



JANUARY 2020

Perspectives on Taiwan

*Insights from the 2019
Taiwan-U.S. Policy Program*

EDITORS

Bonnie S. Glaser
Matthew P. Funaiole

AUTHORS

Philip Caruso
Melissa Chan
Grace Hearty
Pamela Kennedy
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A Report of the CSIS CHINA POWER PROJECT

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Center for Strategic & International Studies
1616 Rhode Island Avenue, NW
Washington, D.C. 20036
202-887-0200 | www.csis.org

Rowman & Littlefield
4501 Forbes Boulevard
Lanham, MD 20706
301-459-3366 | www.rowman.com

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Introduction

Why TUPP?

The emergence of the People's Republic of China (PRC) on the global stage has had a profound impact on the next generation of American policy leaders. The PRC's surging economic, political, and military prowess has understandably piqued U.S. interest and attracted young practitioners of foreign policy to study and work in Mainland China. Even for those whose expertise lies further afield, the PRC's rise has come to dominate much of the current discourse on international affairs.

In some respects, this is a welcome development. The United States needs future thought leaders who are sensitive to the complexities of managing ties between Washington and Beijing, especially at a time when strategic competition has become the central feature of relations between the world's two biggest economies. Yet, there is also a downside. With Americans focusing increasingly on the PRC, those studying or going to Taiwan have dwindled, leaving the United States with a noticeable lack of young leaders who are knowledgeable about Taiwan.

I launched the Taiwan-U.S. Policy Program (TUPP) in 2017 to address this shortcoming. The program provides a much-needed opportunity for future leaders to gain a better understanding of Taiwan through first-hand exposure to its politics, culture, and history. Experiencing Taiwan influences how individuals approach their work, their writing, and their overall world view. It imbues them with an appreciation for Taiwan's experience and commitment to the principles of democracy and human rights that undergird the existing rules-based international order. It likewise reinforces the importance of maintaining robust U.S.-Taiwan relations.

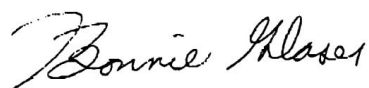
The 2019 TUPP delegation featured a diverse group of regional and functional experts, most of whom had never visited Taiwan previously. The program was a resounding success. Each participant left the island with a sense of how Taiwan fit into their respective fields. I am hopeful that the progress made during the first three years of TUPP will serve as a springboard for future iterations of the program. Over time, TUPP will create a corps of American experts with knowledge about Taiwan and support for sustaining a close U.S.-Taiwan relationship. Hopefully, this will help Washington and Taipei to navigate the challenges that lie ahead.

I am extremely grateful to the many people and organizations that made TUPP possible. I wish to thank the Henry Luce Foundation, the Taiwan Foundation for Democracy, the Global Taiwan Institute, and the London School of Economics Alumni Association, for their generous support. I also owe a debt of gratitude to our guide and interpreter, Serena Lin, as well as CSIS Program Manager and Research Associate Kelly Flaherty. Without their invaluable contributions, the program would not have been nearly as successful.

The papers in this compendium were written by the nine members of the 2019 TUPP delegation. Each participant was asked to reflect on their in-country experience and produce a short article analyzing a policy issue related to Taiwan. These papers are a testament to the powerful impact that follows first-hand exposure to Taiwan. I am very proud to showcase the work of the delegation.

It is my sincere hope that the groundwork laid by TUPP will prove invaluable to strengthening U.S.-Taiwan relations.

Sincerely,

A handwritten signature in black ink that reads "Bonnie Glaser". The signature is fluid and cursive, with the first name "Bonnie" written in a larger, more prominent script than the last name "Glaser".

Bonnie S. Glaser
Senior Advisor for Asia
Director, China Power Project
Center for Strategic and International Studies

Leveraging Technology in Taiwan and South Korea’s “Southbound” Policies

Sahana Kumar

In the Kaohsiung mayoral office in southern Taiwan, a large, bright map of Asia covers one of the walls. With 18 countries highlighted (including little images symbolizing each country), the map references Taiwan’s New Southbound Policy (NSP), the ambitious initiative promoted by President Tsai Ing-wen’s government aimed at strengthening Taiwan’s relationships with South and Southeast Asian countries. Unlike previous policies focused primarily on diversifying Taiwan’s economic ties, Taiwan’s leaders frame the latest initiative as a comprehensive political, diplomatic, and even social initiative to create a “regional strategy for Asia.”¹

Taiwan should take advantage of similar efforts promoting regional connectivity in countries like South Korea (ROK) and India. Taiwan and South Korea are both technology leaders that want to develop vibrant startup sectors; deepening technology cooperation with India could help achieve the strategic and economic goals contained in their regional strategies. Both Taiwan and South Korea’s diversification plans emphasize a “bottom-up” approach to connectivity, including significant people-to-people components. That approach, especially relevant in the tech sector, offers a low-cost way to develop connections that will deliver long-term economic benefits.

Fears of economic dependence on the People’s Republic of China (PRC) loom large over Taiwan’s efforts to look south, as they do to a lesser extent in South Korea. China’s Belt and Road Initiative (BRI) has sparked wider discussions throughout the region and in the United States over how to create alternative options to strengthen regional integration. Despite efforts by Japan and other countries to boost regional infrastructure development, realistically it is impossible to match China’s state-directed efforts to drive lending and investment in third countries. Given the legacy of some of the BRI projects, mimicking

1. “President Tsai’s Remarks at Yushan Forum: Asian Dialogue for Innovation and Progress,” Office of the President, Republic of China, ROC (Taiwan), October 11, 2017, <https://english.president.gov.tw/News/5232>.

China's approach does not seem smart, either.² While it won't deliver the type of immediate impact that appears in the latest trade and investment numbers, Taiwan and South Korea's ability to expand technological partnerships with India could offer a more sustainable basis for regional integration that serve all three countries' interests.

Taiwan and South Korea – The Two NSPs

SHARED VISIONS

President Tsai announced the NSP in 2016, targeted at building Taiwan's relationships with 18 countries including ASEAN nations, Australia, New Zealand, and India. While covering a range of activities, the NSP's "four pillars" are comprised of:

1. strengthening economic ties,
2. enhancing people-to-people exchanges,
3. promoting resource sharing and cooperation on issues like healthcare and agriculture, and
4. strengthening regional and institutional links through, for example, Free Trade Agreements (FTAs) and Bilateral Investment Treaties (BITs).

The strategy aims to use exchanges in a range of target fields to advance regional connectivity.³

In 2017, South Korean president Moon Jae-in also announced a "New Southern Policy" aimed at elevating ties with ASEAN countries and India, to bring them to the level of South Korea's four strategic partners—the United States, China, Russia, and Japan. The Southern Policy focuses on three main components: 1) peace, 2) people, and 3) prosperity.⁴ The "peace" component refers to improving security cooperation with target countries, representing a more overt strategic component than can be found in Taiwan's NSP. China's economic retaliation against South Korea for installing the U.S.-made Terminal High Altitude Area Defense (THAAD) system provided a catalyst for the ROK to try and diversify, economically and politically, away from traditional partners.⁵ Like Tsai, Moon has also outlined a broader positive vision for engagement with South and Southeast Asian countries beyond just mercantilist or realpolitik considerations. Similar to Taiwan's NSP, South Korea's New Southern Policy also underscores using a people-driven approach.⁶

THE CHALLENGES

While both Taiwan's and South Korea's leaders have prioritized these policies compared to previous efforts by past governments, achieving the promised economic linkages

2. Andrew Chatzkey and James McBride, "China's Massive Belt and Road Initiative," Council on Foreign Relations, May 21, 2019, <https://www.cfr.org/background/chinas-massive-belt-and-road-initiative>.

3. Bonnie Glaser, Scott Kennedy, Derek Mitchell, and Matthew Funaiolo, *The New Southbound Policy: Deepening Taiwan's Regional Integration* (Washington, DC: Center for Strategic and International Studies, 2018), https://csis-prod.s3.amazonaws.com/s3fs-public/publication/180113_Glaser_NewSouthboundPolicy_Web.pdf?F5YmxgS-JTjWxHCHQr3J88zE.KkzVK5cv

4. Lee Jaehyon, "Korea's New Southern Policy: Motivations of "Peace Cooperation" and Implications for the Korean Peninsula," *The Asan Institute for Policy Studies*, 2019, <http://en.asaninst.org/contents/koreas-new-southern-policy-motivations-of-peace-cooperation-and-implications-for-the-korean-peninsula/>.

5. Leif-Eric Easley, "South Korea's 'New Southern Policy'," *Asia Insights*, December 2018.

6. "Taking strong partnerships forward," *Bangkok Post*, August 30, 2019, <https://www.bangkokpost.com/thailand/general/1739147/taking-strong-partnerships-forward>.

with South and Southeast Asian countries faces major hurdles. Challenges range from institutional capacity and bandwidth issues to political resistance on topics like trade and immigration liberalization.

Though governments in Seoul and Taipei have increased funding for these initiatives in recent years, the total amounts allocated remains relatively limited.⁷ While investment into NSP countries has risen over the past several years overall, Taiwan's investment in mainland China still exceeds its investment into NSP countries by roughly four times.⁸ Though increasing in countries like India in 2018, Taiwan's investment overall in NSP countries actually fell from 2017 to 2018. Meanwhile, despite longer investment ties, navigating ASEAN's diversity has challenged South Korea. While the country has developed a strong economic relationship with Vietnam (which is also the largest recipient of South Korean development assistance), there is, nonetheless, considerable space for South Korea to enhance its trade and investment with—and its understanding of—Southeast Asian countries.

Even measuring the strategies' impact through economic indicators poses problems. It is difficult to separate the effect of these policies from wider market factors, like a slowdown in China, that could be leading to greater investment in South and Southeast Asia. In economies not dominated by state-owned entities, it is market conditions, not foreign policy interests, that ultimately drive the trade and investment decisions of private companies. Targeting developing countries, which lag behind in infrastructure and regulatory frameworks, becomes that much harder. For example, former president of Taiwan Lee Teng-hui's "Go South strategy" in the 1990's struggled when private companies were put off by underdeveloped infrastructure and regulation in Southeast Asian countries.⁹ Offsetting these costs in the short term by providing significant subsidies or financial incentives to companies is neither economically nor politically feasible.¹⁰

Finally, both South Korea and Taiwan have bandwidth limitations in pursuing their respective southern-focused policies. Each faces a dominant geopolitical challenge—China for Taiwan and North Korea for the ROK—which inevitably takes up the bulk of public and government focus. For example, South Korea had to delay the implementation of its New Southern Policy as engagements with North Korea ramped up.¹¹ The historic focus on traditional foreign policy priorities also means that it will take both governments time to build up government capacity to engage in less familiar territory.¹²

7. While funding for Taiwan's NSP increased from \$148 million in 2017 to \$241 million in 2018. Meanwhile South Korea increased funding for its New Southern Policy from 1.6 billion Korean won in 2017 to 2.2 billion won in 2018.

8. "Taiwan's New Southbound Policy: Data Repository," Center for Strategic and International Studies, <https://southbound.csis.org/data>.

9. Glaser et al., *The New Southbound Policy*, 10.

10. Conversations with Taiwan officials during the Taiwan-U.S. Policy Program highlighted difficulties in providing material support to companies seeking to invest in South and Southeast Asia, beyond providing additional information about target markets.

11. Chiew-Ping Hoo, "A View from Southeast Asia on South Korea," Asan Forum, April 30, 2019, <http://www.theasanforum.org/a-view-from-southeast-asia-on-south-korea/>.

12. Prashanth Parameswaran, "Advancing ASEAN-South Korea Relations in Moon's New Southern Policy," *Diplomat*, March 20, 2019, <https://thediplomat.com/2019/03/advancing-asean-south-korea-relations-in-moons-new-southern-policy/>.

Potential Opportunities

Despite the challenge of diversifying economic partners in the short term, Taiwan and South Korea's strategies can help create more organic, long-term linkages in critical areas. Both Taiwan's and South Korea's policies include a new focus on India, where Prime Minister Narendra Modi's administration has tried implementing its own "Act East" policy. Taiwan, South Korea, and India all independently have strong technology sectors, and connectivity between them could act as an achievable initial step towards more interconnection. Taiwan's NSP specifically emphasizes e-commerce, including plans to develop cross border e-commerce partnerships between Taiwan's businesses and local providers in NSP countries.¹³ While South Korea's policy lacks an explicit technology component, the country could leverage its strength as one of the world's most technologically advanced nations as a means to engage India.¹⁴

E-commerce has driven the internet economy in Asia, which now represents the largest e-commerce market in the world.¹⁵ Business-to-business e-commerce, which makes up a large majority of e-commerce sales in the region, could help connect small businesses in Taiwan, India, and South Korea, especially since Taiwan's NSP also emphasizes engaging small and medium enterprises. For South Korean companies facing an increasingly competitive domestic consumer e-commerce market, cross-border business-to-business e-commerce could provide a valuable area of potential growth.¹⁶ Meanwhile, Taiwan's relatively small domestic market can hinder startups' ability to expand quickly, compared to places like the United States and China where large domestic markets help spur development.¹⁷ India's 450 million internet users (though representing around only 35 percent internet penetration) could offer new customers and help offset these challenges for Taiwan and South Korea.¹⁸ For companies in India, where the country's lower average income levels still pose a ceiling on how rapidly a startup can expand and the types of products and services that can be sold, access to higher-income markets like Taiwan and South Korea could help startups grow, as well.¹⁹

In addition to providing new markets, tech sector cooperation can help spur domestic innovation. In Taiwan, President Tsai has advanced the Asian Silicon Valley (ASV) initiative, aimed at making Taiwan a major research and development center for internet of things (IoT) research. In South Korea, creating a successful startup ecosystem will help diversify the country's economy away from overreliance on major conglomerates like Samsung and Hyundai.²⁰ While both Taipei and Seoul have provided financial and infrastructure initiatives to spur startup development, promoting talent exchanges and

13. Glaser et al., *The New Southbound Policy*.

14. Hoo, "A View from Southeast Asia."

15. Joshua P. Meltzer and Peter Lovelock, "Regulating for a Digital Economy: Understanding the Importance of Cross-Border Data Flows in Asia," Brookings Institution, March 2018.

16. "Korea – eCommerce," Korea Country Commercial Guide, U.S. Department of Commerce, August 29, 2019.

17. "Is Taiwan Too Small for Start-Ups?" Wall Street Journal, October 24, 2012, <https://blogs.wsj.com/chinarealt-time/2012/10/24/taiwan-too-small-for-start-ups/>.

18. "Propelling India towards global leadership in e-commerce," PWC, October 2018, <https://www.pwc.in/assets/pdfs/publications/2018/propelling-india-towards-global-leadership-in-e-commerce/executive-summary.pdf>.

19. Arindrajit Basu, Elonnai Hickok, and Aditya Singh Chawla, "The Localisation Gambit: Unpacking Policy Measures for Sovereign Control of Data in India," Centre for Internet and Society, March 2019.

20. Bryan Harris, "South Korea Pins Hopes on Start-ups to Power Economic Growth," *Financial Times*, January 31, 2019, <https://www.ft.com/content/89875374-f6be-11e8-af46-2022a0b02a6c>.

expanding foreign worker programs offer a lower-cost, and potentially more effective, way of driving innovation.²¹

International networks are playing an increasingly critical role in promoting technology sector development, by creating “a thick web” of links through which entrepreneurs can exchange ideas and collaborate.²² Human networks matter more for developing successful startup sectors than the physical infrastructure that countries devote to creating “technology parks.”²³ For example, roughly two-thirds of all new patents involve partnerships, while the average team size involved in a patent has doubled since the 1970s.²⁴ Taiwan, South Korea, and India all have strong technology hubs in places like Taoyuan, the Pangyo Techno Valley, and Bangalore, respectively. As the role of international collaborations in patent production rises in importance, linking these technological centers could help create a wider community of tech entrepreneurship, accelerating innovation in all three locations.²⁵

Taiwan’s government has already taken a forward-leaning stance on this issue, pursuing a New Economic Immigration Act that eases restrictions on foreign workers to attract international talent.²⁶ While the issue of immigration remains far more sensitive in South Korea (as it does globally), Taiwan’s willingness to open its labor markets to skilled workers, including those potentially from South Korea and India, could eventually allow it to become a hub for experts across Asia to work together. The island already hosts AppWorks, which is the largest startup network in Asia and includes 351 startups.²⁷ Increasing connections with foreign entrepreneurs and startups will not only help stimulate Taiwan’s local system, but will help Taiwan-based startups navigate foreign markets.²⁸ Taiwan’s NSP recognizes this piece of the puzzle, noting that people-to-people exchanges could help Taiwan’s businesses “develop a deeper understanding of specific industries and economic areas in target countries, and to better identify niche areas for expanded cooperation.”²⁹ Over the long term, becoming familiar with new markets through these connections can help companies (particularly small companies lacking resources) tackle challenges like cultural and compliance barriers, allowing the development of a more global product.³⁰

21. The South Korean government in 2018 launched a \$9 billion investment fund over three years to support startups. Taiwan’s government meanwhile has offered tax incentives, financial grants, and land contracts to boost its startup ecosystem.

22. “The Geography of Innovation: Local Hotspots, Global Networks,” World Intellectual Property Organization, November 2019, https://www.wipo.int/edocs/pubdocs/en/wipo_pub_944_2019.pdf.

23. Victor Mulas, “Does social dimension beat geographic clustering in creating tech innovation ecosystems in cities?” *World Bank Blogs*, March 19, 2015, <http://blogs.worldbank.org/digital-development/does-social-dimension-beat-geographic-clustering-creating-tech-innovation-ecosystems-cities>.

24. “The Geography of Innovation,” 42.

25. While the level of international collaboration in patents has doubled since the mid-2000s, it remains well below the level of international collaboration in scientific publications.

26. “New Economic Immigration Bill,” National Development Council, https://www.ndc.gov.tw/en/Content_List.aspx?n=999F9864EFDB5F6F&upn=6CE244D6E7DAF831.

27. Hsin-Huang Michael Hsiao and Alan H. Yang, “Repositioning Taiwan in Southeast Asia: Strategies to Enhance People to People Connectivity,” National Bureau of Asian Research, February 2018.

28. Nicole Jad, “Taiwan wants to be a hub for foreign startups, but still has a long way to go,” Technode, May 24, 2018, <https://technode.com/2018/05/24/taiwan-foreign-startups-asia/>.

29. Glaser et al., *The New Southbound Policy*, 26.

30. Ananya Bhattacharya, “2018 Was the Year India’s Startups Decided to Go Global,” Quartz, December 20, 2018, <https://qz.com/india/1490980/ola-oyo-byjus-swiggy-made-2018-indian-startups-global-year/>. Taiwan government officials during the Taiwan-U.S. policy program also emphasized the barriers that smaller Taiwan-based companies face in entering NSP markets, without the resources that large Japanese and South Korean conglomerates hold.

