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Next-Generation Perspectives on Taiwan

Insights from the 2023 Taiwan-US Policy Program

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IDEAS LEADERSHIP HOPE



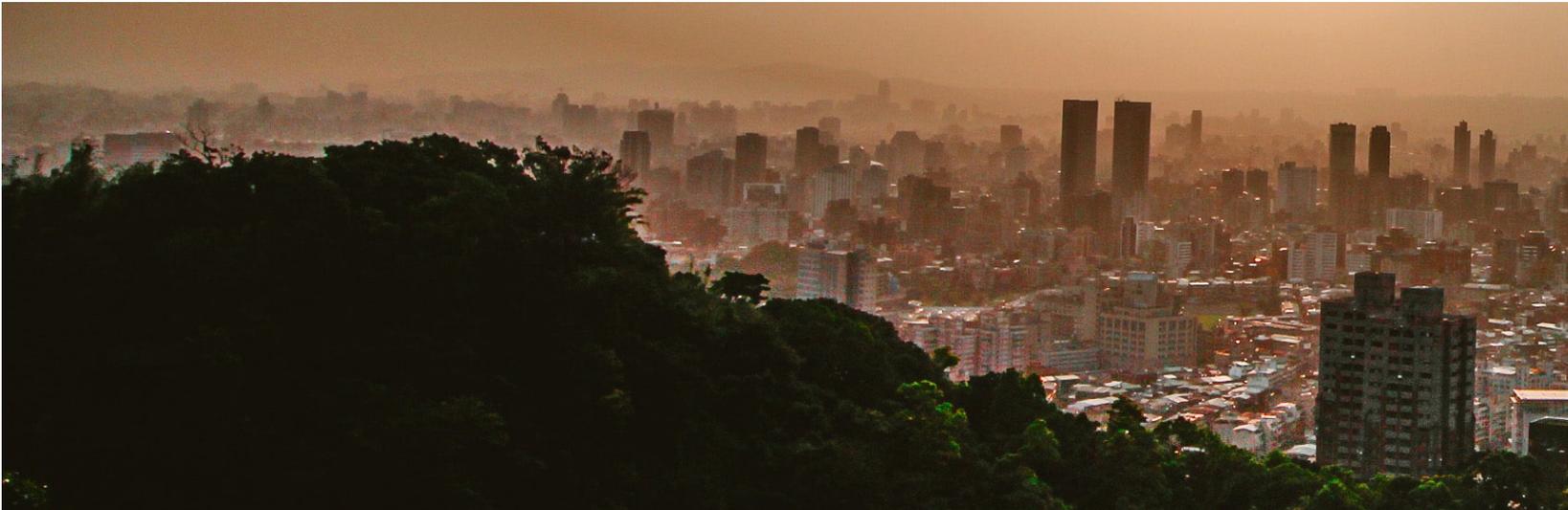
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Introduction by Bonnie S. Glaser

Taiwan faces growing threats to its security. The circumstances and factors that have deterred for decades an attack by the People's Republic of China (PRC) on Taiwan and enabled its people to remain secure and prosperous are changing. The conventional military balance in the western Pacific has tipped in China's favor, although its military, the People's Liberation Army, is not yet ready to seize and control Taiwan. Apart from the military threats of invasion, blockade, and seizure of one of its small outlying islands, Taiwan is the target of Chinese economic and diplomatic pressure, disinformation, united front tactics, and other forms of psychological warfare. Most of the global focus on Taiwan centers on the risk of war, leaving insufficient attention to these gray-zone threats that are designed to sow doubts about US willingness to defend Taiwan if attacked and to induce a sense of deep psychological despair about its future unless it is integrated into the PRC. Beijing's ultimate goal is to convince the people of Taiwan to lose faith in their democracy and to surrender sovereignty.

China is more likely to succeed in that endeavor if Taiwan becomes isolated from the rest of the world. Only 13 sovereign states now maintain full diplomatic relations with the Republic of China, the official name that Taiwan uses to distinguish itself from its giant neighbor. Since President Tsai Ing-wen took office in 2016, Beijing has poached nine of Taiwan's diplomatic allies and blocked Taipei from participating in international organizations, including the World Health Organization and its decision-making body, the World Health Assembly. On the economic front, Taiwan remains an active member of the Asia Pacific Economic Cooperation (APEC), but it has been excluded from the ASEAN-inspired Regional Comprehensive Economic Partnership (RCEP) and the US-led Indo-Pacific Economic Framework (IPEF). Beijing is lobbying members of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) to oppose Taipei's application for membership.

Easing Taiwan's isolation and providing reassurance that the world cares deeply about the fate and well-being of its 23.5 million people are crucial to preserving the status quo in the Taiwan Strait. The Taiwan-US Policy Program

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photo credit: Belle Co | Pexels

(TUPP) was launched in 2017 to encourage young professionals to include Taiwan in their research and help Taipei expand its global networks. TUPP enables future leaders to acquire a deeper understanding of Taiwan and its relations with the United States through meetings with officials and experts in Washington, followed by a visit to Taiwan to gain first-hand exposure to its politics, culture, and history. Experiencing Taiwan influences how these future leaders approach their work and their writing. It impacts their worldview by imbuing them with an appreciation for Taiwan's history and commitment to the principles of democracy and human rights that undergird the existing international order. It also reinforces the importance of maintaining robust bilateral relations and strengthening international support for maintaining peace and stability in the Taiwan Strait.

As the COVID-19 pandemic abated, the 2023 TUPP cohort traveled to Taiwan in February for an intense week of meetings and activities. Each participant gained insights into Taiwan and its role in their respective fields. This year's delegation comprised five Americans and five Europeans. Over time, TUPP seeks to create a body of global experts with firsthand knowledge of Taiwan who support sustaining and expanding its international ties. I am grateful to the Henry Luce Foundation, the Global Taiwan Institute (GTI), and the Taiwan Foundation for Democracy for their support of this goal.

The contributions here, written by ten members of the 2023 TUPP delegation, underscore the importance of deeper study and understanding of Taiwan. I sincerely hope that they stimulate continued global interest in Taiwan and its future.

Unconventional Statecraft

Taiwan is Uniquely Poised to Benefit from Subnational Diplomacy

By Scott Bade

Subnational diplomacy can often be problematic. It can be simply symbolic, as when idealistic resolutions resemble student politics more than serious diplomacy. Or, worse, it can undermine national diplomatic efforts. Rarely does it effectively take advantage of cities' core competencies such as policy implementation and service delivery. Even more rarely does it bolster national diplomatic goals. Indeed, rightly or not, cities and states in the United States actually undermined the Trump administration's position on issues such as climate change, as I've previously written.¹

Taiwan could be an important exception. In fact, given its unique diplomatic limitations, Taiwan could turn a common downside of subnational diplomacy—that cities and provinces pursue their own agendas through their own "freelance" diplomacy—into a virtue. Subnational diplomacy allows Taiwan to raise its profile in global forums and policy discussions, thereby giving its partners an opportunity for engagement with the island, all while preserving Taipei's (and Beijing's) plausible deniability that Taiwan is engaging in state-to-state relations.

The Old Model

Some of this is happening already. Much of Taiwan's subnational diplomacy has centered on long-standing sister-city agreements, which can help establish people-to-people exchanges, promote tourism and educational ties, and even encourage investment agreements. Taiwanese cities also

participate in some international forums specifically for municipal governments. Six Taiwanese cities, for example, belong to the Global Covenant of Mayors, a network of cities dedicated to climate action, and twelve belong to ICLEI – Local Governments for Sustainability, a similar network.

The long-standing emphasis on sister-city agreements, however, has prevented Taiwan's subnational diplomacy from achieving its full potential. The Ministry of Foreign Affairs' (MOFA) subnational diplomacy strategy focuses on establishing such agreements but not implementing them once signed. To some extent, this is a principal-agent problem. Diplomats in the field or mayors with electoral ambitions seeking foreign policy credibility have every incentive to sign sister-city agreements. But without dedicated municipal staff or clear follow-up agendas, many agreements go dormant once the ink has dried and the photo op has ended. Taiwanese cities' membership in international city networks suffer from a similar weakness. When Taiwanese cities can join, capacity constraints and political apathy mean they often fail to actively participate. As a result, Taipei's current subnational diplomacy increasingly resembles a box-ticking exercise for local bureaucrats and MOFA officials, and risks becoming merely symbolic.

