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By: Russell Hsiao

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The early October visit to Washington, DC by Taiwan’s minister for economic affairs, Wang Mei-hua (王美花), occurred against the backdrop of the Ukraine War—now entering its eighth month—as well as rising tensions in the Taiwan Strait. Included amid a packed itinerary that involved public and private meetings with government officials and experts, the minister spoke at a think tank event hosted by the Center for Strategic and International Studies (CSIS). In her public remarks, Minister Wang warned about the economic consequences of possible Chinese military aggression against Taiwan. In response to a question about how Taiwan—and specifically, the Ministry of Economic Affairs (MOEA, 經濟部)—was preparing to respond in the event of an outbreak of military conflict, the minister warned that the economic ramifications would not only affect Taiwan, but also the United States, China, and the entire world. “You can see [that] Taiwan [is] in a very critical position. And […] we have a very critical industry in the world.” While Wang did not mention China by name, the intended target was clear. “So if you are [a] reasonable person, you [would] think twice […] [about] how huge [an] impact [it] will be for the individual country and for all of the world,” she concluded.

This warning dovetails with statements made previously by other foreign leaders who have called for enhancing deterrence against China in the wake of Russia’s invasion of Ukraine. The economic minister’s comments also underscore the growing salience of an understudied but increasingly discussed component of any effective response to Chinese coercion, as well as a potential—and some believe imminent—military conflict in the Taiwan Strait. The importance of the economic dimension was thrown into sharp relief after Western countries enacted a series of sanctions against Russia after its invasion of Ukraine. Embryonic discussions are now underway in various capitals about the possibility of adopting similar measures to potentially counter Chinese economic warfare, as well as to respond in the event of a Chinese invasion of Taiwan. Whether the international community, including Taiwan, will be in a bet-
ter position to coordinate—and thus deter an invasion or other forms of coercion—will depend on what countries do now, both domestically and with one other.

While discussions are still at an early stage, policymakers in Washington are beginning to express increased concerns both privately and publicly about the need to more fully understand the economic implications of a conflict over Taiwan. These concerns are also driving the business community in multiple countries to think about their own contingency plans. Indeed, President Joseph Biden highlighted this concern when he stated “the idea that, that it [Taiwan] can be taken by force, just taken by force, is just not, is just not appropriate. It will dislocate the entire region and be another action similar to what happened in Ukraine and so it’s a burden that is even stronger.” As Gerard DiPippo, a senior fellow in the economics program at CSIS, has written: “perhaps the most uncertain risk is how much any conflict over Taiwan would harm the global economy. Reasonable damage estimates range from bad to catastrophic.”

Image: Taiwan Minister for Economic Affairs Wang Mei-hua delivering an address at the Center for Strategic and International Studies in Washington DC, October 11. (Image source: CSIS)

**Economic Dislocation from a Military Conflict in the Taiwan Strait**

Whereas the human costs of a military conflict in the Taiwan Strait are better understood, less clear are the potential economic costs, especially in scenarios of those falling below the threshold of an all-out military conflict. The People’s Liberation Army’s (PLA) massive military exercises in early August simulating a blockade of Taiwan underscored how Taipei must also be prepared to respond to a spectrum of possible Chinese actions, as well as the potential economic costs of scenarios other than a full-scale amphibious invasion.

In highlighting the point about Taiwan’s critical position in the global economy, Minister Wang pointed out that “the waters surrounding Taiwan are home to the busiest shipping lane in the world. This area is densely filled with cargo ships and cruisers.” Indeed, according to DiPippo, “nearly half of the global container fleet and 88 percent of the largest ships transited through the Taiwan Strait [in 2022],” and nearly 50 percent of global shipping transits the strait. The minister also emphasized Taiwan’s colossal role in the industrial supply chain, with the island boasting some 80 percent share of the global market for laptops and motherboards, 60 percent of the world’s network devices are made in Taiwan, 70 percent of all functional textiles and apparel, as well as its global rank as the fifth largest exporter of machine tools. Furthermore, Taiwan holds a dominant position in the semiconductor supply chain, accounting for 62.9 percent of the global market—a number that climbs to a whopping 73 percent for advanced semiconductor chips (i.e., those smaller than 7 nanometers).

**International Cooperation Needed to Deter Chinese Aggression**

The Taiwanese economic minister is not alone in warning about the economic consequences of a conflict in the Taiwan Strait. Russia’s invasion of Ukraine has sparked concerns in other capitals about the economic ramifications of a possible Chinese invasion of Taiwan. The then-foreign secretary (and current prime minister) of the United Kingdom, Liz Truss, commented back in April on the need to protect Taiwan. Specifically, she stated that “The G7 should act as an economic NATO, collectively defending our prosperity. If the economy of a partner is being targeted by an aggressive regime, we should act to support them. All for one and one for all.” In the same speech, Truss added: “We need to pre-empt threats in the Indo-Pacific, working with our allies like Japan and Australia to ensure the Pacific is protected. And we must ensure that democracies like Taiwan are able to defend themselves.”

The clearest articulation of the need to think strategically about the economic dimension of countering Chinese coercion of Taiwan was expressed by Japanese lawmaker Kono Taro during a visit to Washington, DC in May. Kono, who had previously served as the country’s foreign and defense minister under the late Abe Shinzo, made the following comments during a discussion held by the Brookings Institution:

“If we are to be ready for Chinese coercion vis-à-vis Taiwan we need to consolidate strategy among the like-minded countries. And where we’re going start and which timeframe, and what are the products that we are to divest out of China or to on shore to each country? We need a coordinated strategy, otherwise if some coun-
try wanted to divest on shore, someone else might try to come in and cut the market share in China or try to steal the production capacity in China. So we’re going to be fighting among ourselves, [and] that would [defeat] the original objectives.

So we need a consolidated strategy vis-à-vis China. So that would sort of deny any selfish subsidy or selfish industrial policy using China as a pretext. So I think it’s time for us to sit down and come out with [a] consolidated strategy how we’re going to be ready [...] [not only] for China’s [...] invasion, but [also] coercion vis-à-vis Taiwan.”