Given how politically fraught the issue of foreign workers can be, promoting international collaboration on science and technology could offer an easier first step for South Korea. The South Korean and Indian governments signed five joint memoranda of understanding in science and technology in 2018. Their aims include promoting talent exchanges and establishing a Future Vision Strategy Group that will conduct joint research in fields like artificial intelligence.³¹ The two countries could also leverage each other's strengths: South Korea's in commercializing technology and India's in basic sciences research.³² Strengthening basic science will help the Moon government's wider push for innovation outside the information and communication technology sector and drive the country's growth. Despite being one of the highest spenders on research and development, South Korea's levels of international partnership in science and technology remain relatively low, both in terms of academic research and in terms of patents.³³ Given that returns to R&D investment are falling and technological breakthroughs are taking longer to materialize, pooling expertise through collaborative efforts is proving especially helpful in promoting innovation and advancement. Aside from government-led initiatives, academic reforms that avoid penalizing researchers for taking part in multi-author international studies could also help South Korea diversify and advance its tech sector.³⁴

Limitations

Increased technology sector cooperation certainly will not address the region's wider development needs, including its vast infrastructure demands and job creation requirements. For Taiwan, South Korea, India, and other Asian countries, only internal economic reforms can drive economic growth. Other domestic policies, like India's data localization initiatives, could further complicate developing technology partnerships with other countries. The Indian government's repeated use of internet shutdowns (including the ongoing shutdown in Kashmir) not only damages the country's democratic standing, but impacts digitally-dependent economic activity.³⁵ Ultimately, the tendency of actors like Taiwan and South Korea to see themselves as economic competitors could undercut efforts to cooperate on technology-related opportunities.

However, cooperation in the tech sector can still provide clear benefits, to the extent that regional countries are willing to commit to it. The digital components of the BRI, which could allow China to export digital surveillance programs and set standards in areas like 5G, are potentially more concerning than the physical infrastructure projects connected with the initiative. On the other hand, U.S. interest in shaping an alternative regional economic architecture—as well as its ability to do so—seems constrained, particularly after withdrawing from the Trans-Pacific Partnership. Other regional actors like Taiwan, South

31. Press Information Bureau, Government of India, "India, South Korea Sign Five MoUs in Science & Technology," news release, July 8, 2019, <https://pib.gov.in/newsite/PrintRelease.aspx?relid=180477>; Ericson, "South Korea's 'New Southern Policy,'" 2.

32. Sungil Kwak, "Korea's New Southern Policy: Vision and Challenges," Korea Institute for International Economic Policy, November 12, 2018.

33. "Roadmap for EU-Republic of Korea S&T cooperation," European Commission, October 2018, https://ec.europa.eu/research/iscp/pdf/policy/ko_roadmap_2018.pdf; "The Geography of Innovation," 43.

34. Mark Zastrow, "Why South Korea is the World's Biggest Investor in Research," *Nature*, June 1, 2016, <https://www.nature.com/news/why-south-korea-is-the-world-s-biggest-investor-in-research-1.19997>.

35. Asmita Bakshi, "India is the internet shutdown capital of the world," *Livemint*, December 8, 2019, <https://www.livemint.com/mint-lounge/features/inside-the-internet-shutdown-capital-of-the-world-11575644823381.html>.

Korea, and Japan will instead need to shoulder more of the burden in driving sustainable regional economic integration. Advancing initiatives to boost ties in the tech sector will not only deliver economic benefits, but also ensure that democratic norms guide technological progress in the face of rising digital authoritarianism.

The views and opinions expressed in this publication are solely and exclusively those of the author and do not reflect the views, opinions, or positions of any other individual or organization.

Life on the Edge

A Comparative Analysis of Disinformation in Estonia and Taiwan

Heidi Obermeyer

While at first glance Estonia and Taiwan represent vastly different cultural and geographic contexts, they have some important similarities. Both are significantly smaller than their primary geopolitical threat: Taiwan with a population of 23.5 million compared to China's 1.3 billion, and Estonia with a population of 1.2 million compared to Russia's 141 million.¹ Both also suffer from one of the greatest challenges of the digital age—the widespread use of disinformation in an attempt to discredit their governments and democracies—at levels higher than almost every other country in the world, including the United States.²

Both Taiwan and Estonia also have ethnic populations that are often used as pawns in disputes with their larger neighbors. In Estonia, ethnic Russians constitute a significant portion of the population (27 percent) and their integration into broader Estonian society has been a key challenge for the country since the fall of the Soviet Union.³ While many people living in Taiwan still identify as both Taiwanese and Chinese, the number of people who consider themselves exclusively Taiwanese has increased since the 1990's to 54.5 percent of the population, indicating that the joint ethnic identity that contributes to substantiating China's claims that Taiwan—including its people—is a part of China is weakening.⁴

Recent threatening geopolitical maneuvers by Russia and China have also been a cause for increased concern in Estonia and Taiwan. The 2014 Russian annexation of Crimea marked a new low in relations between Russia and the West, while China's militarization of the South China Sea is destabilizing for other countries across the region, including Taiwan.

1. "U.S. and World Population Clock," U.S. Census Bureau, <https://www.census.gov/popclock/world>.

2. Valeriya Mechkova et al., "Measuring Internet Politics: Introducing the Digital Society Project (DSP)" (working paper, Digital Society Project, 2019), http://digitalsocietyproject.org/wp-content/uploads/2019/05/DSP_WP_01-Introducing-the-Digital-Society-Project.pdf.

3. Paul Goble, "Experts: Estonia has successfully integrated nearly 90% of its ethnic Russians," *Estonian World*, March 1, 2018, <https://estonianworld.com/security/experts-estonia-successfully-integrated-nearly-90-ethnic-russians/>.

4. Eleanor Albert, "Taiwanese v. Chinese Identity," Council on Foreign Relations, October 4, 2019, <https://www.cfr.org/background/china-taiwan-relations#chapter-title-0-5>.

Given these similarities, it is valuable to examine how disinformation has impacted each of these societies and how Estonian techniques for combating disinformation could be applicable to Taiwan.

Estonia

Estonia, alongside its fellow Baltic states of Latvia and Lithuania, occupies a significant geostrategic position along Europe's Western flank bordering Russia. As post-Soviet states, these three countries remain vulnerable to Russian attempts to subvert their democracy. Estonia's rise to global prominence in the cybersecurity space following a devastating country-wide cyberattack in 2007 makes it a compelling case study in comparison to Taiwan.

Vladimir Putin's attempts to assert a Russian sphere of influence around the country's periphery is a policy borne of grander strategic ambitions to assert Russia's role as a global superpower. His efforts have tapped into deeply held beliefs, not only in his administration but in the Russian public at large, that the fall of the Soviet Union was a tragic loss of prestige and power for the country. In 2017 surveys, a full three quarters of Russians stated that they regretted the collapse of the Soviet Union,⁵ and Putin himself has stated on the record that "the collapse of the Soviet Union was the greatest tragedy of the twentieth century."⁶ In a recent analysis of disinformation campaigns around the world, 11 of the 30 countries most impacted by disinformation were formerly part of the Soviet Bloc or USSR—a testament to Russia's capacities in disseminating disinformation in its neighborhood.⁷

Russian disinformation campaigns of the modern day have moved to cyberspace as the internet establishes itself as the central current of information around the globe. Disinformation is a key tool for Moscow as it seeks to influence public opinion in Estonia and attempts to disrupt the flow of information into and out of the country.⁸ Russia's strategy is aimed at creating pockets of chaos and sowing doubt across sectors and industries while maintaining plausible deniability when it comes to taking responsibility for attacks or disruptions.

The most notorious example of this strategy is the 2007 cyberattacks in Estonia that nearly succeeded in cutting the country off from the internet entirely, alongside disruptions of rail service and border crossings.⁹ This marked the beginning of the use of cyberattacks as a major tool in conflict operations around the world, including in Russian skirmishes in later years in Georgia and Ukraine.¹⁰ The attacks stemmed from the Estonian government moving a Soviet war memorial, and the remains of Soviet soldiers killed in the Second

5. "Nostalgia for the USSR," Levada Center, December 25, 2017, <https://www.levada.ru/en/2017/12/25/nostalgia-for-the-ussr/>.

6. Adam Taylor, "Putin says he wishes the Soviet Union had not collapsed. Many Russians agree," *Washington Post*, March 3, 2018, <https://www.washingtonpost.com/news/worldviews/wp/2018/03/03/putin-says-he-wishes-he-could-change-the-collapse-of-the-soviet-union-many-russians-agree/>.

7. Mechkova et al., "Introducing the Digital Society Project (DSP)."

8. Viljar Veebel, "Russian Propaganda, Disinformation, and Estonia's Experience," Foreign Policy Research Institute, October 4, 2015, <https://www.fpri.org/article/2015/10/russian-propaganda-disinformation-and-estonias-experience/>.

9. "Hybrid Threats: 2007 cyber attacks on Estonia," NATO Stratcom Center of Excellence, June 9, 2019, <https://www.stratcomcoe.org/hybrid-threats-2007-cyber-attacks-estonia>.

10. Damien McGuinness, "How a cyberattack transformed Estonia," BBC, April 27, 2017, <https://www.bbc.com/news/39655415>.

World War, to the Estonian Defense Forces Cemetery outside of Tallinn. The statue's previous location had been a gathering site for Russian and Estonian nationalists inside Estonia, and the movement was intended in part to reduce that draw.¹¹

Putin opaquely referenced the statue in a speech celebrating the USSR's victory over Nazi Germany around the time of the cyberattacks, stating that "Those who attempt to . . . defile the monuments to war heroes are insulting their own people, sowing discord and new distrust between states and people."¹² This statement perfectly summarizes Russia's position regarding Estonia: that the country's autonomous actions are an affront to the "true" identities of people with Russian heritage living there. These Russian narratives attempt to undermine the Estonian government, portraying Russia and the former USSR as powerful geopolitical actors that are entitled to have influence in the country.

Russia's disinformation campaigns and attempts to exert control over Estonia's policy decisions continue today over contentious issues in the relationship, ranging from NATO exercises¹³ to Estonian media coverage of Estonian officials stating opposition to the Nord Stream 2 project, a gas pipeline that would connect Germany and Russia. Among other negative impacts for Europe, the project would increase European reliance on Russian gas and weaken the Ukrainian gas transit market, a critical source of income for that country.¹⁴

Estonia has taken steps to combat these efforts at both the national and multilateral levels. As a member state of the European Union, Estonia benefits from legislation at the EU level for countering disinformation. Prior to the EU parliamentary elections in May of 2019, the European Council implemented the Rapid Alert System (RAS), a dedicated digital platform for information sharing that connects information about potential nefarious campaigns and aggregates them in a single place for access by the public as well as by both traditional and social media.¹⁵ On the defense side, NATO and the EU have partnered to form a European Center of Excellence for Countering Hybrid Threats (Hybrid COE) which conducts research on countering disinformation campaigns that impact member states.

Taiwan

In an echo of Russian rhetoric and discourse around the former USSR, China has also articulated its view that Taiwan's existence as an entity separate from the mainland is an affront to national unity. At the 19th National Congress of the Chinese Communist Party in 2017, President Xi Jinping asserted: "We stand firm in safeguarding China's sovereignty and territorial integrity and will never allow the historical tragedy of national division to repeat itself. Any separatist activity is certain to meet with the

11. "Soviet Memorial Causes Rift between Estonia and Russia," Spiegel Online, April 27, 2007, <https://www.spiegel.de/international/europe/deadly-riots-in-tallinn-soviet-memorial-causes-rift-between-estonia-and-russia-a-479809.html>.

12. Vladimir Putin, "Speech at the Military Parade Celebrating the 62nd Anniversary of Victory in the Great Patriotic War," Kremlin, May 9, 2007, <http://en.kremlin.ru/events/president/transcripts/24238>.

13. "NATO-Russia relations: the facts," NATO, August 9, 2019, https://www.nato.int/cps/en/natolive/topics_111767.htm.

14. Urve Eslas, "Russian Media Targets Estonian Opposition to Nordstream 2," CEPA, July 24, 2018 <https://www.cepa.org/rus-media-targets-est-opp-to-ns2>.

15. European External Action Service, "Rapid Alert System: Strengthening Coordinated and Joint Responses to Disinformation," fact sheet, March 2019, https://eeas.europa.eu/sites/eeas/files/ras_factsheet_march_2019_0.pdf.

resolute opposition of the Chinese people.”¹⁶ This belief forms a core tenet of Chinese policy under Xi and drives efforts by the Chinese government to eventually bring Taiwan back under Chinese control. In combination with efforts by China to assert its dominance in the South China Sea and with the transformation of its military into a more professionalized force, statements from the highest levels of the Chinese government that highlight this argument should be taken as serious indicators of their focus on controlling territories they view as belonging to China.¹⁷

Top Chinese officials have a morbid fascination with the fall of the Soviet Union. President Xi, in particular, focuses on how democratic change and loosening of communist ideology hastened the disintegration of the USSR.¹⁸ In this sense, Taiwan is also viewed as a serious democratic threat to the mainland’s ideological position and assertion that “socialism with Chinese characteristics” is the best system for the Chinese people, particularly in light of other communist systems that met their demise.

China uses a variety of tools to achieve its goal of increasing support in Taiwan for reunification. One of its most powerful is increased mainland Chinese control of Taiwan’s media outlets, both through ownership and through placement of positive stories and advertising about the mainland. Chinese disinformation is also rampant on social media. Instances of mainland interference in the media surged prior to the 2016 Taiwanese elections and as the Hong Kong protests escalated in 2019.¹⁹ Investigative efforts by Reuters in 2019 found at least five cases in which Taiwanese media outlets were paid to publish positive stories about mainland China by the Chinese government, an arrangement that has been going on since economic relations improved a decade ago.²⁰ As China faces increasing pressure and attention on the international stage due to causes ranging from U.S. sanctions and economic pressure to global support for Hong Kong’s democracy protests, its use of disinformation to maintain as much control over Taiwan as it can will be a key threat to the island’s stability.

In the case of Taiwan, freedom of speech and of the press can be viewed as a powerful tool in countering disinformation, as long as there is transparency about who is posting information online. Careful regulation regarding transparency in political advertising can be a particularly useful instrument to let users know who paid for—and is advocating for—the positions in an ad or social media post.²¹ Efforts to date include a “Real-time

16. Xi Jinping, “Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era,” 19th National Congress of the Communist Party of China, Beijing, China, October 18, 2017), http://www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf.

17. Chris Buckley, “2019 is a Sensitive Year for China. Xi is Nervous,” *New York Times*, January 30, 2013, <https://www.nytimes.com/2019/02/25/world/asia/china-xi-warnings.html>.

18. Nick Frisch, “The Bolsheviks in Beijing- What the Chinese Communist Party Learned from Lenin,” *Foreign Affairs*, October 18, 2017, <https://www.foreignaffairs.com/articles/china/2017-10-18/bolsheviks-beijing>.

19. Emily Feng, “How China Uses Twitter And Facebook To Share Disinformation About Hong Kong,” NPR, August 20, 2019, <https://www.npr.org/2019/08/20/752668835/how-china-uses-twitter-and-facebook-to-share-disinformation-about-hong-kong>.

20. Yimou Lee and I-hwa Cheng, “Paid ‘news’: China using Taiwan media to win hearts and minds on island - sources,” *Reuters*, August 9, 2019, <https://www.reuters.com/article/us-taiwan-china-media-insight/paid-news-china-using-taiwan-media-to-win-hearts-and-minds-on-island-sources-idUSKCN1UZ014>.

21. David A. Wemer, “How to fight disinformation while preserving free speech,” Atlantic Council, March 4, 2019, <https://www.atlanticcouncil.org/blogs/new-atlanticist/how-to-fight-disinformation-while-preserving-free-speech/>.

News Clarification” page from the Executive Yuan, national legislation penalizing the dissemination of false information from the Legislative Yuan, and fines for media entities who broadcast information that harms public interest.²² Civil society and the private sector are also working to increase transparency by providing fact-checking services through organizations such as the Taiwan FactCheck Center and popular messaging app Line’s “Line Rumor Verification” chatbot.²³

Best Practices and Remaining Challenges

Taiwan, Estonia and other democracies must continue to address disinformation by maintaining a holistic view of countering it through deterrence, maintaining freedom of speech, and prioritizing transparency on information sharing platforms and in the media.

The greatest future threats to Taiwan in the disinformation space are twofold. First, there is the challenge—faced by democracies around the globe—of maintaining freedom of speech and of information even while nefarious actors use those arenas to spread falsehoods. Second, there is the continued investment of mainland China in Taiwan’s media outlets and advertising.²⁴ Taipei should continue to increase transparency across media channels, from traditional print and television to social media, so that citizens can make more informed choices when it comes to how they get their information. Efforts to counter disinformation in both Estonia and Taiwan will require sustained investment in institution-building and financial resources if they hope to see results. This is particularly true as larger actors are putting more financial resources into their programs; in 2018–2019, for example, the Russian propaganda network RT had a budget of over \$300 million.²⁵

To the extent possible given its isolated diplomatic position, Taiwan would benefit from following Estonia’s example of engaging in multilateral institutions that address disinformation across borders, such as the European Center of Excellence for Countering Hybrid Threats (Hybrid COE). The Hybrid COE’s position outside of both the EU and NATO allows more flexible participation from countries that are a member of either the EU or NATO (but not both). This broad scope allows it to act as a platform for information sharing among partners and as a repository for knowledge about hybrid threats, including disinformation.²⁶ Taiwan may be able to connect with international partners in settings like these that are not necessarily directly affiliated with global organizations where sovereignty is required for membership or participation.

Similar to efforts taken by the European Union and the Estonian government, Taiwan has taken significant steps forward to curb the spread of disinformation within its borders, including major amendments to bills passed by the Legislative Yuan and a definition

22. Yuki Tatsumi, Pamela Kennedy, and Jason Li, “Disinformation, Cybersecurity, and Energy Challenges,” Stimson Center, September 2019, <https://www.stimson.org/sites/default/files/file-attachments/StimsonTaiwanSecurityBrief2019.pdf#page=11>.

23. Ibid.

24. “Hybrid Threats: Chinese public diplomacy in Taiwan,” NATO Stratcom Centre of Excellence, June 6, 2019, <https://stratcomcoe.org/hybrid-threats-chinese-public-diplomacy-taiwan>.

25. Nina Jankowicz, “Avoiding the Band-Aid Effect in Institution Responses to Disinformation and Hybrid Threats,” German Marshall Fund of the United States Alliance for Securing Democracy, August 13, 2019, <https://securingdemocracy.gmfus.org/avoiding-the-band-aid-effect-in-institutional-responses-to-disinformation-and-hybrid-threats/>.

26. Ibid.

of disinformation as information that is “fake, motivated by malice, and harmful to individuals, organizations, or social order.”²⁷ Civil society groups have taken steps to increase public awareness of disinformation and to help citizens identify when news is untrue or from a foreign source that may be seeking to deceive. A variety of fake news tracking websites debunk disinformation from sources across the web in countries across Eastern Europe. Stopfake.org is one such site that addresses disinformation surrounding Ukraine in particular, a topic that is often utilized in the context of Estonia to drum up fear of migrants, anti-EU sentiments, and other disruptive viewpoints.²⁸ Propastop, a volunteer-run Estonian site, distributes knowledge about how information warfare works and debunks disinformation circulating in Estonian media.²⁹ Similarly, citizens in Taiwan have developed tools to combat disinformation, including channels on the popular messaging app Line that fact-check news through a chatbot.³⁰

Under mounting international pressure, social media and web companies have also stepped up their efforts to combat disinformation and protect democratic processes. In Taiwan, Facebook and Google have run fact-checking programs, both through partnerships with NGOs and by working with local and international experts.³¹ Government and civil society leaders in Taiwan should continue to publicize and encourage the use of tools to identify disinformation, both those created by civil society actors and by social media companies. Policymakers can also learn more about disinformation messaging that could be headed their way by examining what is being spread in neighboring countries.

