” tactics. As examples, they highlight the economic punishment of Australia in recent years, the use of “Coast Guard and commercial vessels to physically coerce civilian fishing boats and exert China’s territorial claims,” and the detention of Michael Kovrig and Michael Spavor following Canada’s arrest of Meng Wanzhou (孟晚舟). China’s gray zone maritime tactics have been successful to an extent in the South China Sea (though arguably not in the East China Sea), but punishment of Australia has clearly backfired. In the case of Meng, meanwhile, Ottawa never buckled. For its part, the United States may have given in to China’s hostage diplomacy, but it is too soon to say: Meng’s deferred prosecution agreement should enable the US Department of Justice to more effectively pursue charges against Huawei, a far bigger target.

These examples aside, the authors make no effort to assess Taiwan’s own history in dealing with China’s efforts in the gray zone. Taiwan and China have engaged one another in political warfare, a key aspect of gray zone warfare, for the better part of a century now. While the PRC threat must often seem overwhelming—it is constant, ever-present, and does have real-world effects—Taiwan has managed it well in recent years. Despite China’s best efforts, Tsai Ing-wen (蔡英文) overwhelmingly won successive presidential elections. Taiwan’s current government has not conceded to Beijing’s demand that Taipei recognize and abide by the so-called “1992 Consensus” (九二共識). And even as China has kept Taiwan out of various international organizations and poached its formal diplomatic allies, the island nation has successfully drawn closer to the
United States and a number of other foreign partners in recent years. Put simply, Chinese disinformation campaigns, military coercion, political interference, economic leverage, and media warfare have failed to bring unification closer to fruition, to bring large numbers of China-friendly politicians to power in Taiwan, or even to further isolate Taiwan on the global stage.

To be sure, past performance (or lack thereof) is no guarantee of future results. Chinese coercion could work in the future, and Beijing has a deep “gray zone” toolbox stocked with plenty of as-yet-unused implements. Yet, if a future Chinese decision to seize control of Taiwan’s semiconductor industry is a real concern, it is natural to question whether China would opt for a strategy that, in other contexts, has had mixed results at best and that requires actors in Taiwan to ultimately make the decisions Beijing wants them to take. Taiwan gets a vote, and perhaps a far weightier vote than it would get if China were to seize the island by force outright.

This recognition, in turn, raises another question: would a desire for chips ever drive Beijing to invasion? It is possible, but that is likely not the primary scenario for which Taiwan, the United States, and other concerned parties should be preparing. Because the report lacks historical context, it presents the semiconductor struggle as foundational. As the authors write, “Taiwan’s security is inextricably intertwined with its semiconductor industry,” and with one company in particular: Taiwan Semiconductor Manufacturing Company (TSMC). “Taiwan’s long-standing techno-nationalist strategy,” Wasser, Rasser, and Kelley argue, “entrenches the notion that the United States and other actors have a vested interest in Taiwan’s sovereignty.”

Perhaps that is the case now, but it is worth considering that Chinese and American interests in Taiwan long predate Taiwan’s semiconductor industry, which got its start in the mid-1970s when RCA began manufacturing chips on the island. TSMC was founded in 1987, only 25 years ago. Of course, chips were not a concern when the United States and the Republic of China, then on Taiwan, signed a mutual defense treaty in 1954, nor were they much of a concern when Congress passed and Jimmy Carter signed the Taiwan Relations Act in 1979.

Semiconductors likewise cannot explain Beijing’s decades-long desire to annex Taiwan, which has its roots in factors ranging from the “unfinished” civil war and an ethnonationalist worldview to geostrategic reasoning and imperial aspirations. The ultimate “reunification” of Taiwan with China has long been a central promise of the Chinese Communist Party (CCP). The CCP’s ruling legitimacy is intertwined with its “sacred mission” to bring Taiwan into the fold. In theory, the desire for a secure chip supply could provide the impetus that pushes China to war, but given that the island itself—not TSMC—is the prize that Beijing has long desired, other factors are likely to be far more important in shaping a decision to use force.

Consider a thought experiment: If Beijing could secure a reliable supply of advanced semiconductors by formally accepting Taiwan’s permanent separation from China, would Xi Jinping make that trade? Almost certainly not. On the other hand, it is not at all clear that the promised destruction of Taiwan’s semiconductor fabs and the exodus of the brains behind them would deter Beijing from attacking if Xi was moving closer to making that call.