Taiwanese officials are also reportedly appealing to the European Union (EU) and individual European governments to consider sanctions on China and to form a common position before, not after, the outbreak of conflict. According to CNBC, “Taiwan has not asked for anything specific, only for Europe to plan what actions it may take if China attacked [...] and has asked Europe to warn China privately that it would face consequences.” It is worth noting that the EU’s new ambassador to China, Jorge Toleda Albiñana, stated: “In the event of a military invasion [of Taiwan] we have made it very clear that the EU, with the US and its allies, will impose similar or even greater measures than those we have now taken against Russia.” As an indicator of how such discussions have progressed, even the government of Switzerland, a neutral country, has also indicated that it would adopt EU sanctions against China.

Countries are Hedging against Risks of Overreliance on Taiwan

At the same time that countries are considering ways to economically deter China from invading Taiwan, they are also hedging against the risks of their own overexposure and reliance on Taiwan for its critical semiconductors. This concern was also explicitly conveyed by Kono, who noted during the same event that “we cannot continue relying on Taiwan’s capability to develop [the] latest technology on semiconductors. So we’ll probably need to create some kind of consortium among the like-minded countries to try to develop semiconductor technology among ourselves, so just in case something happened to TSMC or something happened to [the] Taiwan semiconductor industry we can replace them with our own capability.”

The current situation has created a dilemma for Taipei. On the one hand, Taiwan would welcome the increased attention to its importance in the global tech supply chain. On the other, however, it is obviously concerned that countries becoming less dependent on Taipei for such materiel might make it less likely that they would come to the defense of Taiwan in the event of a military conflict. It is therefore not surprising that part of Minister Wang’s central message in Washington was that: “If Taiwan is safe, the global supply chain will also be secure. This is in the world’s greatest interest for Taiwan to work with [the] US and other allies to maintain the most efficient production.”

Calls from Within for a “Finance Han Kuang Exercise”

Growing international concerns about the economic consequences of a military conflict are being complemented by increased calls from within Taiwan for the central government to conduct military-like exercises referred to as the “Finance Han Kuang Exercise” (金融漢光演習). While most of the attention have been exclusively focused on the high-tech industry, these exercises could involve financial sector industries and other monetary institutions in practicing responding to the potential fallout from Chinese economic warfare and military operations. The proposed drills take their name from the military’s Han Kuang exercise (漢光演習), an annual large-scale exercise conducted by the Republic of China (ROC) Armed Forces to maintain combat readiness.

According to a researcher at Academia Sinica (中央研究院)—a government-sponsored national research institute directly under the Presidential Office—while protecting the semiconductor supply chain would naturally be an important aspect of contingency planning, the financial industry could also face considerable impacts from a cross-Strait conflict. In a range of conflict scenarios, domestic and international funds would likely flow in and out of Taiwan, and financial institutions might not be able to operate properly. Accordingly, there would need to be a coordinated mechanism for early detection and response.

This sentiment has been echoed by members of the financial industry, including the Taiwan Academy of Banking and Finance (台灣金融研訓院), which has similarly called on the government to organize such an exercise. These calls have found political support from the main opposition parties in Taiwan. The largest opposition party, the Kuomintang (KMT, 國民黨), has criticized the Tsai Ing-wen (蔡英文) Administration for failing to respond to the threat posed to the financial industry. The Taiwan People’s Party (TPP, 臺灣民眾黨) has also pushed the government to conduct similar exercises for the purpose of strengthening cyber security monitoring and financial stability mechanisms.

According to William Tseng (曾銘宗), a current KMT legislator serving as the caucus whip—and who served previously as the chair of the Financial Supervisory Commission (FSC, 金融監督管理委員會)—such an exercise must address three compo-
nents: first, cyber-attacks; second, the stock market response; and third, the foreign exchange response. Tseng also argued that the current government is relying too much on the national security fund (國安基金) to protect the financial industry, even though the fund only has around NTD $500 billion (USD $15.6 billion)—an amount insufficient to adequately cover the transaction volume of the stock exchange, which averages around NTD $335 billion in daily trading volume.

However, in response to questions about measures that the government is taking to respond to the threat, an official from the FSC stated that the body’s daily supervision of financial institutions already includes various drills and stress tests, and does not require an additional exercise as some have suggested.

Credible Signaling Requires More Concrete Planning

The warning by Taiwan’s economic minister, taken along with statements made by other foreign leaders calling for enhancing deterrence against China amid Russia’s invasion of Ukraine, underscores the growing urgency of the economic dimension to rising tensions in the Taiwan Strait. This is particularly true for scenarios falling below the threshold of an all-out military conflict (even if that is the worst-case scenario), as human and economic costs must both be factors of consideration for intervention on either side.

As the PLA’s August exercises demonstrated, China could inflict significant harm—not only on Taiwan, but on the entire global economy. As DiPippo concluded: “More research is needed to understand global economic interdependencies. At a minimum, any conflict over Taiwan would entail sanctions and physical disruptions far more disruptive than those in recent years from the COVID-19 pandemic and Russia-Ukraine war.”

To be sure, imposing sanctions and economic measures on China would be far more complicated and costly than sanctioning Russia. Even if one believes that the likelihood of an all-out military conflict breaking out in the Taiwan Strait is unlikely (at least in the near-term), Chinese economic and hybrid warfare—especially activities falling below the threshold of a kinetic military attack—could become a more common coercive tool that China may leverage in the years ahead as it intensifies its pressure campaign against Taiwan. With proper coordination and cooperation among like-minded countries, however, there could be ways to mitigate the economic fallout from, for instance, a coordinated cyber-attack on Taiwan’s financial industry. The economic minister’s warning in Washington is a necessary first step, but more needs to be done—and with a greater sense of urgency.

The main point: As Taiwan’s Economic Minister Wang Mei-hua noted during a recent visit to Washington, the economic impacts of a Chinese invasion of Taiwan have received insufficient attention. Amid rising tension, for Taiwan and like-minded countries around the world, more coordination is necessary to ensure that Taiwan is better protected from attacks on its financial industry.