Disinformation is a key tool for autocracies around the world in maintaining and furthering their narratives and strategic aims. It remains a challenge to attribute disinformation and to measure its impact but taking steps to counter it and bringing public awareness to the problem remain key to combating its effects. In democracies under threat from their larger neighbors, such as Estonia and Taiwan, countering disinformation will require deterrence, increased commitment to freedom of speech, and vigilance in identifying and making transparent the source of news and information for citizens.

The views and opinions expressed in this publication are solely and exclusively those of the author and do not reflect the views, opinions, or positions of any other individual or organization.

27. Jane Rickards, “The Battle Against Disinformation,” American Chamber of Commerce in Taipei, August 21, 2019, <https://topics.amcham.com.tw/2019/08/battle-against-disinformation/>.

28. “About Us,” StopFake.org, 2019, <https://www.stopfake.org/en/about-us/>.

29. “What is Propastop?” Propastop, March 6, 2017, <https://www.propastop.org/eng/2017/03/06/what-is-propastop/>.

30. Kirsten Han, “Line is another chat app rife with spam, scams, and bad information. The volunteer-supported Cofacts is fact-checking them in the open,” Nieman Lab, August 21, 2018, <https://www.niemanlab.org/2018/08/line-is-another-chat-app-rife-with-spam-scams-and-bad-information-the-volunteer-supported-cofacts-is-fact-checking-them-in-the-open/>.

31. Rickards, “The Battle Against Disinformation.”

Hong Kong and Taiwan

Two Davids Facing a Chinese Goliath

Melissa Chan

This year's Taiwan-U.S. Policy Program (TUPP) was noteworthy for the prominence of Hong Kong as a talking point for both the administration officials and the members of civil society that met with the TUPP delegation. At the time of this writing, the crisis in Hong Kong continues—unpredictable and increasingly violent—and Taiwan has had to respond to developments.

Journalist Richard McGregor has described Taiwan and Hong Kong as two places “strangely uninterested in each other”—an observation I can corroborate as a reporter who has worked on Hong Kong in some capacity since 2000.¹ The mutual disinterest, however, is starting to change. At the Oslo Freedom Forum's satellite Taipei human rights event in September 2019, organizers programmed a segment where Hong Kong pop star and activist Denise Ho took the stage with musician and legislator Freddy Lim, a founder of Taiwan's pro-independence New Power Party. “Watching the struggle of the people of Hong Kong, how can we give up on ours?” asked Freddy Lim, as he thanked protesters in Hong Kong, pitching their fight not only as one between the territory and the Communist Party of China but as one between authoritarian China's rising influence and its inevitable clash with the global free world. Denise Ho further exhorted, “Taiwan, protect your democracy and human rights.”² The moment was one of the clearest displays of an emerging Taiwanese solidarity for the Hong Kong movement, and one of the strongest expressions of regard for Taiwan's democracy in aspirational terms from the perspective of Hong Kong protesters.

The two places share many features in common, from the People's Republic of China's (PRC) eagerness to absorb both back under what it considers its inalienable control to their shared histories as destinations for mainland Chinese migrants. In recent decades, Taiwan (otherwise known as the Republic of China, or ROC) and Hong Kong have also enjoyed new rights—in the case of Taiwan, full-fledged democracy, and for Hong Kong,

1. Richard McGregor (@mcgregorrichard), “HK and Taiwan have always seemed distant and strangely uninterested in each other. The common interests shared by their democrats has cleared the way for radical change.” Twitter, September 3, 2019, 7:46 p.m., <https://twitter.com/mcgregorrichard/status/1169079153557037057?s=20>.

2. Denise Ho, remarks presented at Oslo Freedom Forum, Taipei, Taiwan, September 13, 2019.

a level of self-governance separate from Beijing under the “one country, two systems” formulation. These freedoms have served as a source of pride for its residents. Their liberal societies’ divergence from the PRC’s authoritarian system has produced significant social developments: in the case of Hong Kong, a new identity as “Hongkongers,” and for Taiwan, a stronger sense of collective nationality.

Both are Davids contending with the growing Goliath power of the PRC. While people in Taiwan had watched Hong Kong’s 2014 Umbrella Movement with interest, particularly after the island’s own Sunflower Movement, Taiwan’s people and government seem to interpret 2019’s discontent in Hong Kong in more direct and existential terms, commensurate with President Xi Jinping’s growing geopolitical boldness in the intervening years.³ As the PRC’s desire for unification grows in tandem with its power, one common remark is “Hong Kong today, Taiwan tomorrow.”⁴ The perception that the two places increasingly share a common foe has paved the way for more cross-border communication, collaboration, and displays of mutual political solidarity. “One country, two systems” had, after all, originally been conceived not as an arrangement for Hong Kong, but for Taiwan. And President Xi Jinping’s January 2019 speech, couched in the anachronistic lexicon used by the Party, alarmed many Taiwanese citizens.⁵ Xi clearly stated that armed force was an option and that unification was, in his mind, inevitable.

While Xi Jinping has worked to make his country red again, combatting what he perceives as ideological rot across the party system with an unprecedented authoritarian hand, Taiwan has only become more democratic.⁶ Public perception there of democracy as the best form of government, and the one most suitable for the island, has grown in spite of the bitter partisan politics that characterize Taiwan’s elections.⁷ Meanwhile, in Hong Kong, polling at the end of its summer of discontent showed that more than half of the population (69 percent) felt police used too much violence, and while 41.4 percent felt protesters used too much violence, 59.2 percent also believed that violence was justified in the wake of authorities ignoring large, peaceful protests. In other words, people’s anger was mostly targeted at the territory’s un-democratic institutions rather than at protesters. Those who have taken to the streets have argued that in the absence of real representation, they can only vote with their feet. The polling suggests that a significant portion of the population appears to agree with, or at least tolerate, the protesters’ position.⁸

Regardless of how officials choose to resolve the protests, the activism, insurgency, and citizen resentment will continue, even if forced underground or self-censored. This means that

3. Joseph Wu (@MOFA_Taiwan), “I stand shoulder to shoulder with the hundreds of thousands in #HongKong fighting the extradition bill & for rule of law. Please know you are not alone. #Taiwan is with you! The will of the people will prevail! JW #撐香港, #反送中” Twitter, June 11, 2019, 7:22 p.m., https://twitter.com/MOFA_Taiwan/status/1138632719464771586?s=20.

4. Richard Bush and Ryan Hass, “Taiwan’s democracy and the China challenge,” Brookings Institution (February 2019).

5. Chris Buckley and Chris Horton, “Xi Jinping Warns Taiwan That Unification Is the Goal and Force Is an Option,” *New York Times*, January 1, 2019, <https://www.nytimes.com/2019/01/01/world/asia/xi-jinping-taiwan-china.html>.

6. Richard McGregor, “Party Man: Xi Jinping’s Quest to Dominate China,” *Foreign Affairs* (September/October 2019), <https://www.foreignaffairs.com/articles/china/2019-08-14/party-man>.

7. Bush and Hass, “Taiwan’s democracy.”

8. Liang Qizhi, “Public opinion remains firm as situation escalates,” *Stand News*, October 16, 2019, <https://www.thestandnews.com/politics/%E6%B0%91%E6%84%B8%E4%BB%8D%E7%84%B6%E5%A0%85%E5%AF%A6-%E8%99%95%E5%A2%83%E9%80%A0%E5%B0%B1%E5%8D%87%E7%B4%9A/>.

Taiwanese grassroots and governmental-level interest in Hong Kong will continue to matter. For now, Taiwanese solidarity can be characterized as real, yet fledgling and inconsistent.

Solidarity from the People

The Oslo Freedom Forum speech by Sunflower Movement veteran Freddy Lim and Umbrella Movement veteran Denise Ho serves as a reminder of the shared consciousness between Taiwan and Hong Kong activists that developed back in 2014. The resurrection of those Sunflower and Umbrella connections five years later has contributed to some of the mobilization efforts in Taiwan, but the collaboration remains tenuous.

While the Taiwan Association for Human Rights and Amnesty International Taiwan have organized events in solidarity with Hong Kong, a considerable amount of activity taking place on the island has actually been driven by university students from Hong Kong, not by locals.⁹ The flash mob gathering at Taipei's main station was initiated by a Hong Kong resident.¹⁰ Taipei's own "Lennon Wall," replicating Hong Kong's mosaic spaces where citizens have left Post-It note messages of freedom and democracy, was launched by Hong Kong students at National Taiwan University.¹¹ A solidarity anthem recorded in both Mandarin and Cantonese was produced primarily by Hong Kong artists.¹² Collectively, these actions give the perception of more Taiwanese solidarity than perhaps exists. It will be interesting to see how successful turnout will be.

My own observation is that Hong Kong activists, as part of their efforts to build global solidarity for their cause, have worked harder to reach out to their counterparts in Taiwan than the other way around. They have had a greater sense of urgency against the China threat; emphasizing solidarity with Taiwan, along with shoring up broader international support, is a matter of strategic importance for Hongkongers in their fight.

Speaking to the *Atlantic* in July 2019, Hong Kong pro-democracy legislator Ray Chan drove this message home: "Hong Kong and Taiwan are both at the front line of the global fight to stop Beijing's creeping authoritarianism and control. Our cooperation and mutual support will be key to defending our freedom."¹³ While many people in Taiwan might feel this way, and some have shown support—especially online, by switching their Facebook profile pictures to Hong Kong resistance symbols—translating digital activism to real-world activism has proven more difficult.¹⁴ Sustained support will likely continue to come out of Taiwan, but to what extent depends in part on the outcome of the island's own presidential elections. A Kuomintang (KMT) win may galvanize those worried about a closer relationship with China, leading to more engagement and activism, which could in turn lead people to pay closer attention to events in Hong Kong. On the other hand,

9. Shen Peng-da, Chang Jung-hsiang, Wang Shwu-fen, and Evelyn Kao, "Groups in Taiwan support Hong Kong extradition bill protests," *Focus Taiwan*, June 12, 2019, <http://focustaiwan.tw/news/acs/201906120015.aspx>.

10. Stacy Hsu, "Dozens stage flash mob at Taipei Main Station to support Hong Kong," *Focus Taiwan*, June 30, 2019, <http://focustaiwan.tw/news/aall/201906300017.aspx>.

11. Shen Peng-da, "Lennon Wall taken down after two hours," Central News Agency, July 26, 2019, <https://www.cna.com.tw/news/acn/201907260307.aspx>.

12. The Chairman Band, "To Maintain." YouTube video, 5:27. Posted June 28, 2019. <https://www.youtube.com/watch?v=ssCWcBNqvnc#action=share>.

13. Chris Horton, "Hong Kong and Taiwan Are Bonding Over China," *Atlantic*, July 5, 2019, <https://www.theatlantic.com/international/archive/2019/07/china-bonds-between-hong-kong-and-taiwan-are-growing/593347/>.

14. Ibid.

a Democratic Progressive Party (DPP) win may mean a sustained administration-led approach that may matter more to the Hong Kong resistance than grassroots support.

Solidarity from the Government

There is something newer and bolder at play than mere citizen support: Taipei's formal reaction to the Hong Kong protests. Braving the risks of Beijing's frequent warning that others should not meddle in its internal affairs, President Tsai Ing-wen and others in her administration have made clear statements on Hong Kong. Foreign Minister Joseph Wu, for instance, weighed in throughout the summer as protests became more dramatic. In our era of Twitter diplomacy, Wu posted on Twitter in June 2019: "Please know you are not alone. #Taiwan is with you! The will of the people will prevail!"¹⁵ A few days later, he continued his message of support: "The people of #Taiwan share your values & struggle. Our paths & destinies are linked as we both live under the shadow of the #CCP regime. We shall overcome together."¹⁶

On July 1, 2019—the anniversary of Hong Kong's transfer from British to Chinese control—Wu published a tweet addressing the "one country, two systems" formulation that Beijing leadership had suggested would serve as a way forward in unification talks with Taipei. For Wu, the whole thing had clearly become a sham. He wrote that "citizens are seething with anger & frustration. It's clear the CCP regime's 'one country, two systems' is nothing but a lie. I urge the global community to support the people's struggle for freedom & fully democratic elections."¹⁷

One of President Tsai's most strongly worded tweets was posted at the start of summer, when she compared Hong Kong's struggle with Taiwan's own, saying she was "reminded that #Taiwan's hard-earned democracy must be guarded & renewed by every generation. As long as I'm President, 'one country, two systems' will never be an option."¹⁸

She made that declaration just a few days ahead of her contested primary. While Tsai has a long history of commitment to democracy and liberties, the protests in Hong Kong had started at a time when she most needed political support.¹⁹ The KMT had roundly defeated the DPP earlier in 2018 in local elections and the president was under pressure from her own party. Her proven credentials as a guarantor of ROC sovereignty and effective

15. Joseph Wu (@MOFA_Taiwan), "I stand shoulder to shoulder with the hundreds of thousands in #HongKong fighting the extradition bill & for rule of law. Please know you are not alone. #Taiwan is with you! The will of the people will prevail! JW #撐香港, #反送中" Twitter, June 11, 2019, 7:22 p.m., https://twitter.com/MOFA_Taiwan/status/1138632719464771586?s=20.

16. Joseph Wu (@MOFA_Taiwan), "I salute the brave #HongKong citizens on the streets, uncowed by the threat of police brutality. The people of #Taiwan share your values & struggle. Our paths & destinies are linked as we both live under the shadow of the #CCP regime. We shall overcome together. JW #616黑衣大遊行" Twitter, June 16, 2019, 3:06 a.m., https://twitter.com/MOFA_Taiwan/status/1140198922238844928?s=20.

17. Joseph Wu (@MOFA_Taiwan), "On the 22nd anniversary of #HongKong's handover, citizens are seething with anger & frustration. It's clear the CCP regime's 'one country, two systems' is nothing but a lie. I urge the global community to support the people's struggle for freedom & fully democratic elections. JW" Twitter, July 1, 2019, 8:02 a.m., https://twitter.com/MOFA_Taiwan/status/1145709143182807040?s=20.

18. Tsai Ing-wen (@iingwen), "We stand with all freedom-loving people of #HongKong. In their faces, we see the longing for freedom, & are reminded that #Taiwan's hard-earned democracy must be guarded & renewed by every generation. As long as I'm President, 'one country, two systems' will never be an option." Twitter, June 9, 2019, 6:54 a.m., <https://twitter.com/iingwen/status/1137719523711152128?s=20>.

19. John Pomfret, "What China's defeat in Hong Kong tells us about the future of Taiwan," *Washington Post*, June 17, 2019, <https://www.washingtonpost.com/opinions/2019/06/17/what-chinas-defeat-hong-kong-tells-us-about-future-taiwan/>.

manager in dealing with China helped give her the political ammunition she needed to tip the primary balance in her favor.

But Tsai's was no longer a uniquely DPP position. It had become bipartisan. Under pressure to clarify his views on China—and following bad press when he expressed little awareness of the Hong Kong protests—KMT presidential hopeful Han Kuo-yu effectively echoed President Tsai at a massive campaign rally when he stated that “one country, two systems” would never happen under his watch.²⁰ The people of Taiwan would never accept it, he reasoned, unless it's “over my dead body”—words spoken in English for emphasis and dramatic flair. The PRC has effectively and irrevocably lost “one country, two systems” as a feasible model it can offer to Taiwan.

In July, Radio Free Asia reported that some activists had fled Hong Kong for Taiwan, putting the government there on the spot.²¹ While Tsai, Wu, and other politicians had issued words of support, the arrival of Hong Kong refugees, with the possibility of more, presented a very tangible problem that would require more than just words to resolve. Taiwan is not party to the UN's Refugee Convention and does not have a refugee policy of its own. Without divulging what her administration had in mind, or perhaps in the absence of any immediate solution to handle the conundrum, President Tsai simply said, “These friends from Hong Kong will be treated in an appropriate way on humanitarian grounds.”²²

By the end of the summer, President Tsai circulated four “directives” to government agencies and shared them on Twitter, though she continued to lack specificity on exactly how she would handle refugees from Hong Kong.²³ “Like the rest of the international community, when necessary and based on humanitarian concerns,” Tsai wrote, “we will provide necessary assistance to Hong Kong residents in Taiwan, and will not just stand on the sidelines and watch.”

Some activists in Taiwan have proposed workarounds for Hong Kong refugees, including extended “work” visas, generously defined student visas, and the use of other existing visas which the immigration department may grant on a case-by-case basis. These methods will likely continue for the foreseeable future, since a bipartisan refugee law to address what to do with Hongkongers is unlikely to pass in 2020 or beyond. Dealing with refugees is a touchy political subject. Some worry Beijing would read any law as interference in its internal affairs. Others worry it would attract not only Hong Kong refugees, but those from mainland China, as well.²⁴

20. Yeh Tzu-kang and Christie Chen, “‘One country, two systems’ in Taiwan ‘over my dead body’: Han Kuo-yu,” *Focus Taiwan*, June 15, 2019, <http://focustaiwan.tw/news/aip/201906150017.aspx>.

21. Hwang Chun-mei and Ho Shan, “Hong Kong Protesters Who Broke Into City's Legislature Flee to Taiwan,” *Radio Free Asia*, July 18, 2019, <https://www.rfa.org/english/news/china/hongkong-taiwan-07182019141413.html>.

22. Linda Lew, “Tsai Ing-wen says ‘friends from Hong Kong’ will be considered for asylum on humanitarian grounds,” *South China Morning Post*, July 19, 2019, <https://www.scmp.com/news/china/politics/article/3019252/tsai-ing-wen-says-friends-hong-kong-will-be-considered-asylum>.

23. Tsai Ing-wen (@iingwen), “Out of concern for the situation in #HongKong, our administration is keeping a close eye on the latest developments & evaluating possible impacts. In light of recent events, I have issued 4 directives to all government agencies” Twitter, September 3, 2019, 12:11 a.m., <https://twitter.com/iingwen/status/1168783614781227008?s=20>.

24. Lev Nachman and Brian Hioe, “Friends from Hong Kong: Taiwan's Refugee Problem,” *Diplomat*, October 23, 2019, <https://thediplomat.com/2019/10/friends-from-hong-kong-taiwans-refugee-problem/>.

Hong Kong, Taiwan, and the Chinese Dream

The scope of this piece precludes a deeper, more complete examination of Taiwan and Hong Kong's interaction with each other during this politically volatile period, but I hope the examples provided of both grassroots and government responses underscore the PRC's difficulties as it proceeds with its Manifest Destiny attitude to both.