1. Scott Bade and Anka Lee, "Think Beyond the Beltway: The Case to Bring our Mayors and Governors to the Foreign Policy Table", *Just Security*, October 2020.

The New Approach

If Taiwan is to make full use of the benefits of subnational diplomacy, it needs a better strategy.

First, it should prioritize policy over symbolism and actively engage in areas in which it has vested interests and expertise. For example, Taiwan had tremendous success combating the COVID-19 pandemic even though it was excluded from World Health Organization deliberations (its data was even subsumed into China's). If its central government cannot participate in global health forums, Taiwan should still find ways for its cities to gain access and learn about the latest best practices, evidence, and data without having to rely on sympathetic allies for that information. Such engagement would also be a way for Taiwanese voices to be heard and for Taipei to indirectly influence, and benefit from, global policy debates.

The effort need not be confined to health care. Taiwan's municipal leaders might engage on other issues such as housing, energy, pedestrian safety (a major issue in Taipei), and climate. Taiwan, after all, has a mandate to achieve carbon net-zero by 2050, and cities play a major role in reducing emissions. Taiwanese cities are members of some climate forums, such as ICLEI and the Global Covenant of Mayors, but more deliberate participation would support national policies.

Second, Taiwanese cities should prioritize such networks over existing city-to-city relationships. Sister-city relations and individual trade and commercial connections, of course, can be useful. Taipei would benefit greatly from New York City's experience with road safety, and Palo Alto could learn from Hsinchu about integrating mass transit with a technology hub. But relationships of this type should not be the focus of Taiwan's subnational efforts.

Taking advantage of network effects multiplies the impact of engagement, especially when cities have limited resources, human or financial, to devote to subnational diplomacy.

Third, Taiwan should use its subnational diplomacy explicitly to expand its international relations. Currently, city-to-city relationships are concentrated in countries in which Taiwan has strong political, economic, and cultural ties, such as Japan and the United States. This approach does not bring a high return on investment. Taiwan should instead encourage cities to be more active in locations where it is trying to do more. That means continuing to invest in relationships in South Korea and Australia while broadening ambitions to include more cities in India, Southeast Asia (per Taiwan's New Southbound policy), Latin America, and, especially, Europe, where such efforts have begun. As Taiwan increases investments in Europe, subnational diplomacy can complement preexisting economic connections. It could also help counter growing Chinese soft power from Beijing's Belt and Road Initiative and Confucius Institute network.

Subnational diplomacy also offers Taiwanese officials and rising politicians opportunities to engage with international counterparts in a way that is less antagonistic to Beijing. Officials can represent Tainan or Taoyuan without litigating the Taiwan sovereignty question. And even when Beijing objects, mayors or municipal bureaucrats are far less likely to provoke Chinese ire than their central government counterparts.

A Shift in Focus

If Taiwan is to take advantage of these opportunities, it must also change its domestic structures for subnational diplomacy.

MOFA should start by emulating the US Department of State's new Office of Subnational Diplomacy and its first special representative for city and state diplomacy. After decades of loosely supervised American city and state engagement with foreign counterparts, this new office and its team have started to provide local leaders with support and coordination while ensuring that cities and states have the tools to conduct subnational diplomacy without undermining national policy or causing international incidents.

These services are also important in Taiwan. Although many of the island's mayors engage with cities in friendly countries, such as the United States and Japan, others, especially those coming from the Kuomintang (KMT), seek links to China. These connections are not necessarily bad; maintaining cross-strait ties, especially when a Democratic Progressive Party (DPP) government is in power, can mitigate tensions. But Beijing has a history of manipulating foreign local officials to serve its interests and could exploit seemingly anodyne interactions to interfere in Taiwan's domestic politics. The island is particularly vulnerable to this during a DPP presidency, when Beijing may seek to subvert the government in Taipei by cooperating with KMT mayors. In such a fraught environment, even the possibility that local officials could inadvertently undermine national policy is reason for caution. MOFA should work to minimize that risk.

The ministry should also broaden its diplomats' focus beyond city and province pairings. Diplomatic resources would be better spent on ensuring municipal representatives can attend international gatherings on, say, urban planning or autonomous vehicles. Any resources that are devoted to new sister city pairings should ensure that the links are not ad hoc relationships but components of a structured

subnational diplomacy that maximizes benefits to the whole of Taiwan.

MOFA will need to examine best practices on overseas municipal engagement for such a strategy to succeed. The ministry should set explicit roles and goals for subnational diplomacy, clearly define how both fit into Taiwan's overall political objectives, and guide and support cities in their international engagement, especially in light of limited municipal resources. The ministry should also work with cities to determine how they can benefit from international exposure and incorporate that into subnational diplomacy goals.

Washington's Role

Taiwan presents a unique opportunity for US Special Representative for City and State Diplomacy Nina Hachigian. As subnational diplomacy increases in importance, it remains mostly technical or defensive in nature (e.g., helping US cities handle aggressive interactions with Chinese consulates). In other words, it is more a tactic than high-level statecraft. Taiwan, however, can demonstrate a greater strategic usefulness.

A US subnational strategy on Taiwan could go in several directions, but at its core should be finding ways for American cities and states to help Taiwan in ways the US federal government cannot. Just as the United States helps facilitate Taiwan's access to international organizations, Hachigian and her team should look for ways to facilitate Taiwanese subnational engagement. That would involve encouraging US and international institutions that may not have direct ties with Taiwan to connect with the island's cities, providing a potential route for Taiwan to access international resources for addressing challenges such as climate change without running afoul of international organizations' "One China" policies.

Opportunity Knocks

Taiwan has long depended on creative diplomacy and has been wise to use subnational diplomacy to expand its diplomatic horizons. But it can do much more.

Taipei should pursue subnational diplomacy with strategic purpose, supporting its cities logistically, using, perhaps, the United States' subnational diplomacy structure as a model.

Subnational diplomacy is increasingly a recognized component of international relations, and Taiwan arguably represents the ideal test case to prove its strategic value. Taipei and its allies should embrace the opportunity to do just that.

Not So Fab

The Current CHIPS and Science Act Fails to Address Problems Hampering Global Supply Chain Cooperation

By Geoffrey Cain

Three years into the construction of a new plant for the giant Taiwan Semiconductor Manufacturing Company (TSMC) in the Arizona suburbs, tensions are growing over the future of investments such as the one that made it possible. The fabrication plant, or fab, is a flagship project of the CHIPS and Science Act, the \$280 billion package for the chip and other technology sectors that US President Joe Biden signed into law last August, and that the Department of Commerce started implementing in February by opening grant applications to technology companies. But semiconductor executives in Taiwan, who have cooperated with requests from American officials to make costly investments in the United States, feel they are passed over for state funding in favor of struggling US firms such as Intel.

The result is a growing rift in trade and technology that will slow critical advances in semiconductor manufacturing, hurt US access to the latest chip technologies, and damage US interest in staying ahead of China while maintaining trade relationships with other democracies.

The worsening situation calls for a different approach to international cooperation. The United States needs to abandon the belief that it alone can reinvigorate its national manufacturing capabilities and instead work to supercharge the Chip 4 Alliance that joins the country with Japan, Taiwan, and South Korea, and promotes fairer treatment of American technological partners in Taiwan.

A Bungled Rollout

Problems have festered at the TSMC plant since the beginning.

It is being built in one of America's driest states, according to the US National Centers for Environmental Information, but the chipmaking process requires a large and reliable supply of fresh water.¹ TSMC will also have to contend with the US's severe labor and talent deficit in semiconductors, including a shortage of 300,000 engineers and 90,000 skilled technicians by 2030.² To bridge this gap, TSMC may have to import labor from Asia and not tap the American workforce, one of the CHIPS Act's chief goals.

Complicating the labor shortage is the fact that American workers, protected under stricter labor laws and union membership, have no obligation to accept TSMC's demanding hours and spartan work ethic. Fabs also produce thousands of tons of hazardous waste annually and face a tangle of environmental regulations, while permits may need years to be

1. National Centers for Environmental Information, National Oceanic and Atmospheric Administration, "April 2023 Drought Report". <https://www.ncei.noaa.gov/access/monitoring/monthly-report/drought/202304>

2. McKinsey, "How semiconductor makers can turn a talent challenge into a competitive advantage", September 7, 2022. <https://www.mckinsey.com/industries/semiconductors/our-insights/how-semiconductor-makers-can-turn-a-talent-challenge-into-a-competitive-advantage>

issued. TSMC will need permits from local, state, and federal agencies related to about a dozen laws and regulations, a process that is far more relaxed in Taiwan.³

There is also the problem of double taxation. Due to Washington's "One China" policy, Taiwan and the United States lack formal diplomatic ties and a tax treaty. This means that Taiwanese businesses in the United States are taxed twice, by the Taiwanese and US governments.⁴ Yet the United States does not penalize other countries with large semiconductor capabilities. Japanese, South Korean, and Dutch companies pay their tax bills once, to the country in which their plants operate.