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Redefining First Strike: Implications for Taiwan’s Defense and Deterrence Strategy

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On October 5, Taiwan Defense Minister Chiu Kuo-cheng (邱國正) made a remarkable statement regarding a change in Taiwanese defense policy: “In the past, we said we won’t be the first to strike, which meant we won’t do it without them firing artillery shells or missiles, et cetera, first... But now the definition has obviously changed, as China [has] used means like drones. So we have adjusted, and will view any crossing of aircraft or vessels as a first strike” (“空器實體飛越領空，就算第一擊”).

This implies a significant rethinking of the Taiwan military’s rules of engagement (ROEs), and is all the more extraordinary given the Taiwan national security establishment’s well-known aversion to risk. This risk aversion arises from both bureaucratic inertia and strategic concern that being seen as the aggressor would compromise international (primarily, the United States) support in a war for national survival. It is not for nothing that Taiwan President Tsai Ing-wen (蔡英文) has repeatedly underlined that Taiwan “will not act rashly when we have support” (“得到支持不冒進”). Operationally, this risk aversion has translated to gray zone responses that are symmetrical in nature and hampered by restrictive ROEs. In an all-out invasion scenario, such restrictive ROEs are even worse for the defender: by slowing down decision-making, they further enhance the aggressor’s implicit first-mover advantages.

In this article, I identify the primary drivers for such a reevaluation of Taiwan’s ROEs. Moreover, there are significant im-
applications to this change for Taiwan’s defense and deterrence strategy, which if fully capitalized upon can undercut People’s Liberation Army (PLA) advantages in both gray zone warfare as well as a full-scale invasion scenario.

**Gray Zone Backlash**

For a number of years, the PRC has targeted Taiwan with an escalating campaign of gray zone warfare, defined as the integration of coercive military power as a function of political warfare. This escalation started quantitatively, and then qualitatively. Taking the air domain as an example, the PRC has horizontally and vertically escalated a campaign of incursions into Taiwan’s Air Defense Identification Zone (ADIZ) and across the Taiwan Strait “median line.” Incursions into Taiwan’s ADIZ began around 2016-2017. Starting in 2020, however, the number of incursions spiked to 380. The sophistication of the PLA “aircraft packages” utilized also increased: from a few fighters to high numbers of fighters, bombers, early warning, anti-submarine, and electronic warfare aircraft in multiple groupings, often taking the form of night-time incursions. This escalation of numbers and sophistication is quite similar to what the PLA did against Japan from 2013 to 2020, only replicated on a significantly faster timeframe given increased PLA experience and facilities. Now, the PLA is seeking to develop the capacity to execute these attrition-style missions against Japan and Taiwan at the same time.

The second type of incursion, across the Taiwan Strait “median line,” was previously reserved for making a specific political point, with only four median line incursions from 1954 to 2020. Both sides observed an “unspoken understanding” that the unofficial aerial boundary would be observed. However, following US Under Secretary of State Keith Krach’s visit to Taipei in September 2020, the PRC chose to launch dozens of aircraft across the median line over a two-day period, with over 40 incursions recorded. Then, following the visit of US Speaker of the House Nancy Pelosi to Taipei in August 2022, the PRC erased this unspoken understanding, with over 90 incursions across the median line since the visit. Finally, in August 2022, the PRC began utilizing unmanned aerial vehicles (UAVs) in the vicinity of Kinmen (金門) and Dongyan (東引) Islands, in Taiwan’s ADIZ, and across the median line. Put together, these changes indicate a significant shift in how the PLA conducts political signaling and gray zone warfare.

First, the symbolic deterrence of sending a few fighters into Taiwan’s ADIZ is increasingly being replaced by combat credible groupings of fighters, bombers, and reconnaissance and electronic warfare aircraft. The PLA is increasingly fusing deterrence and operational warfighting as a concept, practicing more complex coordination and maneuvers in the gray zone that will also have applicability in a full scale invasion. Second, predictability and the “unspoken understanding” is being replaced by unpredictability. The “median line” has been erased as a method of signaling PRC displeasure. The PRC is now accepting a greater risk of unforeseen consequences and accidents in order to increase coercion. Third, UAVs dramatically increase the ability for the PLA to engage in deniable, salami-slicing tactics, and to do so in a far more sustainable way than through the use of manned aircraft. The collapse of the “median line” as an unspoken barrier means that PRC UAVs will push towards Taiwan’s territorial waters/airspace (defined as within 12 nautical miles of Taiwan’s shores) as the next frontier of gray zone warfare.

The first indication that Taiwan was reevaluating its risk calculus came as a result of PRC UAV harassment of Taiwan garrison troops on Erdan Island (二膽島) near Kinmen on August 16. Footage of the harassment and the Taiwanese military response (which included rock throwing) was featured heavily in both PRC social and official media. This was particularly notable as this was a melding of gray zone activity with PRC propaganda, meant to publicly humiliate the Tsai Administration. Plausible deniability of state involvement was maintained, as the UAV model was identified to be civilian, although the ownership of the UAVs remain unknown.

Image: PRC UAV photo of Kinmen Defense Command garrison troops on Erdan Island, Kinmen, August 16, 2022. PRC use of UAVs to harass the Taiwan military, combined with social and official media mockery of the Taiwanese response, led to Taiwan authorizing looser rules of engagement against UAVs and deploying anti-drone electronic warfare weaponry. (Image source: South China Morning Post)

Taiwan’s response to the mockery was two-fold. First, in late August the military outlined a four-step response to future UAV overflights: firing warning flares, reporting the incursion, expelling the drone, and ultimately shooting it down. This was further backed by a presidential order to “adopt necessary and
strong countermeasures” ("採取必要且強烈的反制措施"). This ROE was tested less than a week after the announcement, with an incident near Lion Islet (獅嶼). Second, the Ministry of National Defense (國防部) announced the priority deployment of anti-drone weapons, particularly to Taiwan’s outlying islands. These weapons will likely include anti-drone jamming guns and a remote drone-based defense system.

While these changes only deal with one system, the overall context of this attrition-style gray zone warfare has led the MND to consider broader changes, as outlined by Minister Chiu’s statements on redefined first strike. Unlike the UAV-specific ROEs, the extent to which that statement has resulted in changed operational orders is currently unknown. However, it is possible to project potential implications.