In September 2019, grassroots activism came together with government support when Hong Kong activist Joshua Wong visited Taipei. While he did not meet President Tsai, he met with members of her ruling DPP party. The Umbrella Movement leader traveled with lawmaker Eddie Chu Hoi-dick and with Lester Shum, formerly of the Hong Kong Federation of Students.²⁵ Together, they asked people in Taiwan and beyond to join in global protests supporting Hong Kong. It was unclear what other support Wong could ask for from a government with so little international standing of its own. Alluding to the "Hong Kong today, Taiwan tomorrow" warning, Wong chose to turn the phrase on its head: "But I think the most ideal thing we'd say is 'Taiwan today, tomorrow Hong Kong'. Hong Kong can be like Taiwan, a place for freedom and democracy."²⁶

Wong hit at the heart of the matter for the PRC. If people in Taiwan regard the threat of China as a frightening, existential matter, so too does Beijing when it looks at Taiwan. The island's very existence is proof of a workable, alternative governance model for Chinese-speaking people, a democracy that serves as a refutation of the authoritarian legitimacy of the Communist Party of China.

The Chinese leadership has been consumed by the crisis in Hong Kong, but Xi would be wise in his calculus not to forget Taiwan, whose people and officials have been watching with considerable care. It has become increasingly difficult for anyone in Taiwan to justify the position of advocating unification or even closer relations with the PRC. Looking not only at Taiwan and Hong Kong but beyond, at the autonomous regions within China's national borders that it seeks to consolidate—places such as Xinjiang and Tibet—Xi's performance so far for his Chinese Dream is exactly that: a dream. His policies have so far driven these territories farther, not closer, to the Party's twenty-first century goals.

25. Lawrence Chung, "Joshua Wong asks people of Taiwan to show their support for Hong Kong protests," *South China Morning Post*, September 3, 2019, <https://www.scmp.com/news/china/politics/article/3025562/joshua-wong-asks-taiwans-people-show-their-support-hong-kong>.

26. Ralph Jennings, "Joshua Wong urges Taiwanese to show support for Hong Kong," Associated Press, September 3, 2019, <https://apnews.com/78afbd467dab451eb9f75b65bc8cddb5>.

A Taiwan National Guard and the Asymmetric Defense of Taiwan

Philip Caruso

Given Beijing's stated intent to assert complete control over Taiwan, an invasion by China's People's Liberation Army (PLA) remains the most dangerous military threat to the island. The PLA's ongoing modernization, backed by the world's second-largest economy, has eroded Taiwan's historical symmetric deterrence, creating a sense of urgency to shifting Taipei towards an asymmetric defense strategy. Since the United States could intervene on Taiwan's behalf in a conflict, any decision by Chinese leaders to attack, blockade, or invade Taiwan would likely hang on their predicted ability to seize control of the island quickly, before U.S. forces could penetrate the PLA's anti-access/area denial (A2AD) shield. In order to delay the PLA long enough for U.S. assistance to materialize, Taipei should adopt an asymmetric defense strategy, backed by a new Taiwan National Guard (TNG) that would be organized, trained, and equipped to carry it out.

Taiwan can transform its existing Armed Forces Reserve Command into a TNG, with localized units capable of defending territory—in many cases, their homes—from a PLA invasion. For Taiwan's military to be able to deter Beijing from pursuing an invasion and to survive long enough to facilitate meaningful foreign military intervention, it must develop and signal credible asymmetric military capabilities that frustrate any key objectives of, and assumptions that underpin, a PLA invasion.¹ Thus, any modernization or reform of the Taiwan reserve forces must:

- Be both significant enough and properly signaled to reach senior decision-makers in the Chinese Communist Party's (CCP) Politburo Standing Committee and Central Military Commission, and²
- Be aimed at driving substantive improvements in combat performance that may be rendered more important if Beijing miscalculates and initiates a conflict.

1. William Murray, "Revisiting Taiwan's Defense Strategy," *Naval War College Review* 61 no. 3 (Summer 2008): 14.

2. Ian Easton, Mark Stokes, Cortez A. Cooper, and Arthur Chan, *Transformation of Taiwan's Reserve Force* (Santa Monica, CA: RAND Corporation, 2017), 49.

Taiwan's Military Reserve Readiness and Society

The Armed Forces Reserve Command can improve its readiness for both conventional and asymmetric defense of the island. Evidence indicates that Beijing believes Taiwan has insufficiently funded and trained its reserve force to be able to resist the PLA.³ Reserve units are provided with varying levels of staffing, equipment, and readiness.⁴ They are assigned missions and performance expectations based on their resourcing; reserve units with the most training and best equipment, for example, are expected to be more ready and capable of missions that are more demanding. However, in practice, even the most well-resourced reserve units may not be ready to effectively mobilize and deploy to withstand a PLA invasion. Although PLA invasion preparations are expected to offer four weeks' notice—during which the Reserve Command plans to mobilize reservists and provide intensive prewar training—this timeline is still far too short for the challenge of mobilizing thousands of troops, let alone training them.⁵ A reserve built to deter and resist invasion must be designed to respond at a moment's notice. Even if reserve units could be mobilized immediately, four weeks is not enough time for training from a “cold start,” since it would require the movement of units to training centers away from operational deployment locations.

This problem is exacerbated by the existing training gap. Currently, conscripts serve only four months on active duty and receive limited training.⁶ Reservists, whose military training is largely that which they received as one-time conscripts, undergo five to seven days of reserve training every two years.⁷ With less than four of those days spent on actual combat-related training, Chinese analysts have assessed this to be insufficient.⁸ Additionally, though a 2017 RAND report suggested current levels of training may be appropriate for some noncombat support personnel, the notion of both “noncombat” and “support” personnel in an asymmetric warfare invasion scenario is ambiguous.⁹

Moreover, reservists themselves may question the value of their training. Recent polling suggests almost 68 percent of Taiwan citizens are willing to defend the island from a PLA invasion.¹⁰ Yet over 1,000 reservists were criminally charged in the last three years alone for dodging mandatory training.¹¹ Many more are no longer even called up, or join alternative programs, like video gaming, that allow them to avoid it.¹² To maximize their deterrence effect and combat performance, Taiwan should posture and train its reservists to be combat-ready at relatively short notice.

3. Easton et al., *Transformation of Taiwan's Reserve Force*, 45.

4. Ibid., 13.

5. Ibid., 16.

6. Ibid., 6.

7. Ibid., 6.

8. Ibid., 46.

9. Ibid., 7.

10. Sean Lin, “Taiwanese willing to fight China,” *Taipei Times*, April 20, 2018, <http://www.taipeitimes.com/News/front/archives/2018/04/20/2003691661>.

11. Yimou Lee, “For Taiwan youth, military service is a hard sell despite China tension,” Reuters, October 28, 2018, <https://www.reuters.com/article/us-taiwan-military/for-taiwan-youth-military-service-is-a-hard-sell-despite-china-tension-idUSKCN1N20U3>.

12. Enoch Y. Wu, “Taiwan's Failure to Face the Threat From China,” *New York Times*, May 18, 2017, <https://www.nytimes.com/2017/05/18/opinion/taiwans-failure-to-face-the-threat-from-china.html>.

Organizing, Training and Equipping a Taiwan National Guard

Since a decision by Beijing to invade Taiwan is at least partially a function of estimated casualties on both sides and the time required to take control of the island, investing in a TNG would optimize Taiwan's limited resources against its most dangerous existential threat. Organizing, training, and equipping a TNG around communities would make a PLA invasion of the island extremely costly—tying up PLA ground units in deadly house-to-house fighting in the cities, destroying PLA aircraft if air superiority was achieved against the Taiwan Air Force, inflicting face-losing casualties on the CCP leadership, and delaying invading forces long enough for U.S. and partner forces to intervene.

To accomplish these objectives, TNG units could have three missions. First, in peacetime, they could conduct humanitarian assistance and disaster-response activities in support of their local communities after natural and man-made disasters. Second, in wartime, they could engage in guerilla warfare with requisite skills in small arms, improvised explosive device manufacturing and emplacement, small unit tactics, urban warfare, etc. Third, each unit and individual within should take on a specialized role that leverages the population's technological aptitude and civilian skills but also augments the active military's asymmetric defense operations.¹³ These specializations could include anti-aircraft (e.g. equipped with man-portable air defense systems), antiarmor (e.g. armed with Javelin missiles), communications, cyber/computer network defense, medical treatment/rescue, aircraft maintenance/rearmament/refueling (i.e., capable of launching and recovering helicopters and F-16s in communities away from airbases), runway and critical infrastructure repair, intelligence and drone operations, sapper teams, and sea mining.¹⁴

To respect gun laws, TNG units should be based out of secure and hardened local neighborhood armories stocked with small arms, missiles, mini-drones, and computer network and communications equipment.¹⁵ They should also be postured to operate fortified emergency hospitals, communications, and logistics networks underground or near existing civilian facilities. In conflict, they should defend critical infrastructure and their own homes while leading hit-and-run attacks elsewhere.¹⁶ Hidden hardened depots stocked with weapons and food should be built in the mountains and jungles to facilitate operations outside the cities later in the campaign.¹⁷

Most importantly, TNG units should be well-trained. Ensuring that training is rigorous and useful will not only help with recruitment, but also improve existing capabilities.¹⁸ A TNG should enhance existing skills carried over from its citizen-soldiers' civilian careers in police, medicine, fire and rescue, information and communication technology (ICT), or aircraft maintenance. Moreover, a TNG should establish modern regional training centers with firing ranges and mock urban environments, providing realistic opposing-force training supervised by private contract experts experienced abroad. Beyond improved readiness, such training would give citizen-soldiers the confidence and willingness to fight

13. Easton et al., *Transformation of Taiwan's Reserve Force*, 77.

14. Ibid., 57, 56.

15. Ibid., 80.

16. Murray, "Revisiting Taiwan's Defense Strategy," 25.

17. Ibid., 29.

18. Michael A. Hunzeker and Alexander Lanoszka, *A Question of Time: Enhancing Taiwan's Conventional Deterrence Posture* (Arlington, VA: George Mason University, 2018), 24.

and provide the Ministry of National Defense (MND) with an opportunity to showcase its capabilities to the PLA. To achieve these aims, the MND should institute required training programs. During a two-week annual training requirement, TNG units should undergo longer exercises of mock insurgencies and invasions. During weekend training once per month, TNG units should train on their specialized skills, conduct weapons qualifications, maintain equipment, and practice urban operations.

Furthermore, the TNG could be created within the existing reserve command and control and mobilization systems. Existing Reserve Command, Area Reserve Command, and city or county Reserve Command organizations could be maintained.¹⁹ The existing mobilization system could also be adapted to local TNG activations by improving communications redundancy and speed.²⁰ But regardless of whether these systems are maintained, Taiwan's government would need to take steps to showcase TNG capabilities in order to maximize the deterrence of Beijing.

Building Momentum towards a National Guard

Perhaps the most difficult question—and one that has not yet been fully explored—is how to successfully pitch a TNG to the various stakeholders in Taiwan's society, such as the MND, the Legislative Yuan, Taiwan's political parties, current reservists, and even the CCP. Such a formulation is as important to inciting action in Taiwan on reserve reform—or even more so—than the strength of any recommendation itself. Although military recommendations, such as increased mandatory training, are politically untenable, there are many arguments that make a TNG more viable to each of these stakeholders.

If a TNG proposal is to gain traction, it cannot upend the existing power structure within the MND. For that reason, the MND must retain control over the TNG and benefit at least residually from any funding, training, and equipping of it, which may not occur if the TNG was conceptualized as a paramilitary force. A TNG cannot supplant the conventional military as the leading national defense mechanism. To win MND leaders' at least tacit approval, TNG funding could be used to build new MND training facilities. A TNG could take the lead on asymmetric warfare capabilities that do not interest active duty generals and admirals. TNG insurgency and guerrilla warfare training courses could host active-duty students, with whom shared training could aid in the formation of ad hoc units if needed. A TNG could furthermore facilitate a volunteer active-duty program that the MND could use to fill critical manning gaps in the active-duty force.

Of note, it is unlikely a National Guard proposal will survive if coupled with abandonment of the MND's current procurement priorities. Procurement of expensive, advanced, and highly visible weapons systems are at least partially justified because the Taiwan military must conduct important political and psychologically symbolic missions, particularly in defiance of PLA "gray zone" provocations and in demonstrating solidarity with the United States. More importantly, realities internal to MND—such as the temporally rotating recapitalization of Army, Navy, and Air Force systems—indicate that along with any TNG, MND generals and admirals must still get at least some of their much sought-after

19. Easton et al., *Transformation of Taiwan's Reserve Force*, 12.

20. *Ibid.*, 26.

weapons. This offers the United States some influence to encourage and cajole emphasis on a TNG in tandem with weapons procurement.

Within the Legislative Yuan, a TNG is attractive for multiple economic and political reasons. First, creating a TNG would shift focus away from the challenges of the all-volunteer force by providing capabilities to fill manning gaps and offering a cost-effective alternative to the resources needed to shore up an all-volunteer force. An average active-duty recruit costs NT\$312,500 (or about US\$10,000) in annual disposable pay, plus the costs of training and equipment.²¹ At the same daily pay rate and assuming a cost of equipment split between the PLA and a U.S. soldier, a TNG recruit could be paid and equipped for US\$9,000 total per year.²² Thus, buying ten fewer M1A2T tanks (at almost US\$20 million each including associated training, parts, and support) would fund almost 10,000 reserve man-years.²³ This is an expensive but reasonable tradeoff, considering the deterrence effect of 10,000 well-trained TNG soldiers relative to ten tanks that would be vulnerable to PLA aircraft. Furthermore, these numbers don't value the compounding effect of training and experience of TNG citizen-soldiers over time.

The local nature of TNG units and infrastructure investment could also be politically favorable to sitting legislators. A TNG would require the construction of numerous community armories and ample communications infrastructure that would in turn create local jobs, generate government contracts for local firms, invest taxpayer revenues back into the community, and create local networks wielding political power that would benefit from legislators' support for the TNG. To the extent that these funds must be deviated from expensive American weapons procurement, Taiwan's communities would feel outsized impact. And if a disaster were to occur in Taiwan, the TNG's ability to respond and assist would politically validate the efforts of sitting legislators to provide services to their constituents.

While a TNG would make a PLA invasion more difficult, the CCP might be less hostile to it than to a large U.S. weapons procurement, which in turn could make a TNG proposal in the current DPP-led Legislative Yuan and Executive Yuan more palatable to the KMT. The defensive nature of a TNG would be less provocative to the CCP than purchases of advanced arms with offensive capabilities that could threaten the mainland. In addition, replacing some arms purchases with a TNG would reduce the symbolic effects of these purchases that the CCP perceives to damage cross-Straits relations, reducing the potency of its soft-power narrative that resistance is futile. Since creating a TNG instead of purchasing arms would balance the KMT and DPP goals of strengthening defense while preserving cross-Straits relations, a TNG may be more compelling than other defense improvements.

21. Lee, "For Taiwan youth, military service is a hard sell."

22. Based on the active-duty pay figure of \$10,000, a TNG recruit with training requirements increased from the reserve's current 5–7 days to 72 days every two years, similar to the U.S. "weekend warrior" model, would cost \$1,000/year. Assuming each TNG recruit costs an additional \$8,000 per year to equip (splitting the cost difference between equipping a U.S. and PLA soldier), a TNG recruit could be paid and equipped for \$9,000 total/year. (See Hunzeker and Lanoszka, *A Question of Time*, 97; Chun Han Wong, "The Minuscule Cost of Equipping a Chinese Soldier," *Wall Street Journal*, December 8, 2014, <https://blogs.wsj.com/chinarealtime/2014/12/08/the-minuscule-cost-of-equipping-a-chinese-soldier/>.)

23. Jen Judson, "US State Dept. OKs possible \$2 billion Abrams tank sale to Taiwan," *Defense News*, July 8, 2019, <https://www.defensenews.com/land/2019/07/08/state-okays-possible-2-billion-abrams-tank-sale-to-taiwan/>.

The current DPP administration and its National Security Council (NSC) would further benefit from a TNG because a more effective military deterrent would advance its agenda of improving defense while reining in MND instincts to focus on procurement of expensive U.S. weapons systems rather than investment in training and readiness. The creation of a TNG would offer an opportunity to create oversight mechanisms by the NSC, which currently has only one official responsible for the entire defense portfolio. Furthermore, with its local orientation, it would alleviate pressure on President Tsai Ing-wen to fix the challenges of the all-volunteer force she inherited.

Finally, a carefully designed TNG could gain more traction with Taiwan's existing reservists and broader population than the all-volunteer force. For one thing, it could recruit women—a large, capable, and willing segment of the population.²⁴ Joining a TNG could be made voluntary for current reservists and tied to incentives such as preferential consideration for government jobs, scholarships to national schools, or relief from all reserve training obligations after a certain period of TNG service. Potential recruits may be more interested in serving alongside their friends, family members, and civilian colleagues in a local community based TNG unit than a far-flung reserve unit intended to train and deploy elsewhere. And the community orientation of a TNG unit would make it socially difficult for local employers to punish their employees who serve part-time in a TNG, because poor treatment would have a ripple effect on Taiwan's famously numerous small and medium community-oriented businesses.

Some TNG training exercises would require one to two weeks away from home, but these exercises and weekend training could be made as flexible as possible to TNG citizen-soldiers' schedules. TNG positions with weekend training would offer ways for Taiwan's lower- and middle-class workers to supplement their income by serving close to home while minimizing interference with civilian employment. The opportunity for TNG citizen-soldiers to work on active duty for a limited period—such as during periods of unanticipated civilian unemployment—would offer a professional safety net while bringing active-duty skills and experience to TNG units. In addition, specialized and technologically advanced ICT, intelligence, and cyber network defense TNG units would offer training and work experiences that create professional synergies with TNG citizen-soldiers' civilian employment.

Conclusion

If Taiwan does not take steps to reform its reserve into a National Guard, its only alternative is to invest—expensively—in an operational reserve capable of effective asymmetric warfare. But Taiwan's defense budget is currently only \$11.4 billion, or 2 percent of GDP.²⁵ While President Tsai Ing-wen has pledged to increase it each year, it remains but one fifteenth of a rapidly growing PLA defense budget, and it will see modest future increases at best. Since Taiwan has also shifted to an expensive all-volunteer force, it has reached a decision point. It must act now to retain a population of 2.5 million

24. Easton et al., *Transformation of Taiwan's Reserve Force*, 79.

25. Adela Lin and Samson Ellis, "Taiwan Plans Record Defense Spending as China Threat Increases," *Bloomberg*, August 16, 2019, <https://www.bloomberg.com/news/articles/2019-08-16/taiwan-plans-record-defense-spending-as-china-threat-increases>.

reservists and former conscripts with some military experience.²⁶ To optimize limited defense spending for a realistic, survivable military deterrent and to sustain a robust conventional military, a National Guard is Taiwan's best, and maybe only, viable option.

26. Hunzeker and Lanoszka, *A Question of Time*, 12.

Taiwan and International Maritime Capacity Building

Brandon Lee

With overlapping sovereignty claims throughout Southeast Asia, the rule of law is paramount to regional safety and security. By working with other organizations in the region to combat transnational challenges, Taiwan's Coast Guard Administration (CGA) has opportunities to cultivate soft power and engage diplomatically in ways not afforded to Taiwan's Ministry of National Defense (MND). As a civilian law enforcement agency, the CGA can enhance Taiwan's regional integration through cooperative action that sidesteps questions pertaining to its sovereignty.