Finally, TSMC must contend with the United States' general lack of an industrial ecosystem capable of producing large numbers of advanced semiconductors. In fact, the country hasn't executed a nationwide industrial strategy since the Apollo space program. Despite billions of earmarked dollars, the United States isn't even a player in industrial strategy; since the 1980s, the industrial dynamos of East Asia—South Korea, Taiwan, and, to a lesser extent, China—have seized a significant, potentially insurmountable, lead. This advantage is becoming more important as "Moore's Law", the consistent biennial doubling of an integrated circuit's number of transistors, reaches its physical limit, pushing the industry into more specialized chips that could render America's firms obsolete.

Supercharge the Chip 4 Alliance

With the CHIPS and Science Act, the US government appears to be shortsightedly treating industrial policy as a matter of choosing national "winners" and "losers". While allowing the Department of Commerce to meet straightforward goals, such as dispensing funds to American chip companies, this approach fails to address deeper problems in weak infrastructure, workforce shortages, and overregulation that are hampering fab construction in Arizona and elsewhere.

The Biden administration appears to be working to correct these mistakes and prevent the act from becoming a mere lobbying opportunity. In February, Secretary of Commerce Gina Raimondo announced that the legislation was meant to achieve "our national security goal", not help struggling companies.⁵

Some American commentators and industrial planners speak as if semiconductor manufacturing can be entirely reshored in the United States. This strategy may work for an older commodity technology such as steel, which requires far less technical know-how and is far easier to manufacture. However, onshoring does not work for advanced semiconductors, a technology so complicated that it requires careful global coordination.

Everything from the raw materials, such as silicon, to the final product requires a global trade and

3. Hideko Uno and Benjamin Glanz, "What Environmental Regulations Mean for Fab Construction", Center for Strategic and International Studies, July 11, 2022. <https://www.csis.org/blogs/perspectives-innovation/what-environmental-regulations-mean-fab-construction>

4. Yuka Hayashi, "Double Tax Hinders Taiwan's Investment in American Factories", The Wall Street Journal, April 27, 2023. <https://www.wsj.com/articles/double-tax-hinders-taiwans-investment-in-american-factories-db67ec49>

5. Eric Martin and Ian King, "US Takes Security-First Focus in Doling Out \$39 Billion Chip Aid", Bloomberg News, February 23, 2023. <https://www.bloomberg.com/news/articles/2023-02-23/us-39-billion-chip-funds-value-national-security-over-firm-aid>

manufacturing network of thousands of suppliers. Only four countries can design or manufacture the critical parts or final product for cutting-edge logic chips, the kind that provides processing power for advances in generative AI and other novel fields: the United States (design), the Netherlands (lithography equipment, which is crucial for semiconductor wafers), South Korea (design and manufacturing), and Taiwan (manufacturing). Japan, meanwhile, has lost market share in chip design over the last two decades but remains a critical supplier of photoresistive materials and equipment.

Taken together, four of these five countries (not the Netherlands) comprise the new Chip 4 Alliance, officially, the US-East Asia Semiconductor Supply Chain Working Group. With its first meeting in February 2023 in Taiwan, the alliance has struggled to launch, even as its mandate—to protect supply chain resilience against the China threat—becomes more urgent.⁶

Any Chinese invasion of Taiwan, the largest manufacturer of advanced chips, would cause a sudden chip shortage, crippling the technological and military might of the world's democracies. The United States needs to accelerate the alliance's work and participate fully in a mandate to include information sharing, supply-chain resilience efforts, and the fair distribution of CHIPS and Science Act federal grants. These efforts will strengthen US-Taiwan trade relations and prevent future supply chain disruptions.

Policy Recommendations

Given the current state of affairs, the Chips 4 Alliance should pursue the following roles and mandates:

- o a planned upgrade from “working group” (with an informal and inadequate mandate) to “consortium”, starting with membership for Japan, South Korea, Taiwan, and the United States, and eventually expanding to tiered membership for countries based on their industry market share, technical abilities, and fear of Chinese government aggression
- o coordination of enforcement of export restrictions against firms and actors that attempt to steal intellectual property from Taiwan, the United States, and its allies. This may include coordinated proposals for legislation or new export controls that can be implemented in all member countries.
- o create a research and development (R&D) pool that funds research critical to members’ national security. Private companies should cooperate with each other on critical chips for national security, with financial backing from government members.
- o an R&D pool with the cooperation of the largest semiconductor firms, with new patents or intellectual property kept from government members. Participating chip firms should have the right to sell these new technologies to government members, rather than place them in the public domain, to ensure that they earn a profit from their intensive capital investments and risk-taking.

At a bilateral level, separate from the consortium, the United States and Taiwan should create a regulatory mechanism equivalent to a taxation treaty that would avoid Washington’s formally recognizing Taiwan and provoking Chinese government aggression. Small

6. Christian Davies, Song Jung-a, et al., “US struggles to mobilise its East Asian ‘Chip 4’ alliance”, *Financial Times*, September 12, 2022. <https://www.ft.com/content/98f22615-ee7e-4431-ab98-fb6e3f9de032>

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gestures of goodwill between the United States and Taiwan have managed this in the past. US Secretary of the Treasury Janet Yellen stated in March that her office is exploring ways to end double taxation for Taiwan, though she did not propose an outright tax treaty. Since Taiwan does not have US diplomatic recognition, the Senate lacks the authority to ratify a treaty with it.

An alternative tax mechanism can be in the form of tax breaks for Taiwanese chip firms investing in the United States, and vice versa (but beyond the grants and breaks offered by the CHIPS and Science Act alone). These breaks can be roughly equivalent to the tax savings that firms would receive from a bilateral treaty, thereby ensuring fair treatment for such firms.

Lessons Learned

Together, a bilateral tax incentive for US and Taiwanese firms and an upgraded Chips 4 Alliance would soften festering bilateral trade tensions. These steps would also deter China, which would face a more unified alliance of countries involved in the semiconductor supply chains that China needs for its more vulnerable, less innovative semiconductor industry.

These proposals follow historical lessons that remain relevant to today's age of geopolitical and technological competition. Consortiums and global cooperation in advanced technologies spread out the risks of uncertain, capital-intensive, leading-edge technologies, in which every nation and firm stands to benefit equally. Japan, South Korea, Taiwan, and the United States have all executed successful consortiums at the national level: Japan's semiconductor industry in the 1980s, South Korea's conglomerates from the 1960s to the 1990s, Taiwan's manufacturing industries from the 1980s onwards, and the US's Apollo space program.⁷ These

consortiums can mitigate the risks of expensive and uncertain technology investments but usually fail to help companies improve older "legacy" technologies.

In this crucial moment in the geopolitical competition with China, the United States and its allies must avoid sparking trade tensions among themselves. Since Taiwanese officials already complain of being left out of US industrial efforts, and populist US leaders seek protectionism and isolationism, trade tensions could strain semiconductor supply chains in the coming years, even if these do not lead to an all-out trade war. Too many divisions among the supply chains' key countries will make for easy pickings for the Chinese government, which can bully individual nations without fear of multilateral retaliation against its own state-led semiconductor projects.

State-led protectionist attempts to onshore complex supply chains have caused unnecessary trade wars before—between the United States and Japan in the 1980s, and between Japan and South Korea in the 2010s. These zero-sum conflicts slowed innovation and damaged the comparative advantages of all countries involved. In building a multilateral chip strategy, the United States must approach Taiwan as a key player in a complex ecosystem, rather than as a competitor with a debt that requires investing in the US's weak industrial ecosystem and hiring its undertrained labor force, whether in Arizona or elsewhere.