The Implications of a Rethink

It is important to note the Taiwanese actions that may now be taken as a result of the redefinition. As a start, this would provide the military greater authority and leeway to push down a decision to use force (either lethal or non-lethal). Instead of the office of the president or other senior-level national security staff first needing to be informed of a gray zone action and then directing an order to take countermeasures, such an order may instead come from a mid-level officer, such as a lieutenant colonel or a colonel. By itself, this would drastically speed up decision and reaction cycles.

Moreover, by moving the response decision to a lower command level, the type of action is now more unpredictable and can be more operational in nature. Current responses to gray zone activity are relatively set. As an example, manned aircraft can be more operational in nature. Current responses to gray zone actions as well as a full-scale invasion. For instance, which actions could Taiwan take in the gray zone that would be unpredictable, while still maintaining perceptions on the international stage that they represented a mature, level-headed response? What level of indications and warning for a full-scale invasion would the US and Taiwan both accept as a PRC first strike that would fully justify a Taiwanese kinetic response or mobilization? If Taiwan leaders have full confidence that their self-defensive actions will have the support of the US and the international community, then Taiwan will be empowered to take countermeasures earlier in a crisis—and thereby reduce PRC first-mover advantages.

Conclusion

The PRC’s escalation of gray zone warfare has transformed the strategic and operational landscape for Taiwan. The PRC wishes to impose unpredictable, constant coercion, moving away from symbolic deterrence to melding warfighting with deterrence. Taiwan’s redefinition of first strike is an excellent first step to imposing unpredictability of its own, and allows for different methods of gray zone response that will also better position Taiwan to defend against a full-scale invasion.

The main point: The PRC’s rapid escalation of gray zone warfare against Taiwan has resulted in the breaking of unspoken norms. Taiwan’s redefinition of what constitutes a PRC first strike opens the way to a broader rethinking of response options—to include faster, more unpredictable responses as a method of re-imposing deterrence.

The Philippines, the Ukraine-Russia War, and the Taiwan Strait Crisis

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terms of the number of citations. He earned his Ph.D. from the Government and International Studies Department of the University of South Carolina as a Fulbright Scholar in 2001.

The Russian invasion of Ukraine on February 24, 2022, which is now entering eight months, caught the member states of the Association of Southeast Asian Nations (ASEAN) by surprise. Among these, the Philippines stands out as particularly dazed and bewildered by the invasion. At the onset of the war, the Duterte Administration announced that it would be adopting a policy of neutrality. Eventually, however, the administration condemned the invasion and warned that if the conflict were to spill over to Asia, the president would be offering access to Armed Forces of the Philippines’ (AFP) military facilities to the country’s only formal treaty ally, the United States. The shift in Manila’s position underscores the uncertainty and concerns of many Asian countries for the ongoing military conflict in Eastern Europe, as well as with rising tensions in the Taiwan Strait.

On March 10, the Philippine Ambassador to Washington, Jose Manuel Romualdez, announced that then-President Duterte was ready to open the country’s military facilities to American forces if Russia’s invasion of Ukraine were to turn for the worse and embroil the United States in the war. He also revealed that the “President stated that if they [the United States] were to ask for the support of the Philippines, it’s obvious that, of course, if push comes to shove, the Philippines will be ready to be part of the effort, especially if this Ukrainian crisis spills over into the Asian region.” He added that the president instructed him to give assurances to the United States “that if ever needed, the Philippines is ready to offer whatever facilities or whatever things that the United States will need being a major—our number one ally.” Ambassador Romualdez specifically stated that the president indicated that in the event of an emergency, “the Philippines would allow US forces to return to the former naval station at Subic Bay and the nearby Clark Air Base.”

Through the Prism of the Ukraine-Russia War

The Duterte Administration’s unexpected gesture of offering the former US military facilities to Washington was widely seen as a surprise. This was because his administration had previously been ambivalent—if not openly dismissive—about the Philippines’ alliance with the United States. In 2016, for instance, Duterte had criticized the United States for voicing its concerns over the Philippine government’s bloody war on drugs, and announced his intention to wean the Philippines away from the alliance and to pivot to China. Indeed, his announcement of opening Philippine military facilities to US forces marked a noticeable departure from his usual anti-American tirades. However, this raised the question of whether or not there was any actual possibility that the Ukraine-Russia War would spread from Eastern Europe to East Asia. Exactly how such an event could occur is unclear. What was revealing, however, was that the Duterte Administration’s pledge of support to the United States in any conflict in Asia appeared to extend beyond the text of the 1951 Mutual Defense Treaty (MDT). [1]

The offer was seen as an attempt to recalibrate the alliance as the Duterte Administration’s term was about to end in June 2022. More significantly, it also revealed an underlying fear among many Southeast Asian states that Russia’s invasion of Ukraine would encourage China to follow suit in the Taiwan Strait—and potentially in the South and East China Seas—thereby causing collateral instability throughout the region. For states across the region, including the Philippines, the invasion set a worrying precedent, especially given converging Sino-Russian goals of challenging the US-led rules-based international order. It also raised the specter of Beijing taking a page out of Russia’s playbook by applying gray zone operations, conducting hybrid warfare, and using force to acquire and eventually annex disputed territories.

Across the Taiwan Strait, China could pursue an intensified campaign of coercion, threats, and pressure, much like President Putin did before the actual invasion of Ukraine. This could cause the United States to be caught unprepared and force Taiwan to make extended diplomatic and military concessions to China to avoid the risk of full-scale armed conflict. China could also mount an armed invasion of the island democracy to retake what it deems as a renegade province. In the South China Sea, again borrowing from Russia’s playbook, China could potentially accuse the United States of naval aggression or excessive intervention in maritime disputes, providing a pretext for “defensive” operations to seize the Spratly Islands and the rest of the South China Sea from other claimant states.

Defense planners in Manila are also aware that China’s invasion and occupation of Taiwan would substantially boost Beijing’s strategic position, as it would enable the People’s Liberation Army Navy (PLAN) to impede the US 7th Fleet’s ability to conduct naval and air operations in the Philippine Sea. In turn, this could prevent the United States from honoring its treaty obligations to Asian allies like the Philippines. Filipino defense planners are also cognizant that China’s control of Taiwan will enable it to base its growing fleet of attack and ballistic missile submarines in the island’s ports—allowing it to threaten Northeast and Southeast Asian shipping lanes—while also strengthening
its naval presence in the “First Island Chain” with sea-based nuclear forces.