The Coast Guard Administration

The CGA's history under the Ministries of National Defense and of the Interior has shaped it into an experienced civilian law enforcement agency with a veteran officer corps. Originally created by the Lee Teng-hui Administration in 2000, the CGA was organized within National Police Agency (Ministry of the Interior) by combining the Marine Policy Bureau (National Police Agency; Ministry of the Interior), the Garrison Command (Military Policy Command; MND), and Maritime Law Enforcement and Intelligence (MND). During the reshuffling, vessels from Taiwan's Customs Administration (within the Ministry of Finance) were moved to the newly created coast guard. The CGA was then re-organized by each subsequent administration, in 2015 and 2018 respectively.

In April 2018, Taiwan inaugurated the Ocean Affairs Council, which was created to consolidate the work of 22 existing agencies into three: the CGA, the National Ocean Research Institute, and the Ocean Conservation Administration. The Ocean Affairs Council is tasked with planning and implementing marine-related policy, developing the marine industry, and “conduct[ing] affairs related to waters and coast guarding, marine conservation and marine research.”¹

1. Yeh Su-ping, Chen Chi-fong, and Kuan-lin Liu, “New Ocean Affairs Council tasked with promoting maritime industry,” *Focus Taiwan*, April 28, 2018, <http://focustaiwan.tw/news/aip/201804280011.aspx>; *Organization Act of the Ocean Affairs Council*, Ocean Affairs Council, Laws & Regulations Database of The Republic of China, July 1, 2015, <https://law.moj.gov.tw/ENG/LawClass/LawAll.aspx?pcode=D0090030>.

Fleet size is an important indicator of successful and effective maritime law enforcement, and the CGA boasts one of the largest fleets in the region. With 161 surface vessels in its fleet, the CGA is larger than the counterpart agencies of any individual Association of Southeast Asian Nations (ASEAN) member state. Nonetheless, the CGA is dwarfed by the 422 patrol and coastal combatant vessels of the People's Republic of China Coast Guard (PRCCG) and by the 367-strong fleet of the Japan Coast Guard (JCG).²

A Tool of International Engagement

The UN Convention of the Law of the Seas (UNCLOS) established expanded maritime boundaries with additional provisions increasing maritime law enforcement authority.³ As a result, many maritime countries established their own coast guard fleet to assert sovereignty within their domain. Of the nearly 50 coast guard fleets in the world, approximately 20 were created or re-organized after UNCLOS came into force in 1994; ten of these are in Southeast Asia.⁴

These fleets were created to address many of the maritime security issues in the region.⁵ One of the primary concerns to Southeast Asian countries at the time (and still today) was illegal, unreported, and unregulated fishing (IUU fishing).^{6,7} The region has more than a million fishing vessels and is plagued by overfishing and habitat damage. These types of illegal and illicit activities typically rely on small, agile boats and light arms, highlighting the need for coast guards to cover a significant amount of open water.

As demonstrated by issues pertaining to combatting IUU fishing, coast guards are traditionally charged with law enforcement missions that often benefit from multilateral cooperation. This provides a ready opportunity for coast guards from various countries to collaborate in upholding the rule of law. This potential is already evidenced through Taiwan's existing participation with international government organizations (IGOs). As a result of the island's ambiguous sovereignty, Taiwan only participates in 58 IGOs and is a full member of 38 IGOs, but around 15 percent of the IGOs Taiwan participates in are related to maritime law enforcement. Taipei should explore opportunities to further expand the diplomatic role of the CGA. By leveraging the CGA to support transnational security issues and strengthen the rule of law, Taiwan may be able to develop additional cooperative agreements with regional partners.

2. The International Institute for Strategic Studies, *The Military Balance 2019: The Annual Assessment of Global Military Capabilities and Defence Economics* (London: Routledge, 2019).

3. UN General Assembly, *Convention on the Law of the Sea* (December 10, 1982), https://www.un.org/depts/los/convention_agreements/texts/unclos/unclos_e.pdf; John T. Oliver "National Security and the U.N. Convention on the Law of the Sea: U.S. Coast Guard Perspectives," *ILSA Journal of International and Comparative Law* 15 (2008), <https://nsuworks.nova.edu/cgi/viewcontent.cgi?referer=&httpsredir=1&article=1662&context=ilsajournal>.

4. Countries that created a coast guard agency since UNCLOS include: Bangladesh, Malaysia, the People's Republic of China, Taiwan, and Vietnam. Countries that re-organized their coast guard agency include: Japan, South Korea, Philippines, Singapore, and Sri Lanka. Of these, the People's Republic of China, South Korea, Malaysia, and Taiwan have re-organized their coast guards within the past five years.

5. Many of these maritime security issues in the region include: piracy/armed robbery; terrorist activities; illegal, unreported, and unregulated fishing (IUU fishing); fisheries degradation; habitat destruction; and drug or human trafficking.

6. Noah Miller, "Rethink Coast Guard Priorities," *U.S. Naval Institute Proceedings* no. 145/8/1,398 (August 2019), <https://www.usni.org/magazines/proceedings/2019/august/rethink-coast-guard-priorities>.

7. U.S. Department of State Embassy in Fiji, "Pacific Islands Forum - U.S. Engagement in the Pacific Islands," Fact Sheet, August 17, 2019, <https://fj.usembassy.gov/pacific-islands-forum-u-s-engagement-in-the-pacific-islands/>.

The first step toward strengthening international engagement is establishing non-binding Memoranda of Understanding (MOUs) with partner countries to outline accepted forms of engagement. Once established, the CGA should expand these MOUs and formalize efforts with a series of Memoranda of Agreement (MOAs). With these formal agreements, the CGA would be able to establish four main types of relationships with its international partners:

1. *CGA as a Recipient*: Accept capacity building support from countries like the United States and Japan. These exchanges could take the form of specialized trainings, subject matter expert (SME) exchanges, and arms sales.
2. *CGA as a Donor*: Provide capacity building support to partners like Tuvalu, the Marshall Islands, and Fiji. Already-established MOAs with the Marshall Islands, Palau, and Tuvalu provide a foundation to expand CGA's support to other countries.
3. *Exchanges*: Engage in information-sharing and other collaborative efforts with countries like Malaysia, Thailand, Vietnam, Indonesia, and the Philippines.
4. *Coordination*: Deepen coordination between regional maritime law enforcement agencies, including those from ASEAN member countries and Japan, as well as Hong Kong, Macau, and mainland China.

The CGA should clearly define the level to which it is able to collaborate with international partners. Doing so will improve partner nations' confidence in Taiwan, thereby improving opportunities to successfully develop MOAs. To this end, the CGA should conduct an internal needs assessment to determine its capabilities and gaps. Next, the CGA should evaluate potential partners to determine optimal engagement. This analysis would provide a framework through which Taipei could strategically craft an engagement plan.

Engagement Recommendations for the CGA

Although the CGA has ready potential to engage with regional partners, it nonetheless remains difficult for Taiwan to engage with the international community or to lead cooperative efforts. Focusing on its efforts to establish cooperative engagements on areas of common interest and shared goals (such as IUU fishing and piracy) improves the likelihood of such agreements coming to fruition. To provide regional leadership, the CGA should consider the following four recommendations:

- Conduct needs assessments to improve regional capacity;
- Boost regional Maritime Domain Awareness (MDA);
- Provide training and educational Services; and
- Coordinate regional responses for Humanitarian Assistance and Disaster Relief (HA/DR).

NEEDS ASSESSMENTS

Capacity building support from multiple countries may place additional strain on the recipient country by creating inefficiencies and redundancies. Additionally, due to national security concerns, countries typically only share their capacity gaps with donor countries. To address redundancy and information asymmetry, the CGA can assist countries by providing assessments of their capability needs. This can include conducting the needs assessment or providing planning support via checklists and guides to boost their partner countries' access to resources.

Helping countries conduct a needs assessment can alleviate the demands on resource-constrained coast guards while providing a critical support function to donor countries. Once a needs assessment is completed, the CGA can work with other donor countries to provide the requisite assistance to address needs and capacity gaps with SME exchanges, joint patrols, ship-rider agreements, or arms sales. Once the CGA has supported multiple partners in conducting their needs assessments, it will be able to aggregate the various countries' needs to identify regional trends or overlaps. This data will allow for a more thorough assessment of capabilities throughout the region.

MARITIME DOMAIN AWARENESS

To improve regional maritime domain awareness (MDA), the CGA should develop a coordination center to provide interagency and international collaboration. This center should establish a point of contact for regular communication with the Philippines National Watch Center and with the Thailand Maritime Enforcement Coordinating Center (THAI-MECC).

The CGA can direct regional response coordination to provide needed support for those countries lacking adequate law enforcement forces. Should the CGA develop a regional incident command, it could then coordinate emergency and incident response by notifying or activating the requisite response agencies and requesting additional support from neighboring or potentially impacted countries.

TRAINING AND EDUCATIONAL SERVICES

Many regional coast guard fleets face skills gaps. The CGA could develop a mobile training unit similar to JCG's recently established Mobile Cooperation Team (MCT), which is modeled after USCG's Mobile Training Teams.⁸ Such a team could provide training that addresses the issues facing the region, such as evidence collection, boarding, and fisheries crime. Additionally, a main direction in which the CGA should expand its training is in search-and-rescue optimal planning system (SAROPS). USCG's incident command system is widely known and used by other coast guards around the world; however, USCG's bandwidth to provide training on this topic is limited. With consistent regional training, the CGA can meet this need by providing regional coordination using USCG SAROPS, especially for emergency response.

Since the training concepts of the USCG, JCG, and CGA are similar, the CGA should pursue opportunities to conduct joint trainings with these other coast guards. The CGA training team can integrate into USCG's or JCG's training teams, lend team members, or provide materials for trainings. Additionally, in order to improve training, the CGA should establish a dedicated academy to train recruits and cadets. Unlike the coast guards of other countries, Taiwan's CGA lacks a partner university for training its recruits; however, the CGA does have a training center with a vocational training program. The CGA should consolidate the National Academy of Maritime Research with these various training units, centers, and programs, in order to create its own academy.

8. Ryoki Toki and Brandon Lee, *Report on Japan Cooperation for Maritime Safety Capacity Building Support: Recommendations* (Hiroshima: Japan International Transport Institute, 2019).

Furthermore, they should consider building an international coast guard academy instead of a siloed domestic academy, since many regional coast guards have educational needs not met at current institutions. While the USCG Academy (USCGA) and JCG Academy (JCGA) both allow foreign students, these academies are meant mainly for their own cadets; the proposed CGA Academy could help to remedy this global skills gap by providing the needed educational services to all regional coast guards.⁹ Creating an international academy would also generate long-term relationships and develop interoperability between fleets.

COORDINATING THE REGIONAL COAST GUARD RESPONSE

The CGA can serve to strengthen coordination between third-party actors. One way is by coordinating regional coast guard responses to incidents at sea, such as search-and-rescue or oil spill recovery. While regional coordination does occur, these are often impromptu efforts done on an ad hoc basis, since the overlap in maritime boundaries means that a maritime incident is likely to impact multiple countries. Many of these incidents also require the use of equipment from multiple countries. For example, in January 2018, the Iranian tanker *Sanchi* collided with another vessel within China's undisputed exclusive economic zone (EEZ). The *Sanchi* burned and drifted for over a week; it ultimately sank within Japan's claimed EEZ. Over a dozen vessels from four countries—China, Japan, South Korea, and the United States—were mobilized in the emergency response and clean-up efforts.

This example shows that coordination can and does occur; however, the timeline of response and recovery highlights the need for a coordinated effort. For several countries, response time is confounded by a lack of equipment, vessels, air support, salvage units, and maritime domain awareness. Further compounding the issue is the lack of trained personnel in the region and the absence of a standard incident response structure.

Each of these four recommendations provides a functional component for coordinating a regional framework for incident response. The CGA can identify capabilities along an incident path, provide coordination via MDA centers, and respond using the USCG's Incident Command System. The CGA can further provide regional coordination by determining potential and impacted geographies, notify the relevant stakeholders, and request resources. The CGA coordinating a regional coast guard response can reduce response time, reduce the impact to the environment, and improve maritime safety, all while increasing Taiwan's integration and centrality in the region.

9. Ibid.

The Security Problem with Taiwan's Demographic Challenges

Pamela Kennedy

Like other post-industrial economies—including several in East Asia—Taiwan's population is projected to begin declining and aging within the next few years. The implications will reach every part of Taiwan's society, including its defense. The Ministry of National Defense (MND) has transitioned the military to a smaller, all-volunteer force (AVF), in part due to its anticipating the shrinking pool of potential recruits. Whether the MND can attract enough recruits and maintain its reserves amid budget pressures remains a concern. Addressing the population problem will require continuing adjustment of social policies, but to bolster the defense establishment in the near term, Taiwan's leaders will need to look for creative solutions. Whether Taiwan is able to maintain a ready defense force is important not only for Taiwan but for many international partners who face similar demographic outlooks.

Keeping Pace with a Changing Population

Taiwan's population has not yet begun to decline, but it will soon. With a population of about 23.6 million people in 2018 and nearly 650 people per square kilometer, the island is one of the most populous places on the planet.¹ The total fertility rate has been declining for decades; in 2017, it was 1.1, far below the minimum replacement level of 2.1 children.² Taiwan's National Development Council (NDC) estimated in 2019 that Taiwan will reach negative population growth by 2022.³ The trend towards population decline will have wide-ranging impacts on Taiwan's society, from the increased burden on workers to support a growing elderly population to strains on the government's tax revenues.

1. "Latest indicators," National Statistics, Republic of China (Taiwan), August 2019, <https://eng.stat.gov.tw/point.asp?index=9>.

2. Executive Yuan, Directorate-General of Budget, Accounting and Statistics, *Statistical Yearbook of the Republic of China 2017*, September 2018, 7–8, https://eng.stat.gov.tw/public/data/dgbas03/bs2/yearbook_eng/Yearbook2017.pdf.

3. Duncan DeAeth, "Taiwan's population to decline faster than World Population Review claims," *Taiwan News*, March 25, 2019, <https://www.taiwannews.com.tw/en/news/3665513>; "Fertility Indicators," National Development Council, Population Projections for the R.O.C. (Taiwan), https://pop-proj.ndc.gov.tw/main_en/dataSearch2.aspx?uid=78&pid=78.

The shrinking population will also have major consequences for Taiwan's security, with military personnel drawn from a smaller pool of recruits and persistent budget pressures. These implications are relevant for the security of other U.S. partners and allies in the region as well, not only because of Taiwan's importance for the United States' strategic view of the Indo-Pacific region, but because Japan, South Korea, and eventually the United States itself also face problematic demographic trends. Taiwan's partners will be watchful of how the island's defense establishment deals with the specific security challenges of the changing population, with an eye towards observing practices they can use to tackle their own demographic challenges.

In 2018, Taiwan's military transitioned to an AVF (with a target of approximately 175,000 people), combined with a reduced compulsory military training period of 4 months for men, followed by registration in the reserve forces.⁴ Expecting lower turnover and improved readiness due to the ability to give each soldier more training and higher salary, Taiwan's MND argued that the personnel numbers could be reduced in favor of a smaller but more capable force.⁵ In mid-2019, the MND stated that it anticipated meeting its 90 percent recruitment target in 2020.⁶

Women are underrepresented in the military at 14 percent of the AVE, so expanded recruitment of women will be key to maximizing the overall smaller recruitment pool.⁷ Women are not included in compulsory service, which prevents them from gaining a general familiarization with the military that men in Taiwan receive as well as from joining the reserve forces—a serious underutilization of women's capabilities and numbers. Compared to the United States, where women made up 16 percent of enlisted members in 2017, and Japan, where only 6.9 percent of military personnel were women in 2019, Taiwan's female participation in the military has room for improvement but does not face as severe a recruitment problem as other regional actors.⁸ But a smaller military, even one that recruits from women as well as men, will not solve all the security problems arising from population decline. In fact, it will also force Taiwan's government to reckon with the economic implications of a shrinking population.

A smaller population will reduce the government's tax base and may ultimately impact the government's budget. As life expectancy increases—83.42 years for women and 76.81 years for men in 2016—Taiwan's elderly population will eventually outnumber younger generations.⁹ With a higher proportion of elderly citizens, the costs of eldercare and pensions will also increase, straining the overall budget. Even if defense manages to maintain the same percentage of the budget, the military may be strained to cover its personnel and equipment costs if GDP growth slows.

4. Central Intelligence Agency, "Taiwan," *The World Factbook 2019*, accessed October 20, 2019, <https://www.cia.gov/library/publications/the-world-factbook/geos/tw.html>; Ian Easton, Mark Stokes, Cortez A. Cooper, and Arthur Chan, *Transformation of Taiwan's Reserve Force* (Santa Monica, CA: RAND Corporation, 2017), 5.

5. Vanessa Molter, "Taiwan's All-Volunteer Force Transition Still a Challenge," *Diplomat*, August 31, 2019, <https://thediplomat.com/2019/08/taiwans-all-volunteer-force-transition-still-a-challenge/>.

6. Ministry of National Defense, press release, July 8, 2019, <https://www.mnd.gov.tw/english/Publish.aspx?title=Defense%20News&p=76462>.

7. Chung-yuan Yao, "Bettering the military for women will recruit more," *Taipei Times*, May 31, 2018, <http://www.taipeitimes.com/News/editorials/archives/2018/05/31/2003694021>.

8. CNA, *Population Representation in the Military Services: Fiscal Year 2017 Summary Report* (Arlington, VA: CNA, 2018); Ministry of Defense of Japan, *Defense of Japan 2019* (Tokyo: 2019), 417.

9. Executive Yuan, *Statistical Yearbook*, 10–12.

The challenge of paying salaries is already a pressing concern for the military: personnel costs in the defense budget are high, 46.4 percent of 2020's NT\$358 billion defense budget, and regardless of the size of the budget, salaries will need to keep pace with the private sector to attract the best recruits.¹⁰ A 2018 U.S. Department of Defense report contended that the salaries would not be sufficient and would divert funding from other areas of Taiwan's defense budget, from procurement to training programs.¹¹

The challenge of attracting the best candidates from a shrinking pool of young people will only intensify as Taiwan's high-tech industries continue to provide competition for jobseekers. The military will need to find recruits who excel at operating and maintaining weapons systems that use advanced technology, even though this type of person could find similar work in the private sector. Convincing these recruits to build a career in the military, rather than taking their expertise to a higher-paying job elsewhere, may be a struggle. While retention rates have increased to 75.6 percent in 2017 as the MND has made adjustments to induce more recruits to stay—such as job training and regular pay raises—there is still room for improvement in convincing skilled recruits to choose the military over other jobs.¹²

Using automation, AI, and other advanced technologies as a means for supplementing (and possibly making up for) recruitment shortfalls in the smaller AVF is a logical response to the smaller population. However, utilizing weapons systems that may require intensive training and skilled recruits for their operation and maintenance not only makes it harder to find capable recruits in a smaller population, but also makes it expensive to train personnel, and costly to replace them if they leave. Over the years, the MND has been inclined to purchase advanced defense technology—including significant arms sales in the past two years from the United States—as a response to China's military modernization efforts, but whether this pattern of expensive systems purchases and maintenance, limited recruitment, and expensive and time-consuming training is sustainable in the long term is questionable.