7. For a classic case study, see: Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industry Policy, 1925-1975, 1982.*

Setting a New Standard

The United States and Europe Should Support Taiwanese Engagement in International Standardization Bodies

By Antonia Hmaidid

International standard-setting has emerged as an increasingly important and visible aspect of foreign policy largely due to China's expanding footprint in technology standardization.¹ Such standards are key to shaping technological developments, and technology companies gain advantages in bringing their products to market earlier through their participation in standard-setting organizations. These companies may need to adhere to individual countries' standardization processes, but they benefit from being a part of important international alignment that allows technologies to be compatible. Shared standards are also required for global trade, and they can even bolster competition in an environment in which products are created with global supply chains. Both considerations are especially important for an export-oriented economy such as Taiwan's.

Standard-setting is omnipresent and forms the base for much of the world's technological development. Varying or absent standards add complexity to product development and raise business costs, while agreed standards are key to global connectivity. China's decision, in 2014, for example, to diverge from the standard protocol for 4G wireless communication rendered Western phones incapable of using 4G data in China.² Even differences in standard page sizes (e.g., DIN A4 and letter) mean printers must handle multiple formats if their use is not to be regionally limited.

The United States and the EU would gain an advantage from ensuring Taiwan's inclusion in multistakeholder international standardization processes. The transatlantic partners have worked hard to ensure that standardization remains a multistakeholder pursuit that embraces the corporate and civil society sectors while China pushes for a multilateral approach that includes only sovereign countries. Taiwan, however, whose sovereignty is not widely recognized, is home to world-class companies that have a vested interest in many technological standards, especially those relevant to the internet and 5G. In addition, Taiwan could join or informally participate in many international standard-setting organizations without a change to its de jure status, making transatlantic support possible and desirable.

Trying to Get In

Taiwan's ability to be active in the international standardization process is constrained by the many challenges it faces in joining international organizations. Above all, China's objection to separate membership for the island in any international body requiring sovereignty, including the UN, significantly restricts its activity anywhere on the global stage. Still, in January 2023, Taiwan's Ministry of Digital Affairs (moda) joined the World Wide Web Consortium (W3C), which strives to develop web standards for

1. Graham Webster, et al., "Will China Set Global Tech Standards?", *ChinaFile*, March 2022.

2. Paul Bischoff, "How deliberately crippling its 4G rollout will help China bust a global monopoly and make billions", *TECHINASIA*, July 2014.

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applications, accessibility, and security. The ministry could do so even while using its official name and despite the presence of 36 Chinese members, some of which, such as Huawei and Loongson Technology Corporation Limited, have clear ties to the Chinese Communist Party.³ Membership was a significant win for Taiwan and the international community, as it is a leader in the Internet of Things, whose standardization the W3C often oversees.

One reason Taiwan could gain W3C membership is that standard-setting is not exclusively shaped by nation-states. Instead, many standard-setting organizations rely on an expert-led multistakeholder model to advance their work. This model, which China attacks in an effort to keep control of standards in the hands of national governments, is, however, ideally suited for including Taiwanese companies and industry associations. Unlike many international organizations, standard-setting bodies, such as the Internet Engineering Task Force (IETF) and the 3rd Generation Partnership Project (3GPP), often do not

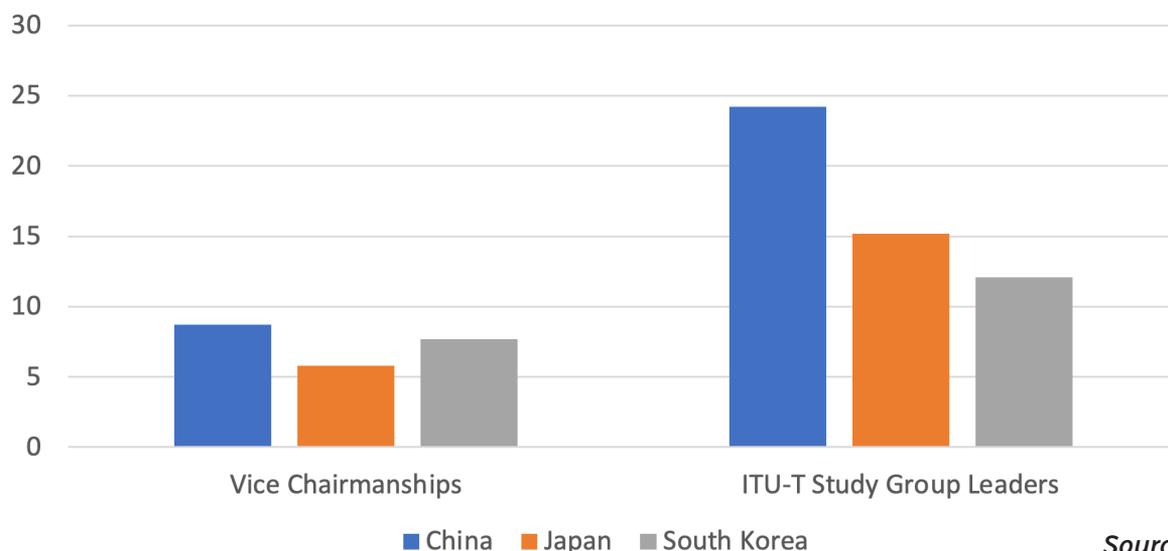
require national sovereignty for membership. These bodies comprise companies, industry associations, or other non-state actors, and can thus facilitate Taiwanese inclusion. For other organizations with UN affiliation, however, such as the International Organization for Standardization (ISO) and the International Telecommunications Union (ITU), this is problematic. It is also disadvantageous since Taiwan, if allowed in, could make significant contributions.⁴ Still, China's significant presence at the ITU (see graphic), to which it has worked to move more decision-making from multistakeholder bodies, is unlikely to change the status quo.⁵

3. Ministry of Digital Affairs (Taiwan), "Ministry of Digital Affairs joins W3C, files flag for Taiwan in establishing global internet standards", January 2023.

4. IETF Tracker, "Comparison of Countries over the Years", arko, May 2023.

5. Mark Scott and Clothilde Goujard, "Digital great game: The West's standoff against China and Russia", Politico, September 2022.

China leads at the ITU but is not unassailable



Source: ITU

What Could Be

Taiwan, in fact, has much on offer. It possesses a robust internal standard-setting regime, with industry associations and world-class companies that have a vested interest in many technological standards, especially those relevant to the internet and 5G. Taiwan's Ministry of Economic Affairs even boasts a 5G office that has joined with the Institute for Information Industry (III), Chunghwa Telecom, and the Industrial Technology Research Institute (ITRI) to set up a 5G development alliance.⁶

Taiwan also has a robust science and technology development policy, with top-level design and a regular conference, that closely links government, companies, and industry bodies. It is also focused on implementing most international standards. In fact, Taipei's National Science and Technology Development Plan (2021-2024), or NSTDP, states that Taiwan "will ... participate in the development of international standards" and lays out specific technology areas, including semiconductors, cybersecurity, and green chemistry, in which Taiwanese companies should contribute to international standard-setting.⁷ Unfortunately, the document provides no guidance on facilitating such activity. A stronger focus on Taiwan's participation in international standard-setting bodies, when possible, could be included in the NSTDP, providing an opportunity to exploit the already robust channels of communication between government and industry.

The Taiwanese government has nevertheless focused its efforts to expand its presence in UN-affiliated agencies, including the World Health Assembly and

the International Civil Aviation Organization. Taipei seeks only observer status, but Beijing blocks even that. The battles have been fought annually, with the latest rejection in May 2023.⁸ Taiwan, in fact, has not notched any successes since Tsai Ing-wen's 2016 election as president.⁹ Full participation in such organizations is impossible as long as Taiwan's international status is unsettled.

Taipei should consider changing gears and devote more effort to encouraging its firms, research associations, and industry organizations in standardization organizations whose membership does not require sovereignty. Like-minded countries, such as the United States and EU member states, which have worked hard to ensure standardization remains a multistakeholder pursuit, could support such an effort without undermining the political status quo. This would also help the transatlantic partners in their quest to ensure that China does not dominate standard-setting.

Taiwan could also learn from China's experience with increasing its companies' participation in international standard-setting. Taipei should not replicate Beijing's top-down, government-led approach in this area, or its practice of punishing companies for not supporting their domestic counterparts' standards.¹⁰ Rather, China's providing incentives and funding to smaller companies to attend international standard-setting meetings, enhancing information-sharing among companies, and supporting English-language training of engineers to raise their effectiveness at international meetings and their ability to write technical reviews are valuable practices that Taiwan could emulate.¹¹

6. IEEE ComSoc, "3GPP RAN WG meeting in Taiwan: January 21 – 25, 2019: NTT DOCOMO's URLLC Use Cases", IEEE Technology Blog, January 2019.