Furthermore, the Philippines and other Southeast Asian countries like Vietnam, Malaysia, and Brunei all have lingering unresolved territorial and maritime disputes with China in the South China Sea. This makes Manila wary that China might emulate Russia’s approach to Ukraine: escalating grey zone/hybrid operations into full-scale armed warfare. This could involve the PLAN relying on civilian maritime agencies, such as the Chinese Coast Guard (CCG) and the Chinese Maritime Militia (CMM, 中國海上民兵), to take a leading role in handling these disputes. [2]

This underlying fear of China emulating Russian tactics in Ukraine, and using force to change the status quo in the Taiwan Strait and the South China Sea, likely played a major role in driving the Duterte Administration to strengthen its security ties with the United States. A conflict between the United States and China over Taiwan would almost inevitably drag in the Philippines due to the nation’s geographical proximity to Taiwan. Furthermore, because of the MDT, Manila is bound to extend assistance to the United States in case of a conflict with China.

**Will the Marcos Administration Follow Suit?**

The Ukraine-Russia War has made the Philippines aware of the possibility that China could mount a similar approach to retake Taiwan. It became apparent to the Duterte Administration that, given the Philippines’ proximity to Taiwan, the United States would likely look at its treaty ally for access were it to mount a major military response to a Chinese attack on the self-governing island. Earlier, during bilateral consultations in November 2021, the two countries agreed to resume the construction of US facilities inside five Philippine Air Force (PAF) airbases that were chosen by the previous Aquino Administration in 2016, based on the 2014 Philippine-US Enhanced Defense Cooperation Agreement (EDCA).

On March 31, 2022, the Philippines and the United States held an unusually large joint military exercise in response to the perceived growing threat from China, as well as both countries’ wariness of the expanding Sino-Russian security partnership. The military exercise included conventional warfighting scenarios such as amphibious landings, airstrikes, and ship movements aimed at enhancing the two allies’ crisis planning and response capabilities. These operations, the 37th iteration of the so-called **Balikatan Exercise**, also involved several smaller bilateral and trilateral military exercises all over the Philippines. More significantly, they showed the Biden Administration’s efforts to reinforce its relations with its formal treaty allies in Southeast Asia—and to address the regional perceptions that Washington is paying more attention to its new security partners, such as Singapore and Vietnam, at the expense of longtime allies like Thailand and the Philippines.

It is still a matter of speculation as to whether or not the administration of Ferdinand Marcos Jr. will subscribe to this policy of offering the United States logistical support in the event of a possible US-China confrontation over Taiwan. However, what people are now describing as the Fourth Taiwan Strait Crisis—ostensibly triggered by Speaker Nancy Pelosi’s visit to Taiwan—has created the opportunity for newly elected President Marcos to express his plan to pursue close economic relations with China, while also balancing the Philippines’ deep security ties with the United States. Responding to US Secretary of State Antony Blinken’s reaffirmation of the 1951 MDT, **Marcos replied**: “We cannot, we can no longer isolate one part of our relationship from the other. We are too closely tied because of the special relationship between the United States and the Philippines and the history we share.” In his subtle way, Marcos assured Secretary Blinken that the US-Philippine alliance is rock solid, even in the face of the 21st-century Taiwan Strait Crisis.

On the sidelines of the 77th session of the United Nations General Assembly in September, President Marcos and President Joe Biden reaffirmed the two allies’ “ironclad commitment” to the 1951 Mutual Defense Treaty, with President Biden emphasizing that the United States would defend the Philippines if attacked by a foreign aggressor. A few weeks later, the two countries’ defense secretaries met at the US Indo-Command, where they reiterated their countries’ commitment to the MDT by enhancing maritime cooperation and improving their respective armed forces’ interoperability and information sharing. Both defense secretaries saw the necessity of improving and modernizing their alliances. This will require the two allies to accelerate the implementation of the 2014 Enhanced Defense Cooperation Agreement (EDCA) by concluding infrastructure enhancements and repair projects at existing EDCA-agreed locations inside five Philippine Air Force (PAF) bases all over the country. This will also entail the two allies exploring new locations that will be built to create their credible mutual defense posture. Finally, the two defense secretaries revealed the signing of the US-Philippine Maritime Framework intended to jump-start the two countries’ maritime cooperative activities in the South China Sea, which might include the resumption of joint naval patrols by US and Philippine navies. These are clear indications that President Marcos Jr. is following former President Duterte’s efforts to modernize the alliance to help secure the Philippines,
address regional security challenges, and promote peace and security in the Indo-Pacific.

The main point: The Russian invasion of Ukraine and rising tensions over Taiwan have led the Philippines to revive and strengthen its longstanding security ties with the United States, to include renewed prospects for US forces to use facilities in the Philippines in the event of a potential conflict over Taiwan.

[1] Per the 1951 Philippine-US Mutual Defense Treaty, the two allies will consult each other in the event of an armed attack. President Duterte committed to providing US access to five Philippine Air Force (PAF) bases in case of an armed attack against US forces in the region by Russia or China.


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The PLA Conducts Amphibious Training Drills with Civilian RO-RO Cargo Vessels

By: John Dotson

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One of the mysteries of the People’s Liberation Army (PLA) military operations conducted around Taiwan in early August—which featured provocative missile launches, naval exercises around the island, and repeated aviation sorties across the Taiwan Strait median line—was the apparent lack of any significant amphibious component to the exercises. (The summer months are a traditional time for PLA amphibious exercises, as with the Dongshan [東山] landing exercises traditionally held in past years off the coast of Fujian.) One potential explanation for the lack of amphibious activity was that elements of the PLA Ground Force 73rd Group Army had already conducted a “joint sea-crossing exercise” in May of this year, and that further drills had been deemed unnecessary. Another hypothetical, but plausible, explanation was that the Chinese Communist Party (CCP) leadership had decided against any large-scale amphibious exercises that might lead international observers to the erroneous conclusion that an actual cross-strait invasion was underway.