Technology undoubtedly plays an important role in the US-China strategic competition and in the Taiwan Strait. Drawing lessons from “The Chips Are Down” game, Wasser, Rasser, and Kelley usefully highlight a number of steps the United States, Taiwan, and like-minded partners can take to enhance economic and national security and ensure the reliability of global semiconductor supply chains. Perhaps unintentionally, however, their report distills both the strategic competition and Taiwan’s security down to a question of who controls the world’s semiconductor supply. It is an oversimplification that risks undermining appreciation for the complex dynamics at work in the Taiwan Strait, and encouraging an unwarranted focus on what is likely a secondary factor driving Beijing’s Taiwan policy.

The main point: Technology plays an important role in the US-China strategic competition and in the Taiwan Strait, but concerns about semiconductor supply are only a secondary driver of China’s Taiwan policy.

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**Should Taiwan be Concerned about Inflation?**

By: Riley Walters

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Inflation has become a concern in major economies like the United States and across the Eurozone. There are growing fears that the costs of goods and services are increasing at an alarming rate, and that these price increases could stretch household incomes to a breaking point. Central bank leaders, like US Federal Reserve Chairman Jerome Powell, have tried to assuage these concerns by saying that the increase in prices is “transitory,” or only short-term. However, even central bankers will admit they are not exactly sure when inflationary effects—like supply chain disruptions—will end. As a result, the US Federal Reserve is considering raising interest rates to help curb inflation.

In Taiwan, inflation has thus far been “controllable,” according to Taiwan’s central bank governor Yang Chin-long (楊金龍). Even though consumer prices hit an all-time high in November, prices cooled off slightly in December. While talk of rising prices can occasionally be alarming, inflation in Taiwan has yet to reach a level that should be of much concern. In fact, the current level of inflation in Taiwan is about where central bankers want it to be, and may remain controllable for this year.

**What is Inflation?**

Generally speaking, inflation is the increase in the price of goods and services. It can also refer to the increase in the amount of money circulating in an economy. But when policymakers talk about inflation, they are usually referring to the price of all goods and services purchased by consumers, not just the price of one or two specific goods. For example, this can include the price of clothes, mobile phones, furniture, and automobiles, the price of gas, the price of food, the price of labor at a restaurant, and so on. Analysts will collect these prices in an index and measure them across time to determine whether they are rising or falling. Critically, different indexes will tell different stories. Some indexes, like the one commonly referred to as core inflation, excludes the price of food and energy given how quickly and greatly these prices can change. Another will track the price of goods and services for producers. This will include the price of inputs like steel and lumber, as well as services like labor and transportation.

A moderate or low level of inflation is usually seen as a good thing. In fact, the US Federal Reserve, the European Central Bank, and the Bank of Japan—the monetary authorities for the world’s most used currencies—all strive to achieve an annual inflation rate of 2 percent. They find that this level of inflation means prices are growing but are generally stable, a dynamic that consumers appreciate. However, if inflation is too high price growth can outpace wage growth, meaning consumers can afford fewer things. And unlike wage growth, which tends to be relatively stable, inflation can be more volatile, given the changing nature of the market.

Of course, central banks and policymakers often have a hard time trying to achieve their goal of 2 percent, as many factors can affect prices. The Bank of Japan, for example, has been trying for years to increase Japan’s inflation rate beyond 1 percent through aggressive monetary policy. On the other hand, the United States has exceeded 2 percent inflation several times since the great financial crisis of 2009. Since April 2021, monthly inflation in the US has ranged between 4 percent and 7 percent, in part because of supply chain disruptions. As a result, we could see significant monetary changes from the US Federal Reserve this year. Generally speaking, since the beginning of the pandemic, most countries have seen an uptick in inflation due to supply chain disruptions. According to researchers at the International Monetary Fund, prices are rising at the fastest pace in almost four decades.

**Inflation in Taiwan**

Taiwan’s National Development Plan for the last eight years has focused on keeping inflation well below 2 percent. According to its most recent four-year national development plan, covering 2021-2024, it plans to target core inflation (consumer prices not including food and energy) growth between 1 percent and 1.5 percent.

Much like Japan, Taiwan’s inflation has not exceeded
2 percent growth for more than a decade. However, consumer prices did grow by just shy of 2 percent (at 1.96 percent) last year. This was mostly the result of increases in the price of food, fuel, and transportation. Without taking food and energy prices into account, core inflation only grew about 1.33 percent—well within the national development plan’s target. Overall, consumer prices are expected to grow anywhere between 1.1 percent and 2 percent this year, with core inflation expected at around 1.45 percent—pending any new major disruptions to global or regional supply chains.