7. National Science and Technology Council Taiwan, "National Science and Technology Development Plan (2021–2024)", May 2021.

8. Helen Davidson, "Outcry as World Health Assembly locks out Taiwan under pressure from China", *The Guardian*, May 2023.

9. Thomas J. Shattuck, "Three Ways to Support Taiwan's UN Membership", *taiwaninsight.org*, November 2021.

10. Frank Hersey, "Lenovo founder in public backlash for 'unpatriotic 5G standards vote'", *technode*, May 2018.

11. US-China Business Council, "China in International Standards Setting—USCBC Recommendations for Constructive Participation", *The US-China Business Council*, February 2020.

Taiwan's companies need such new advantages despite being leaders in some critical sectors. The international push to reshore semiconductor production amid increasingly hostile relations with China represents an economic threat. The island should respond by becoming a standard-setter instead of a standard-taker. This can provide advantages in key technology areas in which Taiwan is already strong, be it 5G chips, smart-city applications, or smart devices. Taiwanese companies could exploit their position to develop international standards rather than waiting for them to be imposed. They could do this by developing technologies before international standards have been declared and by generating revenue from patents that set standards. Qualcomm, a company active in mobile chipsets and a direct competitor to Taiwan's MediaTek, creates roughly 20% of its revenue from licensing patents inherent in standards.¹²

The Indirect Route

3GPP is the standardization body with the highest Taiwanese participation despite a lack of direct representation. However this is not for a want of trying; in 2015, Taiwanese companies set up an industry association to achieve 3GPP membership.¹³ Although the campaign was unsuccessful, multiple 3GPP working group meetings have been held in Taiwan, and the island's companies play a role due to their large footprint in mobile chips and the 5G development alliance. MediaTek has been a particularly active participant in 3GPP, but this is only because it could apply for membership alongside its Beijing subsidiary, which is a member of the China Communications Standards Association.¹⁴ Still, the

company has scored a notable achievement. It boasts Taiwan's highest number of technical contributions to the 5G standard (1,653), even if they are far fewer than Huawei's (19,473) and Ericsson's (15,072).¹⁵ Since November 2019, MediaTek is the only Taiwanese company to send engineers to 3GPP meetings.

MediaTek's example reflects China's likely opposition to most Taiwanese involvement in international standard-setting bodies unless the island's status as a part of China is clear. Any international opposition to this stance could lead Beijing to attempt to move standardization into the UN-affiliated bodies that shun Taiwan. But the current multistakeholder system has proved its worth, and China is unlikely to succeed in any such effort, especially since the United States and the EU have recognized China's push to change international standard-setting to its advantage.

If China continues to successfully block Taiwan's direct participation in standardization bodies, the island's companies could attend meetings via their international subsidiaries. Taipei could support this by considering advocating for the companies' membership in international negotiations and investment treaties. Taiwanese companies could also work with allies from international standard-setting organizations' member countries to lead the way in implementing standards.¹⁶ This, again, would benefit all involved parties as elevating Taiwan's international presence without a change in the political status quo is in US and European interest. The transatlantic partners could then leverage industry representation from another Asian democracy to counter growing Chinese influence in some international standard-setting bodies. Taiwan's well-resourced government

12. Stephen Nellis, "Qualcomm shares drop as patent licensing forecast disappoints Wall Street", *Nasdaq.com*, February 2021.

13. FocusTaiwan, "Taiwan to seek 3GPP membership for building new mobile standards", March 2015.

14. MediaTek, "Letter of support and nomination for 3GPP TSG RAN WG2 Chairman candidature", 3GPP, June 2021.

15. IPlytics, "Who is leading the 5G patent race? A patent landscape analysis on declared 5G patents and 5G standards contributions", November 2019.

16. Evan A. Feigenbaum and Michael R. Nelson, "How Standard Setting Can Help Taiwan Grow Its Global Role", *Carnegie Endowment for International Peace*, March 2021.

could further contribute to this strategy by subsidizing the presence of many delegates at these organizations' gatherings. This would help frustrate Chinese attempts to block consensus.

Taiwan's greater participation in international standard-setting can help its companies improve their economic performance, ensure international standards continue to be set by multistakeholder and industry-driven initiatives, and constrain China's strategic maneuvering in setting international standards. These goals are achievable, even if China continues to deny these companies' direct participation in the international standardization process. Taipei can and should avail itself of the opportunities to overcome Beijing's opposition.

Next-Generation Perspectives on Taiwan

Countering Malign Influence from Russia and China

Lithuania and Taiwan Have Much Experience to Share

By Tomas Kazulėnas

In the last decade, hybrid threats such as information operations, cyberattacks, election interference, economic coercion, and other forms of malign influence from autocracies including Russia and China have emerged as key challenges for the world's democracies. As these activities intensify, democracies need to learn from each other and exchange best practices to confront this nefarious challenge. Lithuania and Taiwan, long targets of malign hybrid activities, have experience that can be especially beneficial in this effort.

The Lithuanian Experience

Since regaining independence, Lithuania has been the victim of Russian malign influence activities including denial of mainstream and social media disinformation campaigns designed to manipulate public opinion, service cyberattacks, website defacing, malware, and stirring up public opposition to government policies of strategic importance. In dealing with this onslaught, the small Baltic nation developed expertise in protecting its information environment. That put it in a good position to rapidly expand its abilities to counter Russian disinformation and psychological operations after the Kremlin annexed Crimea, and those abilities have earned well-deserved respect from allies.¹ They have also positioned Lithuania better than many other Western democracies to detect, analyze, and monitor potential threats to its national security following the full-scale Russian invasion of Ukraine.²

As Russian threats grew, China launched its own hostile influence activities in the Baltics in the last decade, coinciding with its intensified interest in Europe. The first notable example came in 2013, when Lithuania's president met the Dalai Lama. Beijing retaliated by banning Lithuanian businesses from the Chinese market, a tool of blunt economic coercion.³ The Lithuanians were not cowed. In subsequent years, Lithuanian civil society organizations' expressions of solidarity for Hong Kong's pro-democracy movement and their cooperation with Taiwanese academia, civil society, and science organizations prompted Chinese criticism and retribution.⁴ Beijing embarked on a campaign that included aggressive behavior from Chinese citizens and diplomats toward Lithuanians involved in these support actions, a Chinese tourist's vandalizing Lithuania's Hill of Crosses pilgrimage site, and advisories to regional media discouraging them from discussing human rights in China.

1. Olevs Nikers and Otto Tabuns, "Baltic Security Strategy Report: What the Baltics Can Offer for a Stronger Alliance", The Jamestown Foundation, 2019. <https://jamestown.org/wp-content/uploads/2019/09/Baltic-Security-Strategy-Report-2019.pdf>

2. Dalia Bankauskaite and Deividas Šlekys, "Lithuania's Total Defense Review", National Defense University Press 10, no. 2 (March 10, 2023), pp. 55–77. <https://ndupress.ndu.edu/Media/News/News-Article-View/Article/3323902/lithuanias-total-defense-review/>

3. Rūta Grigolytė, "Dėl susitikimo su dalai lama Kinija galėtų bausti dar griežčiau?". <https://www.tspmi.vu.lt/komentarai/del-susitikimo-su-dalai-lama-kinija-galetu-bausti-dar-griezciau-k-andrijauskas/>

4. BNS. <https://www.tv3.lt/naujiena/lietuva/kinu-turistai-kryziu-kalne-ispiekino-honkongui-skirta-kryziu-policija-emesi-veiksmu-n1024384;15min>, <https://www.15min.lt/gyvenimas/naujiena/keliones/ant-kryziu-kalno-siauliuose-apsilanke-kinu-turistai-ispiekino-protistus-honkonge-remiancius-kryzius-1630-1252858>

Tensions with Beijing reached a new nadir in 2021 once Lithuania allowed the establishment of a Taiwanese Representative Office in Vilnius. Since the official name included “Taiwan”, rather than “Taipei”, China responded with strong measures that included a political and diplomatic downgrading of bilateral relations, restrictions on Lithuanian business operations, and attempts to coerce third-party investors, such as the German automotive industry, to withdraw from Lithuania or exclude it from supply chains.⁵ There were also the usual attempts, as seen in other countries, to pressure Lithuanian media outlets to refrain from reporting topics that rile Beijing’s sensitivities and to implement people-to-people programs, such as scholarships and exchanges, that promote the Chinese agenda, and to cultivate their own Lithuanian experts on China.