However, at the end of August the PLA Navy (PLAN) and PLA Ground Force (PLAGF) conducted an unusual amphibious training exercise, which involved the extensive use of multiple large-scale roll-on, roll-off (RO-RO) civilian cargo vessels to load and off-load landing craft and other military vehicles. This exercise did not appear to involve a substantial war-fighting scenario, but it filled (at least in part) the apparent summer gap in PLA amphibious training activity. Additionally, the drills provided a further illustration of the CCP’s drive to achieve “military-civil fusion” (MCF, 軍民融合) in the PLA’s dual use of civilian industrial, infrastructure, and transportation resources.

The PLA’s Recent History of Training with Merchant Vessels in Amphibious Operations

Many observers of the PLA have long pointed to the lack of sufficient amphibious lift capability as a major weakness in terms of conducting either an island seizure operation or potential cross-Strait invasion. In recent years, the PLA has experimented with the use of civilian merchant vessels in a variety of unconventional ways, such as the use of semi-submersible heavy lift vessels as “maritime relay platforms” for helicopters in drills conducted in the Yellow Sea in August 2020. However, the PLA’s primary interest appears to lie in employing larger cargo vessels to boost its operational sealift capabilities. The employment of RO-RO vessels in this manner has led to PRC press materials referring to them as “military-civilian use passenger roll-off ships” (軍民用的客滾船), or even as “civilian use model amphibious assault ships” (民用版兩棲攻擊艦). According to one state media source:

“The PLA is now practicing using large, military-civilian integrated ferries to transport troops across the sea, and this is because, as much as the pure military amphibious landing ships are specially designed to fulfill that purpose, their number is limited compared with the number of civilian ships [...] After the PLA has secured sea lanes, civilian ships can also join troop transport missions, and they will ensure that a large number of troops can be transported to the battlefield.”

The PLA’s first self-described employment of a large civilian RO-RO vessel came in a reported four-day training exercise in July 2021. In this exercise, the vessel Bohai Pearl (渤海珍珠) (24,000 tons) was employed by a “combined arms brigade affiliated with the PLA 73rd Group Army” in “cross-sea, long-distance troop transport exercises.” In this training evolution, “[m]ore than a dozen types of vehicles, including self-propelled howitzers, amphibious armored vehicles and military trucks were loaded” on board the vessel.
An apparently larger-scale exercise was conducted in October 2021, reportedly involving a combined arms brigade of the 81st Group Army and the enormous 45,000 ton RO-RO vessel Zhonghua Fuxing (中華復興). According to state press coverage, in this drill a “large number of combat vehicles including Type 96 main battle tanks, Type 04 infantry fighting vehicles and […] tactical assault vehicles as well as support vehicles like medical vehicles, repair vehicles, engineering vehicles, reconnaissance vehicles and command vehicles boarded the ship in a sequence predetermined based on combat tasks, so they can be rolled out and enter combat the moment they arrive at the destination.”

The Amphibious Loading Exercises of Late August 2022

In the last days of August, analysis of maritime tracking data, supported by PRC state media reporting (see here and here), indicated that seven large RO-RO vessels of the Bohai class (渤海XX系列)—Bohai Cuizhu (渤海翠珠), Bohai Mazhu (渤海瑪珠), Bohai Yuzhu (渤海玉珠), Bohai Jingzhu (渤海晶珠), Bohai Jinzhu (渤海金珠), Bohai Zuanzhu (渤海鑽珠), and Bohai Hengtong (渤海恒通)—were either en route to Fujian from their normal operating area in the Yellow Sea, or else had already arrived. These vessels all belong to the commercial Bo Hai Ferry Group Company (渤海輪渡集團股份有限公司), which wears a dual hat as the “Eighth Transport Group” (海運八大隊) of the PRC Maritime Militia.

Commercial satellite imagery published by the US Naval Institute revealed training drills conducted on August 31 at a site on the coast of Fujian, in which the Bohai Hengtong and other vessels were employed as mother ships for landing craft embarkation/de-embarkation training evolutions. In the drills, landing craft from an unidentified PLAGF unit deployed from the beach, swam to the ships waiting offshore, and entered the vessels via deployed ramps. Following presumed loading drills inside the vessels, the landing craft departed the ships and returned to shore.

The vessels of the Bohai series vary in size: per PRC media commentary, the smallest, Bohai Jinzhu, displaces 14,000 tons, with a carrying capacity of 71 vehicles. Bohai Mazhu and other larger vessels of the series displace 35,000 tons, and can transport around 300 civilian vehicles and 1500-2000 people in normal conditions, or else 200 tanks or armored vehicles and more than 2500 soldiers in wartime. PRC propaganda for a domestic audience has hyped up the capacity of these vessels, as with the assertion that

“In peaceful times, military-civilian dual-use ships can undertake normal commercial navigation missions, [but] when war breaks out these military-civilian dual-use ships can take on heavy responsibilities as personnel transport vessels, equipment transport vessels, fleet oil tankers, medical ships, and so forth. […] This type of military-civilian dual-use ship [may] take part in drills… [but] as soon as the order is given, can turn immediately from exercises to actual combat.”

All of this has been linked explicitly to threats of military action against Taiwan, as well as the PRC’s ongoing psychological warfare campaign against the island. Such messaging is encapsulated in the hyperbolic assertion that these ships can “give a shock to Taiwan independence elements, perhaps even greater than the shock of the Shandong and Liaoning [aircraft carriers] together circling around the island of Taiwan.”

Conclusions

PRC state media publicity materials surrounding Chinese naval
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exercises frequently contain a significant element of exaggeration in terms of the PLA’s capabilities to either impose a blockade on Taiwan, or to conduct a cross-Strait invasion. This appears to also be the case with the late August amphibious drills: rather than representing a simulation of the challenging tasks related to deploying landing craft during a contested combat scenario, these training evolutions appeared to represent basic proficiency drills related to loading and off-loading amphibious vehicles close to the shoreline. Furthermore, the lack of defensive capability for large and slow-moving cargo vessels such as those of the Bohai series (aside from, of course, what might be provided by escorting surface combatants) would suggest that such civilian vessels could only be effective as transports under circumstances in which a port or beachhead, beyond the effective reach of hostile fire, had already been secured.