Taiwan's aging population will also impact the military's reserve forces and civil defense, which currently numbers about 2.5 million people.¹³ Elderly people in Taiwan are increasingly healthier than in the past and would be able to contribute to the reserves at older ages, but an aging reserve is not ideal. In addition, the budget constraints described above would also hit reserve training, which already accounts for only a few days each year and is not sufficient to prepare reservists for conflict. The issue of the amount of training the reserve receives is distinct from population problems, but it would be exacerbated with budgetary pressures to prioritize spending on the AVF and equipment.

Some scholars argue that conscription has the positive effect of making the average (male) citizen feel better prepared to defend Taiwan, which may be good for morale, but the critical difference is whether the reserves are continually prepared with sufficient

10. Duncan DeAeth, "Taiwan approves US\$11.4 billion for 2020 defense budget," *Taiwan News*, August 15, 2019, <https://www.taiwannews.com.tw/en/news/3763524>.

11. Office of the Secretary of Defense, *Annual Report for Congress: Military and Security Developments Involving the People's Republic of China 2018* (Washington, DC: May 16, 2018), 101–102.

12. Li-Chung Yuan, "Recruitment and Retention in Taiwan's New All-Volunteer Force," *Res Militaris, ERGOMAS* no. 5 (November 2017), 4–5, 9.

13. Easton et al., *Transformation*, 11.

personnel who have the right skills and training.¹⁴ From this perspective, the decision to reduce the conscription period, combined with the depopulation trend, will likely result in a future reserve force that is older, shrinking, and minimally trained. These reserves would not be an effective counterpart to a professional AVF.¹⁵

Birds of a Feather

Taiwan's demographic trends are sobering, especially regarding their impact on the island's ability to defend itself, but these problems offer opportunities for Taiwan to work with regional partners on developing and implementing effective policy solutions. Much of East Asia shares Taiwan's problem: Japan is already experiencing population decline, and South Korea is expected to start a decline in the next couple of years. Even China, with its 1.4 billion people, is nearing a sharp decline. The United States' population growth has also been slowing in recent decades.

The pressures of population trends have already prompted policy responses in South Korea and Japan, which Taiwan can look to as examples and test cases. In South Korea, which has a mandatory two-year service requirement for men, the government's defense reforms, announced in 2018, have taken the fewer number of draftees into account. Troops will be reduced by 100,000 members, and advanced technologies will be used to help compensate for manpower shortages.¹⁶ The physical requirements and standards for conscription, such as blood pressure, will also be lowered to expand the number of men eligible for service. Currently about 90 percent of young men in South Korea meet the requirements.¹⁷

South Korea's policy revision will have an immediate impact on available manpower, so reconsidering recruitment standards might also be an option for Taiwan. Though the physical health of the mandatory service members is an important part of the quality of the conscription program as a whole—and critics might argue that lowering the standards could have a negative impact—if service duties include opportunities that prioritize technological know-how rather than physical labor, the different conscription standards could be a good decision.

Japan is responding to potential defense personnel shortages in the context of its pacifist constitution, which prohibits conscription, and of its political reluctance to substantially increase the defense budget. With the number of recruits dropping, Japan has raised the maximum age for new recruits to the Self-Defense Forces (SDF) from 26 to 32 years of age, which will significantly expand the percentage of the population who are eligible to join.¹⁸ Increased retirement ages are also under consideration. Further, Japan seeks to increase the

14. Yao-Yuan Yeh, Charles K.S. Wu, Austin Wang, and Fang-Yu Chen, "Meet the New Taiwan: Trained for War and Ready to Fight," *National Interest*, April 10, 2019, <https://nationalinterest.org/feature/meet-new-taiwan-trained-war-and-ready-fight-51797>.

15. Michael Mazza, "Taiwan's demographic crunch and its military implications," *Global Taiwan Brief*, January 24, 2018, <https://www.aei.org/research-products/journal-publication/taiwans-demographic-crunch-and-its-military-implications/>.

16. "Army to further curtail forces, beef up tech-based capabilities," Yonhap News Agency, October 11, 2019, <https://en.yna.co.kr/view/AEN20191011004800325>.

17. "Military to lower bar for active duty conscripts amid population decline," Yonhap News Agency, September 29, 2019, <https://en.yna.co.kr/view/AEN20190929000900315>.

18. Linda Seig, "Japan to raise maximum age for new recruits to boost dwindling military ranks," Reuters, August 9, 2018, <https://www.reuters.com/article/us-japan-military-recruits/japan-to-raise-maximum-age-for-new-recruits-to-boost-dwindling-military-ranks-idUSKBN1KU0CK>.

percentage of women serving to at least 9 percent of the SDF, from 6.9 percent in March 2019, by actively recruiting women and increasing their opportunities to gain experience for promotions.¹⁹ Additionally, since 2017, the Ministry of Defense and SDF implemented a system for rehiring personnel who resigned for childrearing.²⁰ Japan's approach to recruiting and retaining more women in the SDF—such as by making the SDF work environment more accommodating of parental leave and ensuring that women have a career path in the forces—may help to increase the SDF's competitiveness with the private and public sectors.

While Taiwan's military currently has a greater percentage of female personnel compared to Japan, increasing participation of women is still a concern for the MND. The gender equality policy of the ministry seeks to further improve women's recruitment and promotion.²¹ It would be worth considering what other measures make enlistment a viable career and family choice for more women by examining the retention rate of female personnel and their causes for leaving the military.

Taiwan can benefit from comparing South Korea and Japan's policies to its own, but it also sends a reassuring signal to those countries, and other regional partners, that Taiwan is properly assessing its defense in the face of its demographic reality.

Recommendations

Efforts by the Taiwan government to reverse demographic trends will be long-term policies, while the management of defense personnel can be adjusted to compensate for population challenges in the present. As procurement decisions determine what skillsets the AVF personnel need, the MND should also consider the best use of a force that may not always meet the minimum level of staffing required, and it should recruit accordingly. But by expanding the eligibility requirements for both the AVF and the reserves (like South Korea has done), the MND might be able to meet recruitment targets.

Regular assessment of the salary levels and benefits for the AVF will also be necessary to ensure that the AVF is a competitive employer. In this area, the MND can continue to examine the reasons why recruits decide to leave the AVF and develop responses to common concerns, such as work-life balance. Japan's SDF offers more examples of such policies for Taiwan to assess their efficacy—keeping in mind that for the SDF, too, the policies are a work in progress.

To give the reserves the capabilities they need to assist the AVF, the MND should also reconsider the length of compulsory service and annual reserve training, as well as consider including women in compulsory service. The expense of training will be difficult to absorb in the defense budget, but the MND should be careful to avoid a situation in which reservists are not an asset. The MND should consider solutions such as reducing the size of the reserve in order to improve the quality of training.²²

19. Ministry of Defense, *Defense of Japan 2019*, 417.

20. Ibid., 415.

21. Ministry of National Defense, Republic of China (Taiwan), "Guofang bu xingbie pingdeng tuidong ji hua (108 zhi 111 nian)" 「國防部性別平等推動計畫(108 至 111 年)」[Ministry of National Defense gender equality promotion program, 2019-2022], September 12, 2019, <https://www.mnd.gov.tw/Publish.aspx?P=72047&title=性別平等專區&SelectStyle=性別主流化執行成果>.

22. Michael A. Hunzeker and Alexander Lanoszka, *A Question of Time: Enhancing Taiwan's Conventional Deterrence Posture* (Arlington: George Mason University, 2018), 98–100.

The United States, Japan, South Korea, and other countries will no doubt watch Taiwan's decisions on these matters carefully. Many other countries face the same issues, and no easy policy solutions are at hand. Taiwan, with a smaller population and a dire security environment, is a rare (for now) example of a shrinking and aging population in the face of a strong need for a robust, well-staffed defense establishment. Since other countries are projected to follow Taiwan down this path, Taiwan's policies will become an early test case—as well as an important cornerstone for the future of the Indo-Pacific strategic layout.

Beyond Marriage Equality

LGBTQ Issues within Gender Equity Education

Noah Metheny

The lifting of martial law in 1987 and the further democratization of Taiwan throughout the 1990s has led to an increase in public dialogue in social and political spaces around the notion of a “Taiwanese” identity. One divisive debate around identity has focused on gender and sexuality, with the marriage equality debate being the best example. However, another important but often overlooked debate continues around the teaching of gender equity in public schools, including lesbian, gay, bisexual, transgender, and queer (LGBTQ) issues. This article will explore the origins of this debate, starting with the legal codification of Taiwan’s 2004 Gender Equity and Education Act (hereinafter referred to as the GEEA or the Act) up through to questions included in the referendums of November 2018. The paper will conclude with some observations and recommendations about potential ways forward.

Lead up to Passage of the GEEA

Taiwan’s nongovernmental sector grew after the lifting of martial law in 1987, allowing for activism and advocacy around women’s rights, LGBTQ rights, and educational reform (among numerous other social and political issues). The fight to establish and pass the GEEA emerged out of an intersection of these three social movements. Moreover, progress towards gender equity was further catalyzed by a series of external social events, in part due to a social mood of mourning, anger, and protest around two deaths, that precipitated the passage of legislation.

First, on November 30, 1996, Mrs. Peng Wan-ru, a longtime women’s rights activist and a Democratic Progressive Party (DPP) politician who directed the DPP’s Women’s Affairs Department, went missing the night before a DPP party convention in Kaohsiung.¹ Her body was found three days later outside of an abandoned warehouse, showing signs of sexual assault and having been stabbed over 30 times.² This brutal murder, which was never solved,

1. Irene Lin, “Man claims to have killed Peng Wan-ru,” *Taipei Times*, September 16, 1999, <http://www.taipeitimes.com/News/front/archives/1999/09/16/0000002755>.

2. Ibid.

sent shockwaves across Taiwan and triggered an outpouring of demands that the government tackle the issue of women's safety and equality, resulting in the passage of the Sexual Assault Crime Prevention Law in 1997. Among many other things, this law established the Equality Commission for Both Sexes Education within the Ministry of Education.

A similarly gruesome and unsolved death also galvanized support and pressure for the passage of the GEEA. On April 20, 2000, junior high school student Yeh Yung-chih left his classroom to go to the restroom, where he was later found dead in a pool of blood resulting from a blow to his left temple.³ While no one has ever been formally charged in Yeh's death, an investigation by the Equality Commission for Both Sexes Education highlighted that Yeh was constantly bullied by classmates due to his alleged effeminate and gender nonconforming behavior. The bullying was so extreme that Yeh would never use the bathroom during recess for fear of his classmates; he would use the facilities five minutes before or after breaks and would sometimes ask his friends to accompany him, out of fear of the harassment he might face.

Six months later, the Commission completed its investigation and recommended that the Ministry of Education address issues faced by sexual and gender minorities in educational settings.⁴ The Commission also successfully argued for the move away from the term "both sexes" toward using "gender," a term which captures a broader conceptualization than that of two binary sexes and which better encompasses issues around gender and sexual minorities.⁵ The Commission renamed itself the Commission on Gender Equity Education on December 16, 2000, in accordance with this broader understanding of gender.⁶

While the tragic death of Yeh Yung-chih created additional pressure on the government to act, by this time civil society, academics, and legislators had already laid the groundwork for the enactment of the GEEA. Starting in 2001, four feminist scholars and advocates—Professor Hwei-Hsin Chen, Professor Chien-Ling Su, Professor Hsiao-Chin Hsieh, and Mei-Jhen Shen—were invited to draft the initial language of the Act.⁷ Moreover, the Commission itself was not only staffed by conventional parties, but also benefited from the presence and active engagement of academics and women's rights advocates working in the civil society sector.⁸ Thus, these activists were able to advocate from within the Commission while also working with other NGOs to build pressure and momentum to lobby the drafting, amending, and ultimate passage of this legislation.⁹

Finally, the political moment in 2004 was also ripe for the passage of the GEEA. Many powerful interest groups did not see gender education legislation as threatening to their interests, as there were no immediate budgetary repercussions.¹⁰ The DPP was also keen

3. Eddy Chang, "Taipei Watcher: Gone but not forgotten," *Taipei Times*, January 31, 2016, <http://www.taipeitimes.com/News/feat/archives/2016/01/31/2003638462>.

4. Shu-Ching Lee, "Beyond the State: Legitimizing Gender Equity in Education in Taiwan," in *Social Production and Reproduction at the Interface of Public and Private Spheres Advances in Gender Research* 16, eds. Marcia Texler Segal, Esther Ngan-Ling Chow, and Vasilikie Demos (Bingley, UK: Emerald Group Publishing, 2012), 253–271, <http://140.119.115.26/retrieve/102443/17042712.pdf>.

5. Ibid.

6. Ibid.

7. Ibid.

8. Ibid.

9. Ibid.

10. Ibid.

on passing this legislation going into the 2004 presidential election.¹¹ These conditions, in addition to the lobbying effort from civil society organizations, led to the Legislative Yuan passing the GEEA in June 2004.

Contents of the GEEA

The GEEA has seven chapters and thirty-eight articles, with the main purpose of the Act being “to promote substantive gender equality, eliminate gender discrimination, uphold dignity, and improve and establish education resources and an environment of gender equality.”¹²

The first few chapters of the GEEA regulate how governments and schools can promote gender equity education. The GEEA established gender equity education committees in government at the national and county/municipal level, and outside the government in each educational institution.¹³ The GEEA requires the development of curricula that cover gender equity education, and further requires that all curricula should comply with the principle of gender equity. Furthermore, teachers should remain conscious of gender equity, with all teachers receiving training on these issues. Chapters Four and Five of the GEEA also legislate the prevention and investigation of sexual assault, sexual harassment, and sexual bullying at educational institutions.¹⁴ Finally, Chapters Six and Seven address penalties for violating this Act and the enforcement of its rules.¹⁵

LGBTQ anti-discrimination measures were included throughout the GEEA and its Enforcement Rules. Article 12 states that “[e]ducational institutions shall provide a safe and gender-fair campus learning environment, and respect and give due consideration to students, teachers, and non-teaching staff members who have different genders, gender traits, gender identity or sexual orientation.”¹⁶ Similarly, sexual orientation and gender identity are explicitly included in the definition of sexual bullying under Article 2 of the GEEA.¹⁷

These LGBTQ nondiscrimination principles were also included in the Enforcement Rules that operationalized the GEEA. For example, the Enforcement Rules define the phrase “substantive equality of gender status” in the GEEA as meaning that “no one shall be discriminated based on his or her sex, sexual orientation, gender temperament or gender identity.”¹⁸ Moreover, Enforcement Rule 13 further states that gender equity education curricula shall cover “affective education, sex education, and gay and lesbian education.”¹⁹ The many inclusive LGBTQ provisions in the GEEA and Enforcement Rules have contributed to the contentious debate within Taiwan’s society around LGBTQ issues and have had lasting political ramifications.

11. Lee, “Beyond the State,” 265.

12. Legislative Yuan, *Gender Equity Education Act* (2004), Article 1, <https://law.moj.gov.tw/ENG/LawClass/LawAll.aspx?pcode=H0080067>.

13. Ibid.

14. Ibid.

15. Ibid.

16. Ibid.

17. Ibid.

18. Legislative Yuan, *Enforcement Rules for the Gender Equity Education Act* (2005), Rule 1, <https://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=H0080068>.

19. Ibid.

Polarization over GEEA LGBTQ Provisions Within the Marriage Equality Debate

On May 24, 2017, the Constitutional Court of Taiwan ruled that the constitutional right to equality and freedom of marriage guarantees same-sex couples the right to marry, meaning that the civil code's definition of marriage as only between a man and a woman was unconstitutional. The ruling, Judicial Yuan Interpretation Number 748,²⁰ gave the Legislative Yuan two years to bring the civil code into compliance. This ruling unleashed a very public and divisive debate, not only about marriage equality but also LGBTQ rights more broadly, including the GEEA.

Conservative and Christian groups came out in strong opposition to this ruling and to legislative efforts towards marriage equality. As part of this backlash, conservative groups collected enough signatures to trigger a national referendum, which was put to the people of Taiwan on November 24, 2018. Conservative groups included three questions against marriage equality and one against the LGBTQ provisions of the GEEA and its Enforcement Rules. Referendum Question 11 asked voters “Do you agree that the Ministry of Education and individual schools should not cover LGBT materials in gender education in elementary and middle schools, as detailed in the Enforcement Rules for the Gender Equity Education Act?”²¹ LGBTQ advocates and other civil society groups also mobilized to collect enough signatures to include one referendum question in support of the GEEA LGBTQ provisions, asking voters under Question 15, “Do you agree that the gender equity education taught at all stages of the national curriculum stipulated in the Gender Equity Education Act should cover emotional, sex, and LGBT education?”²²

This electoral battle unleashed a heated and bitter public debate around LGBTQ issues, with both sides of the campaign mobilizing to achieve electoral victory in the referendum. The conservative and Christian groups claimed that it was inappropriate to cover LGBTQ material as part of the elementary and middle school curricula. They claimed that children and teenagers would be sexually confused by being exposed to such issues and that these policies would actually turn students LGBTQ. There were also claims that having such an education would make students more sexually promiscuous and would lead to higher rates of AIDS. Finally, they also argued that the questions of what to include in gender education should be decided by the people through a referendum, rather than by a government bureaucrat.

On the other side, the LGBTQ groups and their allies in civil society tried to counter these and other claims made by conservative and Christian groups. Rather than promoting promiscuity, they argued that the GEEA actually makes students more comfortable and knowledgeable on gender and sexuality issues. Furthermore, they stated that this additional knowledge actually leads to less bullying of gender nonconforming and LGBTQ students, along with improving their overall mental health and lives. They additionally pointed out that gender equity education encourages students to respect peers with

20. Judicial Yuan, Interpretation no. 748 (Same-Sex Marriage Case), May 24, 2017, <http://cons.judicial.gov.tw/jcc/en-us/jep03/show?expno=748>.

21. “Taiwanese Referendum,” <https://rfrd-tw.github.io/en/>.

22. Ibid.

different gender traits and sexual orientations, thereby helping to reduce discrimination in educational institutions. This effort sought to counter what they saw as a misinformation campaign that the conservative and Christian groups were waging, focused on inciting prejudice and misunderstanding on LGBTQ issues.

Referendum Question 11 was approved with 64 percent of the vote, and Question 15 was rejected by 66 percent of voters.²³ Therefore, the question then became how the government would respond in order to reconcile and incorporate the clear outcome of these referendums.

Post Referendum Politicking and the Current Situation

Soon after the November 24 referendum vote, Education Minister Yeh Jiunn-rong clearly stated that despite the passage of Question 11, the Ministry of Education would still promote gender equity education.²⁴ The Minister went on to say that the LGBTQ-related content would be reviewed to see if it needed further revision to bring it into compliance with the referendum results.²⁵

In April 2019, the Ministry of Education released an amendment to the GEEA Enforcement Rules. The Ministry of Education did not make any changes to the Act itself but rather focused on changing Enforcement Rule 13 to state that gender equity education curricula should include “courses on . . . different gender characteristics, gender temperaments, gender identity, and sexual orientation,” rather than its initial phrasing of “affective education, sex education, and gay and lesbian education.”²⁶ This revision maintains the principles of the enabling law, but also clarifies the meaning of “gay and lesbian education” contained in the original Enforcement Rules.

The revised Enforcement Rule was then filed with the Legislative Yuan for what is usually pro forma review and reading into the record, but opposition lawmakers stated that further debate around the amendment was needed. Thus, in May 2019, it was sent for discussion and approval to the Education and Culture Committee for deliberation starting in October 2019.