Lithuanian Lessons Learned

Monitoring the Information Space Should Be a Broad and Regional Effort. The repeated assaults allowed Lithuania, and the other Baltic states, to accumulate extensive experience in monitoring and assessing the risks of hostile information operations in physical and virtual environments. The National Radio and Television Commission of Lithuania, for example, monitors the national information space so that it can respond rapidly to new developments. After Russia’s full-scale invasion of Ukraine, 60 pro-Kremlin and Kremlin online outlets were quickly banned or had their licenses suspended.⁶

Lithuanian experts in countering hybrid threats have also noted that the country’s investment in societal

resilience has yielded good results in the information environment.⁷ The invasion of Ukraine prompted cable television companies to voluntarily take their own measures, above and beyond those of the National Radio and Television Commission, and remove Russian channels from their service packages. On a broader front, Lithuanian public debate includes discussions on improving journalism and prohibiting airtime for pro-Kremlin voices aimed at dividing Lithuanian society.⁸

Regionally, the Baltic states and Poland cooperate to ensure the safety and security of their information space. Their culture ministers coordinate activities and address EU counterparts⁹ on relevant issues, and the countries’ four heads of government have urged social media platforms Meta, Google, Twitter, and YouTube, to protect EU users from malign information operations. Long-term preparation and collaboration with civil society and industry are transforming the protection of the Baltic information space from policing to more proactive and multidimensional defense.¹⁰

5. Andrius Sytas and John O'Donnell, “EXCLUSIVE China Pressures Germany’s Continental to Cut out Lithuania - Sources,” Reuters, December 17, 2021. <https://www.reuters.com/world/china/exclusive-china-asks-germanys-continental-cut-out-lithuania-sources-2021-12-17/>

6. National Threat Assessment 2023 (Latvia). <https://www.vsd.lt/en/reports/national-threat-assessment-2023/>; Kauno diena. <https://kauno.diena.lt/naujienos/lietuva/salies-pulsas/radijo-ir-televizijos-komisija-svarstys-ar-lietuvoje-stabdyti-rusu-tv-rodyma-1065584>

7. Dalia Bankauskaite’s presentation at the “Central and Eastern Europe Frontlines: Forging Collaborative Solutions to Foreign Authoritarian-State Influence” conference, May 19, 2023.

8. 15min. <https://www.15min.lt/verslas/naujiena/bendroves/uzdraudus-dali-rusisku-kanalu-rytu-lietuvos-gyventojai-susidomejo-palydovinemis-antenomis-663-1657930>

9. Lithuanian Minister of Culture Simonas Kairys, Latvian Minister of Culture Nauris Puntulis, and Estonian Minister of Culture Tiit Terik sent a joint letter to the ministers of culture and audiovisual affairs of other EU member states regarding the suspension of retransmission of Russian and Belarusian television programs that incite war and disseminate disinformation. <https://lrkm.lv/lt/en/news/the-ministers-of-culture-of-the-baltic-states-call-for-the-protection-of-the-european-information-space>

10. Dmitri Teperik, et al., “Resilience Against Disinformation: A New Baltic Way to Follow?,” International Centre for Defence and Security, October 20, 2022. <https://icds.ee/en/resilience-against-disinformation-a-new-baltic-way-to-follow/>

Countering Malign Influence Activities Requires Inclusion. The Lithuanian experience shows that successfully countering influence activities depends on coordinating the activities of government agencies and forging cooperation and trust between the state and civil society.¹¹

Government agencies assess the information environment according to their areas of responsibility and competence. The diversity and hybrid nature of threats and risks, however, requires coordinated whole-of-government and whole-of-society approaches. To achieve this, the Lithuanian government has developed its National Model for Integrated Crisis Prevention and Hybrid Threats Management (the Model), a legal and procedural framework for implementing its national security strategy¹² for monitoring and assessing such threats, designing prevention and crisis plans, and managing risk. Such coordination is possible only with a functioning coordination unit such as the Model.¹³ Vilnius also established a National Threat Management Center,¹⁴ which is responsible for continuous monitoring, assessing, and forecasting threats to national security, and contributing to the implementation of government national security objectives. The center also serves as a secretariat to the country's National Security Commission,¹⁵ provides coordinated assessment of key state institutions' functional resilience, and supervises the NATO seven baseline requirements of civil preparedness.

Lithuanian efforts also prioritize inclusion, allowing civil society to be directly involved in monitoring the national information environment, fact-checking, and strengthening media and information literacy. Civil activists actually volunteer in the information technology, media, academia, education, and business sectors, with so-called the Lithuanian "elves", a coalition fighting Russian disinformation, joining fact-

checking platform Debunk.org, the Civic Resilience Initiative, an NGO focused on building resilience in civil society, and others in information monitoring. The National NGO Coalition, which unites NGO umbrella associations working in a wide range of public policy areas, also contributes significantly to building social resilience and is active in positive narrative communication.

Forming More Societal Resilience

Although Lithuania's ban on Russian media channels helped defend the country's population from pro-Kremlin narratives, it also sparked a new challenge. The move has required Lithuanian state institutions to work with national outlets to create a new media environment for Russian-speaking audiences, whose numbers have increased significantly as Ukrainian war refugees, and Belarusians and Russians fleeing authoritarianism, flow into the country. The initial step is to offer them information in their own languages about Lithuanian society and daily life, thereby countering the narratives that they previously heard.

In the age of social media and fast-spreading information, society is on the frontlines of information campaigns. A strong, resilient, and critically thinking society that remains attentive to information

11. Dalia Bankauskaite and Deividas Šlekys, "Lithuania's Total Defense Review", *National Defense University Press* 10, no. 2, March 10, 2023, pp. 55–77. <https://ndupress.ndu.edu/Media/News/News-Article-View/Article/3323902/lithuanias-total-defense-review/>

12. *National Security Strategy*, Government of Lithuania, 2016. <https://kam.lt/en/the-seimas-approved-the-reviewed-national-security-strategy/>; <https://kam.lt/wp-content/uploads/2022/03/2017-national-security-strategy.pdf>

13. Dalia Bankauskaite and Deividas Šlekys, "Lithuania's Total Defense Review", *PRISM*, Vol. 10, March 2023, National Defense University. <https://www.ndu.edu/News/Article-View/Article/3353193/prism-vol-10-no-2-march-2023/>

14. "Dėl Lietuvos Respublikos Vyriausybės nacionalinio saugumo komisijos sudarymo" [Regarding the establishment of the National Security Commission of the Government of the Republic of Lithuania], No. 477, Government of the Republic of Lithuania, June 21, 2017. <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/e44b943157f211e-78869ae36ddd5784f?jfwid=q8i88lu4k>

15. Dalia Bankauskaite and Deividas Šlekys, "Lithuania's Total Defence Review", <https://ndupress.ndu.edu/Media/News/News-Article-View/Article/3323902/lithuanias-total-defense-review/>

manipulation and resistant to attempts to provoke conflicts is key to fighting back.

Lithuanian strategic documents¹⁶ clearly define the role of education in improving the country's national security and, consequently, its societal resilience. Instruction on national security, broadly defined, covers a wide range of issues, including civic education and media and information literacy.¹⁷ All are crucial competencies for a more informed citizenry that can contribute to stronger defense of information spaces.

Taiwan's Approach

Taiwan employs its own various strategies to counter hostile influence operations. These include building societal resilience by enhancing media literacy and critical thinking skills among citizens; implementing robust fact-checking and verification mechanisms to protect the information environment; strengthening national cybersecurity to defend against cyber threats and information manipulation, which often accompany malign information operations; and enacting legislation and regulations to safeguard the information space and empower authorities and citizens to monitor and address disinformation.

Like Lithuania's, Taiwan's efforts to counter malign information activities are adaptable to emerging hostile challenges and tactics.

An Assortment of Hybrid Activities

Each country needs to build resilience to malign influence and information operations in accordance with its own needs and the challenges it faces. Some of Lithuania's approaches can apply to the Taiwanese context if they do not already exist in some form. Others may need to be modified or expanded. At the same time, Russian and Chinese

hybrid activities exhibit similarities and differences in terms of implementation tactics and impact, thereby demanding flexible countermeasures.