That said, the effective employment of large civilian RO-RO vessels could add significantly to the sealift capacity of the PLAN to move PLAGF offensive power across the Taiwan Strait—an area in which the PLA is currently lacking. If problems such as personnel proficiency, military-civilian unit coordination, and chain of command integration can be worked out, the PLA’s drive to integrate civilian shipping into its amphibious force structure could provide much-needed amphibious lift support, alongside the PLAN’s inventory of vessels such as the YUSHEN-class (Type 075) amphibious assault ships and YUZHAO-class Type 071 amphibious transport docks. It is unlikely that RO-RO cargo vessels will “give a shock to Taiwan independence elements” at any point in the immediate term, but the PLA’s increasing focus on integrating such ships into its wartime force structure will be a phenomenon worthy of attention as the PLA continues to build its capabilities for amphibious warfare.

The main point: In late summer 2022, the PLA Navy, PLA Ground Force, and Maritime Militia conducted a series of training drills off the coast of Fujian, which involved loading and unloading amphibious and other military vehicles into and out of large civilian RO-RO cargo vessels. These drills demonstrate the PLA’s intent to further integrate civilian merchant vessels into its amphibious force structure, but the basic proficiency drills carried out in August suggest that much more will need to be done to make such vessels effective adjunct units for the PLA in wartime.

### Post-COVID-19 Cross-Strait Maritime Transportation Trends

By: Kristian McGuire

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Prior to the outbreak of the COVID-19 pandemic and Beijing’s decision in July 2019 to restrict individual tourist travel to Taiwan, cross-Strait maritime passenger transportation ties were rapidly advancing. At the same time, however, cross-Strait maritime cargo traffic was stagnating [see Table 1]. The pandemic has upended this growing dichotomy: since the outbreak of the virus, cargo traffic between China and Taiwan has steadily grown, while cross-Strait maritime passenger traffic remains suspended at Taipei’s behest. Looking to the future, China has upped its investments in maritime transportation and attendant infrastructure—especially in Fujian Province, which is located opposite Taiwan—to promote “cross-Strait integrated development.” Due to Fujian’s strategic location opposite Taiwan, the province has played a leading role in fostering cross-Strait transportation connectivity. If Taipei and its partners want to ensure that Taiwan does not become too economically reliant on China, more attention and resources may be needed to enhance the island’s maritime connectivity.

### Cross-Strait Maritime Transportation

In 2019, 2.269 million passengers used direct maritime routes to travel between the People’s Republic of China (PRC or China) and the Republic of China (ROC or Taiwan)—including the offshore islands of Kinmen, Matsu, and Penghu—an increase of 4.2 percent over the previous year. By contrast, cross-Strait maritime cargo tonnage dipped 5.5 percent year-on-year to 48.35 million tons, while container volume increased 1.8 percent year-on-year to 2.505 million twenty-foot equivalent units (TEU). [1]

<table>
<thead>
<tr>
<th>Year</th>
<th>Cargo Throughput (millions of tons)</th>
<th>Container Throughput (millions of TEU)</th>
<th>Maritime Passengers (millions of passengers)</th>
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<tr>
<td>2021</td>
<td>52.4</td>
<td>2.414</td>
<td>0</td>
</tr>
<tr>
<td>2020</td>
<td>51.92</td>
<td>2.368</td>
<td>0.104</td>
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<tr>
<td>2019</td>
<td>48.35</td>
<td>2.505</td>
<td>2.269</td>
</tr>
<tr>
<td>2018</td>
<td>50.22</td>
<td>2.22</td>
<td>2.154</td>
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<tr>
<td>2017</td>
<td>49.92</td>
<td>2.25</td>
<td>1.971</td>
</tr>
</tbody>
</table>

(Graphic source: PRC’s Ministry of Transport)
Up until Beijing prohibited the issuance of travel permits for individual Chinese tourists to visit Taiwan, maritime passenger transportation between the PRC and the ROC was experiencing robust growth. Despite the deterioration of cross-Strait relations following the election of Taiwan’s president Tsai Ing-wen (蔡英文) in 2016, the two sides had proceeded to increase cross-Strait ferry services, even establishing a new route between Pingtan (Fujian Province) and Kaohsiung (Taiwan) less than a month before China announced its new travel restrictions.

China’s cross-Strait cruise industry was also on the mend in 2019. A cruise line from Xiamen (Fujian Province) to the ROC’s Penghu Islands and Kaohsiung temporarily resumed operation in May 2019. (The route had been suspended since July 2016.) Chinese officials implied that the resumption of cruises was linked to the outcome of Taiwan’s November 2018 local elections and increasing expressions of support for the so-called “1992 Consensus” (九二共識) by Taiwanese “counties and cities.” The then-newly elected mayor of Kaohsiung Han Kuo-yu (韓國瑜) and the newly elected magistrate of Penghu County Lai Feng-wei (賴峰偉) had by then come out as proponents of closer cooperation with Beijing, and Han had expressed his support for the “1992 Consensus” on multiple occasions.

Starting in January 2020, China began limiting cross-Strait passenger ferry service to fight the spread of COVID-19. On February 2, 2020, Chinese state media reported that passenger ferry service between Fujian Province and Kinmen and Matsu would be reduced due to the virus. Days later, Taiwan’s Central Epidemic Command Center (CECC, 國家衛生指揮中心中央流行疫情指揮中心) announced that all PRC nationals would be temporarily prohibited from entering Taiwan as a precaution against the emerging pandemic.

While cross-Strait maritime passenger traffic has plummeted as a result of the pandemic, cargo transportation has weathered the crisis well [see Table 1]. In the case of Fujian Province, its maritime cargo transportation ties to Taiwan have deepened considerably since 2019. Following a steep decline in Taiwan exports/imports throughput at Fujian coastal ports in 2019, the province experienced a swift rebound, with throughput figures approaching 2018 levels by 2021.

Over the last several years, a number of shipping lines between China and Taiwan have been established or expanded. In October 2020, local Chinese officials presided over the launching of the Fuzhou Mawei (Fujian Province)-Taiwan cross-border e-commerce goods direct shipping line. A year later, local customs authorities reported the inauguration of a new container shipping line between Pingtan and Taipei. This new line greatly supplemented the services of a pre-existing line by utilizing a significantly larger ship and increasing the frequency of voyages between Pingtan and Taipei from three a week to six.