As the timing for additional deliberation will be close to the coming presidential and legislative elections in January 2020, it is expected that anti-LGBTQ groups and lawmakers will continue opposing gender equity education with enhanced intensity. Given the fact that these groups successfully spread misinformation during the referendum campaign, they will probably seek to replicate this strategy. Thus, there is concern that the Education and Culture Committee will reject the amendment so as not to make it a political issue in the upcoming campaign, and that it therefore will be sent back to the Ministry of Education for further discussion and revision. If this happens, political action around the amended enforcement rules may get stuck and delayed until after the January 2020 elections. There is real fear among LGBTQ and other advocates and allies that, if

23. “Taiwanese Referendum.”

24. Ryan Drillsma, “Taiwan Education Minister: Gender equality education will continue in schools,” *Taiwan News*, November 26, 2018, <https://www.taiwannews.com.tw/en/news/3583704>.

25. Ibid.

26. Legislative Yuan, *Enforcement Rules for the Gender Equity Education Act* (2019 amendment), <https://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=H0080068>.

the opposition party wins the election, any future amendment to the GEEA and the Enforcement Rules will be worse and less supportive of LGBTQ issues when drafted under the leadership of a new Minister of Education.

Recommendations going forward

As 2019 marks the 15th anniversary of the passage of the GEEA, there are numerous considerations and recommendations under discussion on how best to preserve and expand the gains made under this Act. The most immediate would be to lobby and convince lawmakers who are members of the Education and Culture Committee to let the change to the Enforcement Rules stand as amended by the Ministry of Education, and to not further politicize this issue.

Another immediate consideration is to recognize and deal with the very real impacts that the misinformation campaign is having, particularly on the mental health of LGBTQ students. Many students are feeling even less safe and more distraught after seeing the anti-LGBTQ campaigns of conservative and Christian groups. Psychiatrists are already warning of the negative impact of these campaigns and of the referendum results on the mental health of the LGBTQ community.²⁷ Similarly, the negative misinformation campaigns of the anti-LGBTQ groups will likely make LGBTQ students question their self-worth and could lead to increases in self-harm or even suicide.²⁸ The Ministry of Education should bolster support to school counseling services. The Ministry could also more forcefully counter the negative misinformation by taking a more proactive and public role in strengthening discussions around gender equity education.

Educational institutions will also need to continue ensuring safe environments for all students, including LGBTQ students. Due to the very public and often negative aspects of debates around LGBTQ issues, there is also likely to be an increase in hate speech, harassment, and bullying in school environments. Teachers should be better equipped and trained to help prevent such negative environments, and they should know the proper support and guidance that they can provide to targeted students. The Ministry of Education along with county and local educational authorities can offer updated trainings and other support to all teachers, as part of broader gender equity efforts. They can also do a better job of supporting teachers who already try to implement gender equity measures, some of whom face harassment and have even been sued as public opinion turns hostile.²⁹

Finally, the LGBTQ movement needs to remain engaged and vigilant in countering the misinformation campaign by conservative and Christian groups. It is imperative to preserve space within schools to discuss LGBTQ issues as part of broader gender equity and diversity discussions. The LGBTQ community must shake off some of the activist fatigue it collected after the marriage equality fight and continue mobilizing to prioritize and fight for gender equity education issues.

27. Drillsma, "Gender equality education will continue in schools."

28. Ibid.

29. "Gender equality in schools urged," *Taipei Times*, June 24, 2019, <http://www.taipeitimes.com/News/taiwan/archives/2019/06/24/2003717487>.

The Impact of Trade Tensions Between the United States and China on Taiwan's Economy

Some Preliminary Speculations

Ali Wyne

While continued trade tensions between the United States and China afford Taiwan an opportunity to reduce its dependence on the mainland's economy, they could ultimately prove harmful to Taipei.

In her May 20, 2016 inaugural address, Taiwan's President Tsai Ing-wen affirmed her campaign pledge to enact a New Southbound Policy (NSP) that would strengthen Taipei's centrality within the Asia-Pacific. It is more comprehensive in scope than the similarly named policies of her predecessors Chen Shui-bian and Ma Ying-jeou, which focused primarily on reducing Taiwan's economic reliance on mainland China. As a recent report by the Center for Strategic and International Studies (CSIS) observes, the NSP "is designed to leverage Taiwan's cultural, educational, technological, agricultural, and economic assets to deepen its regional integration."¹

Still, the imperative of economic diversification endures. President Tsai further stated in her inaugural address that the NSP seeks to "elevate the scope and diversity of [Taiwan's] external economy" and overcome its "past overreliance on a single market"—that single market, of course, belonging to China.² To this end, the policy endeavors to boost Taiwan's economic relations with 18 countries: the ten member countries of the Association of Southeast Asian Nations (ASEAN), six further countries in South Asia, and Australia and New Zealand. Where Taipei sent roughly a quarter of its exports to Beijing at the turn of the century, that proportion had reached roughly two-fifths by the time President Tsai took office. Of Taiwan's total trade in

1. Bonnie S. Glaser, Scott Kennedy, Derek Mitchell, and Matthew P. Funaiole, *The New Southbound Policy: Deepening Taiwan's Regional Integration* (Washington, DC: Center for Strategic and International Studies, 2018), https://csis-prod.s3.amazonaws.com/s3fs-public/publication/180113_Glaser_NewSouthboundPolicy_Web.pdf?F5YmxgS-JTjWxHCHQr3J88zE.KkzVK5cv.

2. "Full text of President Tsai's inaugural address," Focus Taiwan, May 20, 2016, <http://focustaiwan.tw/news/aip/201605200008.aspx>.

2018—which accounted for approximately two-thirds of its gross domestic product (GDP) that year—\$150.3 billion was with China, whereas trade with NSP target countries amounted to only \$116.6 billion combined.³

Trade tensions between the United States and China over the past two and a half years have made it more pressing for Taiwan to deepen its network of economic partnerships. At the outset of 2018, the average U.S. tariff on Chinese exports was 3.1 percent, while the average Chinese tariff on U.S. exports was 8.0 percent; those figures are expected to reach, respectively, 19.3 percent and 20.9 percent by the beginning of 2020.⁴ To the extent that those increases augur a fundamental shift in U.S.-China relations, the implications for the world economy would be significant: in addition to accounting collectively for about two-fifths of gross world product (GWP), Washington and Beijing are two linchpins of global supply chain networks.⁵

While present trends in U.S.-China economic relations have some potential upsides for Taiwan, the potential downsides may prove more significant.

Potential Upsides of Trade Tensions

China's competitiveness had already been eroding prior to the onset of trade tensions between Washington and Beijing. In 2000, its hourly productivity-adjusted manufacturing labor cost was roughly four times lower than America's; by 2017 it was only about two times lower.⁶ A growing number of companies had accordingly put into place various "ABC" ("anywhere but China") strategies to diversify their supply chains. A recent analysis notes that the Trump administration's tariffs "gave many businesses a final reason to look elsewhere."⁷

With her "Invest Taiwan" initiative, President Tsai is incentivizing Taiwan-based companies with operations in China to train their sights back home; such companies have pledged to inject \$39 billion into Taipei as of this piece's writing, and Deputy Minister of Economic Affairs Kung Ming-hsin predicts that that figure could increase by somewhere between \$9.75 billion and \$13 billion over the next two to three years.⁸ It is plausible to imagine, moreover, that companies based outside of Taiwan that do substantial business in China will give Taiwan a fresh look as they reconfigure their supply chains. In addition, per the NSP, Taiwan is expanding its presence in the Asia-Pacific: it secured 20 contracts in 2018 to build infrastructure in the region, up from four in 2015; it increased its trade with NSP target countries by 5.5 percent from 2017 to 2018; and it has established "Taiwan

3. "Trade Statistics," Bureau of Foreign Trade, Ministry of Economic Affairs, Republic of China (Taiwan), <https://cus93.trade.gov.tw/FSCE010F/FSCE010F/>.

4. Chad P. Bown, "US-China Trade War Tariffs: An Up-to-Date Chart," Peterson Institute for International Economics, December 19, 2019, <https://www.piie.com/research/piie-charts/us-china-trade-war-tariffs-date-chart>.

5. The World Bank, "GDP (current US\$)," 2019, <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>. America's GDP in 2018 (in current U.S. dollars) was approximately \$20.5 trillion, while China's was \$13.6; GWP was \$85.8 trillion.

6. Ian Colotla et al., "China's Next Leap in Manufacturing," BCG, December 13, 2018, <https://www.bcg.com/en-us/publications/2018/china-next-leap-in-manufacturing.aspx>.

7. Keith Bradsher, "As Trade War Rages, China's Sway Over the U.S. Fades," *New York Times*, May 18, 2019, <https://www.nytimes.com/2019/05/17/business/china-trade-influence.html>.

8. Debby Wu and Miaojung Lin, "Taiwan Bid to Lure Firms from China Paying Off, Government Says," *Bloomberg*, November 19, 2019, <https://www.bloomberg.com/news/articles/2019-11-18/taiwan-sees-chance-to-reclaim-high-end-industries-lost-to-china>.

Connection” platforms in India, Indonesia, Malaysia, Myanmar, New Zealand, Sri Lanka, Thailand, and Vietnam, aimed at strengthening educational exchanges between Taiwan and the rest of the region.⁹

Potential Downsides of Trade Tensions

One should not be too sanguine, though, about the extent to which a fundamental disruption in U.S.-China trade relations would benefit Taiwan—for at least three reasons. First, given China’s presently dominant role in global supply chains, any effort to relocate a significant segment of production outside of the mainland would be challenging.¹⁰ Consider Taiwan’s high-tech industry. In 2018, United Microelectronics Corporation terminated its cooperation with Fujian Jinhua Integrated Circuit Company, its Chinese state-backed partner, after the United States banned Fujian from buying components from U.S. firms.¹¹ Or take Taiwan Semiconductor Manufacturing Company, the dominant player in Taiwan’s integrated circuits space: it must now be far more careful about supplying to Huawei, a core source of its revenue, lest it incur U.S. penalties.¹²

Taipei’s dependence on the mainland manifests in other ways. Over 70 percent of its outbound investments presently transit through China; an estimated 100,000 Taiwan-based businesses maintain operations in China; and, as of 2016, an estimated 56 percent of Taiwan’s citizens employed overseas worked on the mainland.¹³ In brief, however much rhetorical urgency Taiwan assigns to diversifying away from Beijing, doing so to any significant degree would be a massive undertaking.

Second, the increasing costs of doing business in China do not automatically benefit Taiwan, since some firms based there are shifting capacity elsewhere rather than returning to Taiwan. Because there is no single country that can readily replace China as a manufacturing base, Taiwan will have to depend on a far wider array of partners moving forward; as the supply chains on which it relies grow fragmented, they will likewise become increasingly inefficient.

Third, Taiwan has its own competitive liabilities. Manufacturing costs there remain higher than in China, and Taipei continues to grapple with the so-called “five shortages” that compelled many of its companies to relocate to China starting in 1991, when Taiwan began permitting direct investment in the mainland: electricity, labor, land, talent, and

9. Humphrey Hawksley, “Taiwan’s New Southbound Policy is decreasing its reliance on China,” *Nikkei Asian Review*, October 4, 2019, <https://asia.nikkei.com/Opinion/Taiwan-s-New-Southbound-Policy-is-decreasing-its-reliance-on-China>; “President Tsai attends opening of Ketagalan Forum: 2019 Asia-Pacific Security Dialogue and fields questions from the media,” Office of the President, Republic of China (Taiwan) (August 20, 2019), <https://english.president.gov.tw/News/5829>.

10. Ben Bland, “US-China trade war prompts rethink on supply chains,” *Financial Times*, September 3, 2018, <https://www.ft.com/content/03e4f016-aa9a-11e8-94bd-cba20d67390c>.

11. Jess Macy Yu and Yimou Lee, “China’s ties with Taiwan chip firms under scrutiny as U.S. trade war heats up,” *Reuters*, November 6, 2018, <https://www.reuters.com/article/us-china-semiconductors-taiwan-analysis/chinas-ties-with-taiwan-chip-firms-under-scrutiny-as-u-s-trade-war-heats-up-idUSKCN1NB2WP>.

12. Chien-Heui Wu, “The U.S.-China Trade War and Options for Taiwan,” Wilson Center, October 2019, <https://www.wilsoncenter.org/publication/the-us-china-trade-war-and-options-for-taiwan>.

13. Alice Su, “China casts a long shadow over Taiwan’s economy, and attempts to revitalize it,” *Los Angeles Times*, February 10, 2019, <https://www.latimes.com/world/asia/la-fg-taiwan-kaohsiung-economy-20190208-story.html>; Edward White, “Taiwan turns to India to shake off shackles of China dependence,” *Financial Times*, January 3, 2019, <https://www.ft.com/content/d9f4d9fc-0434-11e9-9d01-cd4d49afb3e3>; Wayne M. Morrison, “U.S.-Taiwan Trade Relations,” *Congressional Research Service*, March 25, 2019, <https://fas.org/srg/crs/row/IF10256.pdf>.

water. Perhaps most concerningly, it confronts a grim demographic outlook: according to the World Health Organization, Taiwan transitioned in 2018 from being an “aging society” to an “aged society,” the latter being defined as one in which individuals 65 and over constitute 14 percent or more of the population.¹⁴ It is forecast to be a “super-aged society” by 2026, when the aforementioned segment will have surpassed 20 percent.¹⁵

Taipei is contemplating various measures to mitigate these trends. Foreign care workers, for example, are presently allowed to stay in Taiwan for a maximum of 12 years; the Legislative Yuan is considering a bill that would classify them as “skilled technicians” who are permitted to reside in Taiwan permanently.¹⁶ Taipei is also working to enhance its automation capacity, with “smart machinery” serving as one of the Tsai administration’s five priority industries for development. In addition, a 2017 survey by the International Federation of Robotics found that Taiwan had the tenth highest “robot density” in the world.¹⁷

The extent to which Taiwan’s many efforts will assuage anxieties about doing business there is unclear: according to a January 2019 survey by the American Chamber in Taipei, only 45.8 percent of polled members stated that they were very or somewhat confident about Taiwan’s economic outlook in 2019, down nearly ten percentage points from 2018.¹⁸ The longer U.S.-China trade tensions persist, the more likely such concerns will calcify.

Conclusion

It is too early to render definitive judgments on the question that motivates this paper. Given the duration and complexity of contemporary economic relations between the United States and China, any recalibration thereof could take years, if not decades, to resolve itself, with global reverberations. It would be a fool’s errand to try and predict the form that an economic “new normal” between the two giants might take; candidly, it would be risky to presume with any confidence what even the coming months might entail. If Washington and Beijing reach a trade détente in the short term, for example—say, before America’s next presidential elections, in November 2020—Taipei might be able to avoid incurring the costs of long-term supply-chain restructuring, thereby rendering moot much of this paper’s speculation. Or, if the next global recession that occurs is “made in China,” Taiwan may be able to make more headway in disentangling its economy from that of the mainland and persuading prominent global companies to accept the short- to medium-run costs of leaving China.

Despite the aforementioned uncertainties, Taiwan would be remiss to indulge in schadenfreude over China’s competitive woes; given its extant economic dependence on the mainland, its economic fortunes are likely to mirror those of the latter. S&P credit analyst Raymond Hsu explained in a recent report that “[a] slowdown in China’s economic

14. George Liao, “MOI: Taiwan officially becomes an aged society with people over 65 years old breaking the 14% mark,” *Taiwan News*, April 10, 2018, <https://www.taiwannews.com.tw/en/news/3402395>.

15. Matthew Strong, “Taiwan will be a super-aged society by 2026,” *Taiwan News*, February 12, 2019, <https://www.taiwannews.com.tw/en/news/3636704>.

16. This information comes from a meeting with a government official that took place during CSIS’s 2019 Taiwan-U.S. Policy Program.

17. Jonny Williamson, “Latest stats reveal top 10 most automated countries,” *Manufacturer*, February 8, 2018, <https://www.themanufacturer.com/articles/latest-stats-reveal-top-10-automated-countries/>.

18. Kao Shih-ching, “AmCham poll shows concern over outlook,” *Taipei Times*, January 24, 2019, <http://www.taipeitimes.com/News/biz/archives/2019/01/24/2003708496>.

engine could affect almost all of Taiwan's top corporates, given their trade reliance on China and the importance of global demand for the products they manufacture in and export from China."¹⁹

This paper suggests at least three core questions to keep in mind as the economic relationship between Washington and Beijing evolves. First, how quickly will Taiwan be able to diversify away from China as an export destination? Second, how quickly will Taiwan be able to boost its domestic competitiveness? Third, how competitive will Taiwan prove relative to other emerging manufacturing hotspots, such as Vietnam? Whatever the answers to these questions may be, there is little dispute that adjusting to U.S.-China trade tensions will be as imperative as it is vexing for the dynamic island caught in the middle.

The views and opinions expressed in this publication are solely and exclusively those of the author and do not reflect the views, opinions, or positions of any other individual or organization.

19. Chad Bray, "US-China trade war could squeeze profits of Taiwan's top companies, S&P says," *South China Morning Post*, September 4, 2019, <https://www.scmp.com/business/companies/article/3025669/us-china-trade-war-could-squeeze-profits-taiwans-top-companies>.

Development Finance

A New Avenue of U.S.-Taiwan Economic Cooperation

Grace Hearty

Taiwan's international affairs are constrained by its ambiguous sovereignty. With only 15 diplomatic allies as of this article's publication—and likely more to drop off in the face of mounting pressure from an increasingly global China—Taiwan is forced to find creative ways to strengthen its relations with foreign partners.

As part of a delegation trip to Taiwan in June 2019, I had the opportunity to meet with a number of Taiwan's policymakers and experts. Many of these individuals were hopeful about the prospects for Taiwan's ability to make its voice heard in the international community, particularly in the economic arena. Taiwan is a member of the World Trade Organization (WTO), as well as the Asia Pacific Economic Cooperation (APEC) forum, both of which are designed to foster multilateral economic integration and cooperation. As a member economy of APEC, Taiwan has been able to engage directly with partners in the Indo-Pacific and be a part of critical discussions involving both established and emerging markets in the region.¹ Taiwan currently has Free Trade Agreements (FTAs) with six countries and is eager to negotiate more.² Moreover, Taiwan is using its New Southbound Policy to foster stronger ties across the Indo-Pacific region and is ramping up development finance as an element of its global economic engagement strategy.

During the trip, Taiwan's policymakers highlighted the potential that overseas development assistance (ODA) presents for Taiwan, and they were particularly excited and optimistic about Taiwan's new cooperation with the U.S. Overseas Private Investment Corporation (OPIC), the United States' primary development finance institution. OPIC, which will soon transition to the U.S. International Development Finance Corporation (USDFC), is charged with mobilizing private capital to achieve U.S. development goals, and this offers Taiwan a means to engage with the U.S. government in a manner that is not subject to the same diplomatic idiosyncrasies as other elements of their bilateral relations. Taiwan's government and development finance community should work hard to

1. John F. Cooper, "Why Taiwan Needs APEC," *Diplomat*, November 2011, <https://thediplomat.com/2011/11/why-taiwan-needs-apec/>.