The Kremlin's tactics involve sowing distrust within democracies. Their goal is not to enhance Russia's attractiveness to the international community but rather to undermine confidence in democratic values and institutions. Beijing's influence campaigns in Taiwan and its allies pursue the same goals but also try to garner respect and attention by shaping international perceptions and discourse in a way that aligns with Chinese interests. Beijing, for example, attempts to persuade the Taiwanese people that reunification is their best and, in fact, only option. The strategy encompasses an economic aspect (Taiwan would benefit financially from unification), a geopolitical aspect, (Taipei cannot provide its citizens with adequate diplomatic and consular services), and a cultural aspect (forcing Taiwanese Olympic athletes to participate under a "Chinese Taipei" banner).¹⁸ China also uses its market power in its hybrid influence operations by restricting or even banning foreign businesses.

Similarities between Russian and Chinese information operations lie in their using disinformation as an integral component of their malign activities. Both countries exploit societal vulnerabilities and sensitivities to propagate their destructive narratives.

16. "Šalies pedagogams ir moksleiviams – vadovėliai apie šalies saugumą ir gynybą", *Lrt.lt*, September 22, 2016, <https://www.lrt.lt/naujienos/lietuvoje/2/149166/salies-pedagogams-ir-moksleiviams-vadoveliai-apie-salies-sauguma-ir-gynyba>; Nacionalinio saugumo ir krašto gynybos bendroji programa, November 15, 2017, <http://www.svietimonaujienos.lt/nacionalinio-saugumo-ir-krasto-gynybos-bendroji-programa/>; Dalia Plikūnė, "Naujas valdžios sumanymas mokiniams – papildomos pasirinkamos pamokos", *Delfi.lt*, June 2017.

17. Dalia Bankauskaite, "Media Literacy mapping -Lithuania" file:///C:/Users/Dalia/Downloads/ML_Mapping_Lithuania_2022%20(5).pdf; "Media Literacy in Estonia and Lithuania" and the policy brief "With Media Literacy Towards Cognitive Resilience." <https://bcme.eu/en/our-work/media-literacy/report-media-literacy-sector-mapping-in-estonia-and-lithuania-and-the-policy-brief-with-media-literacy-towards-cognitive-resilience-2>

18. Daniel Flitton, "What Went Wrong? Taiwan Fails to Legalise Same-Sex Marriage," *The Interpreter*, December 13, 2018, <https://www.lowyinstitute.org/the-interpreter/what-went-wrong-taiwan-fails-legalise-same-sex-marriage>.

Their aim to weaken trust in democratic institutions is meant, in part, to provide opportunities for introducing autocratic practices.

Both also employ disinformation to discredit individuals who are perceived to threaten their agendas. Beijing has targeted many in Taiwan including President Tsai Ing-wen, allied diplomats, celebrities, journalists, and prominent supporters of the island's independence.¹⁹ Like Lithuanian authorities, the Taiwanese government works with civil society to combat this. Taipei has established several organizations to expose disinformation, including the Taiwan FactCheck Center, a collaborative venture between Taiwan Media Watch and the Association for Quality Journalism.

It May Only Get Worse

Hybrid threats, including information operations, are a part of the toolkit that autocratic countries deploy against democracies to achieve or facilitate their own policy objectives. This will not decrease in the future. It will, rather, probably intensify. The more Russia loses in its conventional war in Ukraine, the more it is likely to employ hybrid influence instruments in democracies. China will similarly expand its hybrid toolkit, with Taiwan as its primary target.

Taiwan and Lithuania will continue to face many similar challenges from their giant neighbors. But some differences will also persist. China will continue to leverage its economic power to maintain Taiwan's international isolation and to apply additional psychological pressure on its people. That is one concern Lithuania does not share, even if it deploys some of the same tools that Taiwan uses in their common struggle against hybrid operations.

Countering hostile influence operations requires context-specific solutions, but Lithuania and Taiwan

have opportunities to cooperate in two key ways, one proactive and one reactive. For the former, the two could collaborate and coordinate efforts to counter disinformation campaigns and promote positive, international narratives about each other. For the latter, the two can share experiences, best practices, and lessons learned in countering malign information and influence, including information on patterns of adversarial behavior.

As autocracies increasingly learn from each other, so should democracies.

19. Jean-Michel Cole, "Chinese Disinformation in Taiwan", *Taiwan Sentinel*, December 30, 2019. <https://sentinel.tw/chinese-disinformation-in-taiwan/>.

Next-Generation Perspectives on Taiwan

Planning for Recovery

Addressing Disaster Recovery Gaps in Taiwan

By David Mazzuca

Taiwan has established itself over the last quarter century as a global model in disaster response. The island has applied lessons learned from its own disaster experiences and those of peer countries to develop a government apparatus, under the Executive Yuan, that is well prepared to respond to catastrophic events. Yet, response is not the same as recovery, and there remains a gap in codifying policies to address disaster recovery planning and funding. Taiwan can overcome this and chart a course that establishes a permanent mechanism for disaster recovery by building on legislation such as the Disaster Prevention and Protection Act, or Disaster Act, that has created permanent mechanisms for preparedness and response.

Japan and the United States offer disaster recovery models for consideration, but neither has entirely codified pre-disaster recovery planning or established permanent funding for disaster reconstruction at the national level. As a unitary state, Taiwan is positioned to advance a top-down approach—as it has for disaster preparedness and response—that can streamline pre-disaster recovery planning and reconstruction funding across all 22 of its subnational jurisdictions. Legislatively mandating such planning and funding before the next major earthquake or typhoon would allow the Executive Yuan to work within a preset framework rather than seek to develop recovery policies posthaste after a disaster. Every catastrophe is different in scope and scale, but Taiwan's central and local governments need not be

in a position that creates ad hoc solutions for events that can be anticipated.

Lessons from Disaster Response Legislation

At 1:47am on September 21, 1999, an earthquake of moment magnitude 7.6 struck near Chi-Chi in central Taiwan.¹ Dubbed the “quake of the century”, the tremor killed more than 2,000 people, injured 9,000, damaged or destroyed more than 80,000 homes, and left 600,000 homeless. The central government's poor disaster response arguably resulted in the Kuomintang's first-ever presidential election loss and led the Legislative Yuan to pass the Disaster Act the following year.² The act codifies “a sound disaster prevention and protection system, enhancing its functions, and increasing the public's disaster prevention awareness and response capabilities”.³ The legislation outlines a regulatory framework, lines of authority, and types of financial assistance available following a disaster. Built on lessons learned from the Chi-Chi earthquake, it emphasizes disaster preparedness and response. The legislation also includes language on disaster recovery, but it is comparably less prescriptive and does not present a framework for pre-disaster recovery planning. It stipulates the formation of a reconstruction commission only after a disaster. In addition, the act authorizes expenditures for public infrastructure

1. Kuo-Fong Ma, Chyi-Tyi Lee, Yi-Ben Tsai, Tzay-Chyn Shin, and Jim Mori, “The Chi-Chi, Taiwan earthquake: Large surface displacements on an inland thrust fault”, *Eos*, Vol. 80, No. 50, December 14, 1999.

reconstruction but limits financial assistance for individuals and households to mortgage, loan, and credit card debt-reduction subsidies.⁴ There is no direct government funding available to support private housing reconstruction. NGOs, notably the quasi-governmental Taiwan Foundation for Disaster Relief, also known as the Disaster Relief Foundation, often fill this housing funding gap.⁵

Several disasters struck Taiwan in the decade following the Chi-Chi earthquake, but the central government did not seek to pass disaster recovery legislation until Typhoon Morakot made landfall in August 2009. The Category 1 typhoon triggered mudslides and catastrophic flooding across southern Taiwan over three days, killing nearly 500 people.⁶ Three weeks later, the Legislative Yuan passed the Special Act for Post-Typhoon Morakot Disaster Reconstruction, or Special Act. It stipulated the establishment, by the Executive Yuan, of a central government disaster reconstruction council “to be responsible for coordination, review, policymaking, implementation and supervision” of disaster reconstruction, and the development of a disaster reconstruction plan.⁷ In addition, local governments were to set up reconstruction implementation committees.