**Intermodal Transportation**

The PRC has long endeavored to construct a national transportation system that integrates Taiwan, first through maritime and air linkages, and ultimately through bridges and tunnels. Due to Fujian’s strategic location opposite Taiwan, the province has played a leading role in fostering cross-Strait transportation connectivity. Many national and provincial transportation routes have converged on Xiamen and Fuzhou (including Pingtan) to support trade and travel between the PRC and the ROC [see Figure 1]. In fact, this duty now falls under Fujian’s broader responsibilities as a “Core Area of the 21st Century Maritime Silk Road.”

![Figure 1: A Map of Fujian Province’s “Three North-South, Six East-West and Two Connections” Comprehensive Transportation Channel Plan (NOTE: Fuzhou is the upper yellow dot and Xiamen is the lower yellow dot). (Image source: Fujian Provincial Department of Transport)](image-url)
In recent years, China’s capacity to move goods and people across the Taiwan Strait via “intermodal transportation” (聯運) has been enhanced by the development of infrastructure in and around the two major port cities. In November 2015, China opened the Taiwan-Pingtan-Europe sea-rail line, which utilizes a ferry to transport goods from Taiwan to Pingtan before shipping them to Europe by train. A similar Taiwan-Xiamen-Europe sea-rail line commenced operation in April 2016. The first shipment of goods along a new intermodal line from China’s Jiangxi Province to Taiwan reached its maritime embarkation point at Xiamen Port in mid-January 2022. China launched yet another new intermodal line, the Taiwan-Xiamen-St. Petersburg sea-rail line, in June 2022 (purportedly in response to difficulties with maritime transportation to Russia in the wake of Russia’s invasion of Ukraine). China has also worked to create sea-air intermodal transportation channels. One such line connecting the ROC’s Taoyuan International Airport to Pingtan via ferry service from Taipei began operating in November 2016.

Since the start of the pandemic, China has also completed major infrastructure projects in Fujian that it sees as beneficial to cross-Strait integrated development. Many of these projects correspond with official policy promoting cross-Strait intermodal transportation. For example, the Pingtan Strait Road-Rail Bridge, which connects the island to the PRC’s national integrated transportation system by highway and high-speed rail, officially opened in December 2020. The bridge is intended to boost cross-Strait travel.

Fujian provincial authorities have placed a heavy emphasis on cross-Strait infrastructure connectivity and maritime transportation in their current transportation development plans. Additionally, they have raised the province’s investments in transportation infrastructure well above pre-pandemic levels, improving Fujian’s capacity to handle cross-Strait trade and passenger traffic.

**Conclusion**

Despite the global disruption caused by the COVID-19 pandemic, China’s efforts to deepen cross-Strait maritime cargo transportation ties have borne fruit. Since the start of the pandemic, China-Taiwan maritime connectivity, as measured by the United Nations Conference on Trade and Development’s Liner Shipping Bilateral Connectivity Index, has increased [see Figure 2]. The continued growth in cross-Strait maritime connectivity has helped China maintain its position as far and away the most “connected” country to Taiwan—even as Taiwan has been working in recent years to reduce its relative reliance on China as a trading partner.

Nonetheless, the ROC has also deepened its domestic and international maritime connectivity. It opened a new high-speed ferry service between Taiwan and Matsu in April 2022, which has cut the sea travel time between the islands from ten hours to three hours. And a ferry that had serviced cross-Strait travel before the pandemic has since been repurposed to transport passengers between Tainan, Taiwan and the Penghu Islands.

In August 2021, the ROC’s National Development Council approved a plan to invest USD $1.37 billion to upgrade seven of the country’s international commercial ports. Taiwan’s international maritime ties have also been boosted by Beijing’s restrictions on certain Taiwan products, which have forced some Taiwan producers to reroute their goods to other markets. Seeking to further bolster Taiwan’s regional maritime relations, Taiwan and Philippine officials signed a “Memorandum of Understanding on Maritime Cooperation” in February 2022. But Taiwan’s largest trading partners have seemingly been more focused on working with Taiwan on maritime security issues than on investing in maritime connectivity. And Taiwan’s capacity building at home and with its partners pales in comparison to the progress China has made on the other side of the Strait, by doing such things as upgrading port capacity to facilitate iron ore transshipments to Taiwan and steadily increasing its cross-Strait shipping lines.

New cross-Strait shipping lines, investments in China’s transportation system, and improvements in customs clearance processes have made cross-Strait maritime transportation ever more efficient. Fujian’s proximity to Taiwan has made it the most important PRC province for facilitating cross-Strait e-commerce and maritime express trade. As of October 2021, Pingtan Port alone processed 60 percent of PRC cross-border e-commerce exports to Taiwan.

It is possible that current tensions between the PRC and the ROC...
will lead Taipei to maintain restrictions on cross-Strait maritime passenger transport for quite some time. Even before China’s August military exercises around Taiwan, the ROC Mainland Affairs Council (MAC, 大陸委員會) indicated that the administration was taking into consideration more than just the pandemic in its decision on when to reopen cross-Strait maritime travel. Furthermore, ROC-PRC maritime trade will likely not greatly exceed its recent growth rates for the remainder of ROC President Tsai’s term in office.

However, more than a few ROC politicians have expressed their desire for Taiwan to participate more actively in Beijing’s cross-Strait integrated development projects. In the past, some ROC politicians have even supported the idea of building an “economic circle” with China, an idea very similar to Beijing’s concept of cross-Strait integrated development. If Taiwan were to elect such a political figure as president of the ROC in 2024, Beijing might be able to more fully capitalize on the investments it has made in maritime transportation capacity. The pandemic has provided an opportunity for Taipei to recalibrate its approach to cross-Strait maritime transportation ties.

**The main point:** China has continued to plan and push for deeper cross-Strait maritime transportation ties since the start of the COVID-19 pandemic. If Taipei and its partners want to ensure that Taiwan does not become too economically reliant on China, they may need to devote more attention and resources to enhancing their own maritime connectivity.

[1] According to Flexport, “A TEU (twenty-foot equivalent unit) is a measure of volume in units of twenty-foot-long containers. One 20-foot container equals one TEU.”