2. "FTAs Signed with Trading Partners," Ministry of Economic Affairs of the Republic of China, Bureau of Foreign Trade, <https://www.trade.gov.tw/english/Pages/List.aspx?nodeID=672>.

increase cooperation with OPIC (and USDFC when it is up and running). This new avenue of cooperation between the United States and Taiwan would help both sides accomplish their strategic, economic, and development goals.

Policy Frameworks Provide a Strong Case for ODA Cooperation

U.S. president Donald Trump and Taiwan president Tsai Ing-wen both have foreign policy frameworks that serve as the overarching drivers of strategic engagement in the Indo-Pacific region. The Trump administration announced its Free and Open Indo-Pacific Strategy (FOIP) in 2017. The U.S. FOIP centers on economics, governance, and security in the region and is designed to counteract Chinese investment and influence in Indo-Pacific countries. Because the U.S. government cannot match Chinese government outbound investment dollar-for-dollar, mobilizing U.S. private sector capital in Indo-Pacific countries is a critical component of a successful FOIP.³ Similarly, the Tsai administration announced its New Southbound Policy (NSP) in September 2016 to facilitate and enhance Taiwan's engagement with ASEAN member states, further countries in South Asia, Australia, and New Zealand. While the NSP includes goals for enhancing cultural ties, it is also heavily focused on building economic ties, both through encouraging Taiwan's private sector companies to invest in NSP countries and by fostering an environment for more multilateral and bilateral dialogues.⁴

These two foreign policy frameworks provide not only the backdrop but also the policy impetus for ODA cooperation between the United States and Taiwan. For Taiwan, ODA cooperation allows the Tsai administration to chart a new path of cooperation with the United States, one of its most important foreign partners. Taiwan would also be able to amplify its investments abroad, especially in targeted countries. This includes Taiwan's 15 diplomatic allies, as well as the 18 Indo-Pacific countries that fall under the NSP.⁵ All the while, Taiwan will be working to build out a relationship with a new, powerful U.S. government agency, helping it better leverage its private sector capital for political and economic gain abroad.

For the United States, this type of economic cooperation between the United States and Taiwan provides a pathway for strengthening economic ties that is less controversial than negotiating a bilateral FTA would be. Furthermore, it allows the United States to increase its investment in the Indo-Pacific region, serving as an important counterweight to China's multi-billion-dollar Belt and Road Initiative (BRI).⁶ The United States and Taiwan should invest time and resources into strengthening development finance cooperation, while placing a particular emphasis on collaboration in the Indo-Pacific region.

This opportunity for greater cooperation comes at a time when OPIC and the export credit portion of the U.S. Agency for International Development (USAID) are merging to create

3. "Advancing a Free and Open Indo-Pacific Region," U.S. Department of State, November 18, 2018, <https://www.state.gov/advancing-a-free-and-open-indo-pacific-region/>.

4. "The Guidelines for 'New Southbound Policy'," Taipei Economic and Cultural Office in Brunei Darussalam, August 23, 2016, http://www.ROC-taiwan.org/bn_en/post/644.html.

5. Bonnie S. Glaser, Scott Kennedy, Derek Mitchell, and Matthew P. Funaiolo, *The New Southbound Policy: Deepening Taiwan's Regional Integration* (Washington, DC: Center for Strategic and International Studies, 2018), https://csis-prod.s3.amazonaws.com/s3fs-public/publication/180113_Glaser_NewSouthboundPolicy_Web.pdf?F5YmxgS-JTjWxHCHQr3J88zE.KkzVK5cv.

6. Andrew Chatxky and James McBride, "China's Massive Belt and Road Initiative," Council on Foreign Relations, May 21, 2019, <https://www.cfr.org/background/chinas-massive-belt-and-road-initiative>.

the USDFC—a stronger, more modern government agency. When it is up and running,⁷ the USDFC will have an investment cap of \$60 billion, more than double the investment capacity of its predecessor OPIC.⁸ With more resources, the USDFC is poised to increase cooperation with foreign development finance institutions and be more strategic about its investments abroad. According to an OPIC Statement, “[US]DFC will make America a stronger and more competitive leader on the global development stage, with greater ability to partner with allies on transformative projects and provide financially-sound alternatives to state-directed initiatives that can leave developing countries worse off.”⁹

OPIC and the USDFC’s natural counterpart in Taiwan is the Taiwan International Cooperation and Development Fund (TaiwanICDF). TaiwanICDF is a government-funded agency that manages Taiwan’s foreign aid programs and “offers lending and investment, technical cooperation, humanitarian assistance, and international education and training to Taipei’s diplomatic allies.”¹⁰ Given that USDFC and TaiwanICDF serve similar functions in their respective economies, the two agencies should aim to work together to strategically mobilize their private sector capital around the world.

Current Scope of U.S.-Taiwan Cooperation

The scope of OPIC and TaiwanICDF’s current partnership is focused on Taiwan’s diplomatic allies.¹¹ However, as the FOIP and NSP suggest, both sides appear eager to expand this partnership beyond its current scope. David Bohigian, the executive vice president of OPIC, traveled to Taiwan in July 2019 to meet with President Tsai, along with other officials in Taiwan’s Foreign Ministry and development finance community. Mr. Bohigian made it clear that OPIC is eager to partner with Taiwan on projects in the Indo-Pacific region, indicating benefits to both sides from cooperation. He also stressed that the United States and Taiwan could promote alternative, sustainable development models abroad “by supporting projects that are built to last, respect the environment, create local jobs, and ensure transparency.”¹² Mr. Bohigian clearly articulated the strategic argument for U.S.-Taiwan ODA cooperation throughout the Indo-Pacific region.

Because the initial scope of ODA cooperation between Taiwan and the United States is centered around Taiwan’s diplomatic allies, the projects under the current framework will be concentrated in Latin America and the Pacific Islands. Mr. Bohigian traveled to Taipei just a few months after Taiwan and OPIC successfully collaborated on their first joint project, something Taiwan’s government officials touted multiple times during our delegation meetings. In March 2019, OPIC and TaiwanICDF signed their first joint

7. The USDFC was supposed to be operational as of October 1, 2019. However, the agency is still in the process of opening its doors as of the publication of this article.

8. American Institute in Taiwan, “AIT Announces Visit of U.S. Overseas Private Investment Corporation Acting President and CEO David Bohigian,” press release, June 26, 2019, <https://www.ait.org.tw/ait-announces-visit-of-u-s-overseas-private-investment-corporation-acting-president-and-ceo-david-bohigian/>.

9. “A new Era in U.S. Development Finance,” OPIC, <https://www.opic.gov/build-act/overview>.

10. Gary Sands, “U.S. Pledges Assistance for Taiwan’s Allies,” *Asia Times*, June 28, 2019, <https://www.asiatimes.com/2019/06/opinion/us-pledges-assistance-for-taiwans-allies/>.

11. Joseph Yeh, “U.S. investment agency to work with Taiwan to help its allies,” Focus Taiwan, June 26, 2019, <http://focustaiwan.tw/news/aip/201906270016.aspx>.

12. American Institute in Taiwan, “OPIC Acting President & CEO David Bohigian Leads Delegation to Taiwan,” press release, July 1, 2019, <https://www.ait.org.tw/opic-acting-president-ceo-david-bohigian-leads-delegation-to-taiwan/>.

investment for a \$184 million project in Paraguay in cooperation with Banco Regional, a Paraguayan bank, to enable on-lending to women-led and women-owned small and medium-sized enterprises.¹³

Paraguay was an excellent place for OPIC and TaiwanICDF to begin their collaborative relationship. It is a place familiar to TaiwanICDF, and as of February 2018, Paraguay is one of four countries with which Taiwan has an Economic Cooperation Agreement.¹⁴ This project provides a successful blueprint for U.S.-Taiwan economic cooperation in third countries that have diplomatic ties with Taiwan. It also shows how cooperation with the United States can amplify the development work that Taiwan is already doing with its diplomatic partners. For example, TaiwanICDF, which is focused exclusively on providing assistance to Taiwan's diplomatic allies, is already financing a number of projects in Paraguay on its own, mainly in the agriculture and healthcare sectors. These investments are targeted and impactful, but they exist on a smaller scale; collaboration with OPIC therefore allows TaiwanICDF to amplify the good work it is already doing.

A Timely Opportunity to Do More

To build on the Paraguay model, the USDFC and TaiwanICDF are exploring further cooperation in Haiti and St. Lucia, two other diplomatic allies of Taiwan. OPIC also has teams on the ground in other countries that recognize Taiwan's sovereignty, including Nicaragua, Tuvalu, Honduras, and Guatemala, so presumably these are further potential areas for collaboration.¹⁵ But there is also enormous opportunity for cooperation between Washington and Taipei on countries of greater mutual interest and strategic value. In our conversations with Taiwan's government officials, they indicated that they were ready for cooperation in South and Southeast Asian countries, a region of key importance to both the U.S. FOIP and the NSP.

Taiwan has demonstrated that it is eager to forge stronger ties between its private sector and the U.S. private sector outside the development sphere, as well. For the second year in a row, for example, Taiwan brought the largest delegation to the annual SelectUSA conference, an event hosted by the U.S. Department of Commerce to attract foreign direct investment into the United States.¹⁶ Taiwan's cooperation with OPIC is another way to foster private sector cooperation, and it allows the benefits of private sector cooperation to be amplified outside the bilateral context. Taiwan and the United States were right to begin cooperation in this area in Paraguay, one of Taiwan's remaining diplomatic allies, and there is much space left for further cooperation.

Taiwan would benefit from facilitating and increasing economic cooperation that takes place outside traditional multilateral forums and government-to-government relationships, which are fraught with diplomatic rules and sensitivities. Taipei will, and of course should, continue its policies of more traditional government-to-government engagement and fight for a voice in the international economic conversation. Taiwan will

13. Sands, "U.S. Pledges Assistance for Taiwan's Allies"

14. "Preferential tariffs between Taiwan, Paraguay to take effect," *Taiwan News*, September 5, 2019, <https://www.taiwannews.com.tw/en/news/3771831>.

15. Yeh, "U.S. investment agency to work with Taiwan."

16. "Taiwan sends largest delegation to SelectUSA Investment Summit," *Taiwan Today*, June 20, 2018, <https://taiwantoday.tw/news.php?unit=2,6,10,15,18&post=136451>.

continue to try to negotiate bilateral FTAs, just as it will continue to be an enthusiastic and productive member of the WTO and APEC. But development finance cooperation provides an opportunity for largely unrestrained economic cooperation and should therefore be a top priority for the Tsai administration.

If executed properly, Taiwan's cooperation with OPIC and the soon-to-be USDFC will allow Taipei to engage with countries in the Indo-Pacific region in a meaningful way—in cooperation with the United States, at a higher level of investment than it could achieve on its own, and with the high standards that the United States and Taiwan are committed to delivering. An example of potential cooperation in this area is the Blue Dot Network, a multilateral initiative of the United States, Japan, and Australia that was announced in November 2019 and that aims to enhance cooperation on global infrastructure development.¹⁷ Taiwan and the United States can strive for a similar type of cooperation in a bilateral context, and if the Blue Dot Network expands beyond the current three countries, Taiwan should strongly consider joining. Development finance cooperation with the United States in the Indo-Pacific region would help put meat on the bones of the Tsai administration's NSP, a hallmark foreign policy which, to date, has few concrete markers of success in the economic sphere. Taiwan would have a real partner in the United States, because the promises of development finance cooperation between the two sides benefit not only Taiwan, but also the United States. The United States and Taiwan together can leverage their deep private sector pockets for mutual strategic benefit and the benefit of third countries around the world.

17. OPIC, "The Launch of Multi-stakeholder Blue Dot Network," press release, November 4, 2019, <https://www.opic.gov/press-releases/2019/launch-multi-stakeholder-blue-dot-network>.

About the Editors and Authors

Bonnie S. Glaser is a senior adviser for Asia and the director of the China Power Project at the Center for Strategic and International Studies (CSIS), where she works on issues related to Chinese foreign and security policy. She is concomitantly a nonresident fellow with the Lowy Institute in Sydney, Australia, and a senior associate with the Pacific Forum. From 2008 to 2015, Ms. Glaser was a senior adviser with the Freeman Chair in China Studies, and from 2003 to mid-2008, she was a senior associate in the CSIS International Security Program. Prior to joining CSIS, she served as a consultant for various U.S. government offices, including the Departments of Defense and State. Ms. Glaser has written extensively on Chinese foreign and security policy. She is currently a board member of the U.S. Committee of the Council for Security Cooperation in the Asia Pacific, and a member of the Council on Foreign Relations and the International Institute for Strategic Studies.

Matthew P. Funaiole is a senior fellow with the China Power Project at CSIS, where he works on projects that pertain to Chinese foreign and security policy, cross-strait relations, and the broader Indo-Pacific security architecture. He is the principal researcher for the ChinaPower website, which uses data visualization and written analysis to unpack the complexity of China's rise. His research interests include strategic relationships, power balancing, and alliance structures in the Indo-Pacific. Prior to joining CSIS, Dr. Funaiole taught international relations and foreign policy analysis at the University of Saint Andrews in Scotland, where he also completed his doctoral research. He was a member of the 2017 TUPP delegation.

Philip Caruso is a Robert J. Myers Fellow at the Carnegie Council for Ethics in International Affairs and a reserve officer assigned to the Joint Staff. He previously served as a legislative fellow with the United States Senate Committee on Foreign Relations and on active duty with the U.S. Air Force. He received the John Gallup Laylin Prize from Harvard Law School for his research on U.S. airpower and international law. Phil received a BS in materials science and engineering from Cornell University and JD and MBA degrees with honors from Harvard, where he was a Tillman Scholar.

Melissa Chan is a national and foreign affairs reporter based between Berlin and Los Angeles. She is a collaborator with the Global Reporting Centre and is also an editor and presenter at

German broadcaster Deutsche Welle's news program on Asia. Previously, she spent a year working with the *New York Times* on projects looking at the impact of new technologies on democratic versus authoritarian states. She worked for Al Jazeera America, with a focus on the rural American West. With Al Jazeera English, she served as China correspondent for five years before her expulsion from the country in 2012 for the channel's reports. She has reported from around the world, from Cuba to North Korea, Mongolia to Gaza. She is a graduate of Yale University and the London School of Economics.

Grace Hearty is deputy director of the CSIS Simon Chair in Political Economy. In this role, she manages the program's work on international economic policy and trade, with a focus on the Asia-Pacific. Prior to her current role, she served as an R. Michael Gadbaw International Law & Policy Fellow with General Electric. As part of GE's Global Government Affairs & Policy office, she worked on the Asia and international trade portfolios for the company's various business units. Grace previously served as a summer associate with the China Practice at Albright Stonebridge Group, a strategic advisory firm and as a graduate intern in the Office of Chinese and Mongolian Affairs at the U.S. Department of State. Before attending graduate school, Grace spent four years working for the Simon Chair in Political Economy at CSIS, where her work focused on U.S. economic engagement with the Asia-Pacific. She holds an MA in international economics from the Johns Hopkins School of Advanced International Studies (SAIS) and a BA in geography and history from the George Washington University.

Pamela Kennedy is a research analyst with the East Asia Program at the Stimson Center. Her research interests include Northeast Asian international relations, U.S. alliances in Asia, the role of the U.S. in the Indo-Pacific region, and the impact of nontraditional security issues. She holds an MA in international relations and international economics from the Johns Hopkins University School of Advanced International Studies and a BA summa cum laude in government and East Asian studies from the College of William and Mary. Prior to joining Stimson, she interned with the CSIS Japan Chair and the Reischauer Center for East Asian Studies. She was also previously an associate examiner with the Federal Reserve Bank of San Francisco, where she reviewed Asian and American banks for safety and soundness.

Sahana Kumar is a senior associate at Beacon Global Strategies, where she focuses on trade and sanctions issues for a diverse set of clients. Prior to joining BGS, Sahana worked as a research associate for South Asia at the American Enterprise Institute (AEI). She analyzed political and economic developments in South Asian countries, as well as broader U.S. policy towards the region. While at AEI, she also participated in the National Bureau of Asian Research and Korea Foundation's Next Generation Leaders Program. Sahana previously interned at the Council on Foreign Relations, where she focused on U.S. competitiveness and international trade issues. She also interned at Population Services International, where she provided research informing social marketing development projects. Sahana received a BA in international affairs and economics from George Washington University, and an MSc in international public policy from the University College London.

Brandon Lee is the president and CEO of Anacostia Consulting Group, leading the practice's environmental, economic, and security issues. His work focuses on analyzing the risks posed in maritime operations domestically and internationally. This work has

included assessing maritime capacity building in Southeast Asia and opportunity for cooperation between the U.S. and Japan Coast Guards. Mr. Lee graduated in international environmental policy from the University of Utah, an AmeriCorps alum, and has received his an MPA from Columbia University and an MSc from the London School of Economics.

Noah Metheny was most recently the community engagement lead at the Global Fund to Fight AIDS, TB, and Malaria. Noah managed the Community, Rights and Gender Strategic Initiative, a three-year, \$15 million effort to increase the meaningful engagement of civil society. Prior to joining the Global Fund, Noah was the stigma, rights, and key populations senior technical advisor at USAID in Washington D.C., providing technical leadership within PEPFAR on human rights and key population issues. Noah also served as the director of policy at the Global Forum on MSM and HIV, and he also worked as a public health legal educator with the Thai AIDS Treatment Action Group in Bangkok. Noah completed his MPH in law and public health at Harvard University School of Public Health, his JD at the University of California, Berkeley School of Law, and his BA in political science at Swarthmore College.

Heidi Obermeyer is the policy and communications manager at CTIA - The Wireless Association. She was a 2017/2018 German Chancellor Fellow at the German Council on Foreign Relations (DGAP) conducting research on Germany's foreign policy and transatlantic relations. Prior to joining DGAP, she was a fellow and program coordinator at the Center for Transatlantic Relations at Johns Hopkins University SAIS. She has worked for the Department of State at the U.S. Embassy in Berlin, for the U.S. Commercial Service in Munich, and in federal consulting in the Department of Veterans Affairs. She holds an MA in political science with a concentration in European governance from the University of North Carolina at Chapel Hill and a BA in international affairs, Germanic studies, and anthropology from the University of Colorado at Boulder.

Ali Wyne is a policy analyst at the RAND Corporation, a nonresident senior fellow with the Atlantic Council's Scowcroft Center for Strategy and Security, and a nonresident fellow with the Modern War Institute. He graduated from MIT with dual degrees in Management Science and Political Science (2008) and received his Master in Public Policy from the Harvard Kennedy School (2017). He is a coauthor of "Lee Kuan Yew: The Grand Master's Insights on China, the United States, and the World" (2013) and a contributing author to "Our American Story: The Search for a Shared National Narrative" (2019), "Power Relations in the Twenty-First Century: Mapping a Multipolar World?" (2017), and the "Routledge Handbook of Public Diplomacy" (2008). He is a term member of the Council on Foreign Relations, a David Rockefeller fellow with the Trilateral Commission, and a security fellow with the Truman National Security Project.

COVER PHOTO ADOBE STOCK



1616 Rhode Island Avenue NW
Washington, DC 20036
202 887 0200 | www.csis.org

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Lanham • Boulder • New York • London

4501 Forbes Boulevard
Lanham, MD 20706
301 459 3366 | www.rowman.com