Consumer prices did grow 2.9 percent in November and 2.6 percent in December compared to this time a year earlier—meaning the rate at which prices are rising is picking up pace (see chart below). According to officials, this growth of around 2 percent could continue well past the Lunar New Year. However, officials also expect consumer prices to cool off shortly after that.

Image: Consumer prices and wholesale prices are increasing at a faster rate compared to a year ago. In 2020, these prices were actually decreasing. (Source: Directorate-General of Budget, Accounting and Statistics, Executive Yuan, Taiwan)

Wholesale prices, on the other hand, tell a different story. These are prices generally paid for goods by distributors. While wholesale prices in Taiwan have yet to reach the highest they have ever been (the highest being back in 2008), the growth rate for wholesale prices is now the fastest it has ever been. Since May 2021, monthly wholesale prices have been increasing at a rate of around 12 percent. Meanwhile, the average growth rate of wholesale prices throughout the 2010s was basically zero. The recent increase was driven in part by rising import costs this year. Producer prices are also increasing—driven by an increase in the cost of inputs like energy, chemicals, and metals.

According to manufacturers in Taiwan, price growth has continued now for 19 consecutive months. For non-manufacturers, price growth has continued for 72 consecutive months but at a relatively slower pace. Whether these increases translate into even higher costs for consumers has yet to be seen, but is something to keep an eye on. For both manufacturers and non-manufacturers, not only have supply deliveries been slow but there continues to be a backlog of orders.

Rate Changes
Supply chain disruptions continue to affect global prices. In the United States, for example, inflation is becoming a real concern, so much so that the Federal Reserve may begin raising its interest rates as early as March 2022—shortly after Taiwan officials expect prices to cool off following the Lunar New Year. Taiwan’s central bank, along with other central banks, is now closely watching to see what the United States does and whether it should follow suit. In a recent board meeting, Taiwan officials said that, “given the uncertainty over global inflation, if domestic prices are persistently higher, or pandemic-hit sectors regain solid footing, or major economies begin to raise policy rates, the Bank may, as necessary, adjust its monetary policy.” However, these officials would be amiss if they were to raise rates too soon just to keep inflation under 2 percent. Doing so might put pressure on the recent growth in Taiwan’s economy, as well as future growth. This is primarily because so much of the recent increase in prices is from supply chain disruptions and is unlikely to be resolved simply from changes to interest rates.

A Strong Economy
Taiwan’s inflation is driven by a number of factors—the most obvious being bottlenecks and delays in the global supply chain. This is what is primarily driving inflation across the globe. But there is another driver of inflation that is usually overlooked. Bittersweet as it may be, the strength of Taiwan’s economy and growing demand for Taiwan-made goods and services are also driving inflation. Since more people started working and living more at home, there is unprecedented
demand for personal electronics, at-home computers, and video games filled with Taiwanese technology seen around the world.

Taiwan’s economy grew over 6 percent last year—the fastest since 2010—in part thanks to increased demand. Exports have continued to rise for 18 consecutive months, with the value of exports having skyrocketed by almost 25 percent. While Taiwan’s economic growth might slow in 2022 as global demand for electronics slows, GDP is still expected to grow anywhere between 2.6 percent and 4.2 percent. This would be on-par with other advanced economies. According to The World Bank, the US is expected to grow 3.7 percent this year, with the Eurozone at 4.2 percent, and Japan at 2.9 percent.

Economic growth usually translates into wage growth, and wage growth can lead to inflation as well. Average wages in Taiwan increased 1.5 percent in 2020 and 1.9 percent in 2021, and monthly wage growth has been increasing recently. Regular wages increased 2.2 percent in October and 2.3 percent in November compared with this time in 2020. As a result, households and consumers have more disposable income they can spend, meaning companies need to increase their prices in order to be able to produce more goods to sell. What would be a problem would be if Taiwan were seeing inflation without seeing similar wage growth. This would mean consumers could afford fewer things and would potentially have to tap into their savings. Thankfully, this has not been the case thus far.

**Conclusion**

Domestically, Taiwan’s economy is in a good position so long as there are not too many global and regional disruptions—whether in the form of inclement weather, natural disasters, new COVID variants that may lead to new lockdowns, or interest rate changes in the US and other major economies. Inflation in Taiwan looks to be controllable at this point, meaning it is neither rising too much, nor too quickly. While global demand for personal electronics will likely cool down in 2022, Taiwan is still in a position to see positive economic growth this year. Wage growth will likely continue as well, offsetting any increase in consumer prices.

**The main point:** Moderate inflation (1 percent to 2 percent) in Taiwan will likely continue in 2022. This should be manageable for policymakers so long as wage growth can continue to keep pace.