Like the Disaster Act, the Special Act stipulated the provision of financial assistance in the form of mortgage, loan, and credit card debt-reduction subsidies. Unlike the Disaster Act, though, the Special Act broadened the definition of disaster recovery to include social services, such as unemployment and mental health support, and economic recovery

assistance for businesses. As with the recovery from the Chi-Chi earthquake, NGOs provided financial assistance to individuals and households for private housing reconstruction, but the Special Act also allocated NT\$20,000 of central government funds and an additional NT\$20,000 from the Taiwan Foundation for Disaster Relief to households affected by flooding or other hazards caused by Typhoon Morakot.⁸ This was a single disbursement to a household and not tied to reconstruction of private housing. For public infrastructure reconstruction, the Special Act tapped the remaining fiscal year 2009 central government budget (government agencies prioritized disaster response and recovery with leftover funds) and a special budget of up to NT\$120 billion financed by government bonds. Central government funds also supported school reconstruction, as did the private sector and NGOs such as the Taiwan Red Cross.⁹

Taiwan has not experienced a disaster on the scale of Morakot in recent years, but another major earthquake or typhoon will ravage the island someday. Taiwan has a robust mechanism to respond to such calamities through the Disaster Act, but a framework for pre-disaster recovery planning and permanent reconstruction funding remains absent.

2. Yi-En Tso and David A. McEntire, “Emergency Management in Taiwan: Learning from Past and Current Experiences”, 2011.

3. *Disaster Prevention and Protection Act*, Ministry of the Interior, Republic of China (Taiwan), June 15, 2022. FEMA Training.gov

4. *Ibid.*

5. Author interview with National Science and Technology Center for Disaster Reduction Secretary General Wei-sen Li, February 24, 2023.

6. Anton Ming-Zhi Gao, “The Special Reconstruction Regime after Extreme Weather from the 2009 Morakot Typhoon in Taiwan”, *Carbon & Climate Law Review*, Vol. 9, No. 1, 2015.

7. *Special Act for Post-Typhoon Morakot Disaster Reconstruction*, Morakot Post-Disaster Reconstruction Council, Executive Yuan, June 8, 2011.

8. *Ibid.*

9. Email from National Science and Technology Center for Disaster Reduction Researcher Gloria Liu to the author, May 12, 2023.

Designing a Disaster Recovery Framework

Any reform of pre-disaster recovery planning and establishment of permanent reconstruction funding ought to build on existing legislation. The Disaster Act can serve as a template in two ways.

First, the Disaster Act’s mandate for creating disaster prevention and protection councils at the central and local government levels can be a model. These councils convene to develop central and local government disaster prevention and protection plans. Disaster recovery legislation should mandate the formation of disaster recovery councils at the central and local government levels and require them to develop disaster recovery plans. Taiwan’s local councils could then take inspiration from Japan’s machizukuri model of community-led disaster recovery, in which residents influence recovery planning at a municipal or neighborhood level, and solicit local feedback by having community members participate in developing pre-disaster recovery plans. Fostering an engaged public allows more effective government management of disaster recovery.

Second, the Disaster Act, as amended in 2010, stipulated the establishment of a central government Office of Disaster Management (and additional disaster management offices at the local government level); this provision could also offer guidance for disaster recovery. The central government office was created to manage interagency disaster preparedness and response.¹⁰ But different ministries and agencies have different regulations that would need to be coordinated as much during recovery as during response. Disaster recovery could be housed within the existing Office of Disaster Management, but it may behoove the central government to establish

a distinct disaster recovery agency, using Japan’s Reconstruction Agency as a model. Tokyo established this cabinet-level agency after the 2011 Great East Japan Earthquake to act as a “so-called ‘control tower’ of the recovery effort” and coordinate all reconstruction activities among different government agencies at the national level and among local governments.¹¹ Such a national recovery agency could serve Taiwan well given that reconstruction functions span multiple offices, from the Ministry of Interior to the Public Construction Commission.

As noted, Taiwan does not provide individuals and households with direct funding assistance for rebuilding housing damaged or destroyed in a disaster. This creates a potential gap in financing private reconstruction. A catastrophe could make existing Disaster Act assistance in the form of mortgage, loan, and credit card debt-reduction subsidies insufficient; even NGOs such as the Taiwan Foundation for Disaster Relief are unlikely to have the financial resources to support all those in need.¹² The Legislative Yuan has not addressed this situation, and no law exists to permit or prohibit using the national budget for private housing reconstruction.¹³ The Special Act’s model of direct funding could be replicated to overcome this deficiency, but NT\$20,000 is minimal and short of the amount needed for the complete reconstruction of a home. Should this situation persist, the central government will need to create a work-around distinct from the national budget to ensure sufficient funding. For this, the Community Development Block Grant Disaster Recovery (CDBG-DR) funding vehicle from the US Department of Housing and Urban Development—not

10. Chun-Yuan Lin, “Disaster Politic, Law and Insurance in Climate Change Era: The Case of Taiwan”, *Taiwan National Law Review*, 2022.

11. David Edgington, “‘Building back better’ along the Sanriku coast of Tohoku, Japan: five years after the ‘3/11’ disaster”, *Town Planning Review*, Vol. 88, Issue 6, 2017.

12. Author interview with National Taiwan University Professor Liang-Chun Chen and National Science and Technology Center for Disaster Reduction Researcher Gloria Liu, February 27, 2023.

13. Email from Liu to the author.

the Federal Emergency Management Agency—may inspire a solution.

Under CDBG-DR, the US government provides its state and local counterparts with block grant funding that they often use for providing households with grants or loans for private housing reconstruction. Taiwan could do the same, albeit by channeling funds to NGOs pre-selected by the central government's disaster recovery council. This would build on the precedents set by the Chi-Chi and Morakot models of private housing reconstruction that the Taiwan Foundation for Disaster Relief and other Taiwanese NGOs oversaw. The central government, however, would still need to ensure sufficient funding is available. A central government disaster recovery trust fund funded through annual contributions earmarked in the regular budget process is one way to provide a permanent funding source large enough to cover shortfalls that NGOs would likely have in the event of a disaster. The central government could also use this disaster recovery trust fund to fund public infrastructure reconstruction.

Be Prepared

The optimal time to plan for disaster recovery is before a disaster occurs. Disaster recovery reform in Taiwan would position the central and local governments, under the direction of disaster recovery councils, to swiftly begin a rebuilding process founded on a permanent funding mechanism. Taiwan can be innovative. The proposals in this article are not intended to be prescriptive, but they serve as contributions to ongoing conversations about a durable Taiwanese framework for disaster recovery.

A Taxing Issue

The United States and Taiwan Should Remove an Obstacle to Investment and Economic Growth

By Andrew Moore

After decades of discussion, a double-taxation agreement between the United States and Taiwan may finally be near. An accord would ease the tax burden that individuals, investors, and businesses active in both jurisdictions face and pave the way for an expanded bilateral economic partnership. The United States uses a widely accepted international treaty process that requires formal diplomatic relations to execute such agreements, and this has frustrated progress on tax issues even though Washington and Taipei have concluded many other agreements. The growing pressure of geopolitical and geo-economic developments, however, have raised taxation as a priority for the Taiwanese and made an agreement more likely than ever before.

US and Taiwanese individuals and companies have long dealt with unnecessarily high barriers to employment and investment while the issue of double taxation languished. Absent high-level engagement or a groundswell of public support, the US government was reticent to explore alternatives given the bureaucratic effort needed to align the executive and congressional branches and the fear of setting a precedent that could unintentionally shift the traditional roles played by Congress and the executive branch in establishing and overseeing tax agreements. But recently, Washington, Taipei and the media have raised awareness of double taxation's disincentive to investment. Taiwan Semiconductor Manufacturing Company's (TSMC) \$40 billion venture in Arizona, though, one of the largest foreign direct investments

in US history, may have been the biggest negotiation accelerant.¹

At the same time, a greater focus on US-Taiwan relations, brought about in part by increasing concern about rising tensions in the Taiwan Strait in the wake of Russia's invasion of Ukraine, has incentivized a record number of US lawmakers to visit the island.² And more regular bilateral trade and investment discussions have shined a light on barriers, including double taxation, to an expanding economic relationship. These have left Taiwanese companies lagging behind competitors in terms of investing in the United States. Sixty-six countries have tax agreements with the United States, including China and South Korea, home to TSMC's chief competitor, Samsung.³

Given this state of affairs, Taiwanese President Tsai Ing-wen and her administration have made taxation a priority issue, raising it with myriad visiting US officials including House Speaker Kevin McCarthy when she met him in California.⁴ At a congressional hearing

1. Emma Kinery, "TSMC to up Arizona investment to \$40 billion with second semiconductor chip plant", CNBC, December 6, 2022. <https://www.cnbc.com/2022/12/06/tsmc-to-up-arizona-investment-to-40-billion-with-second-semiconductor-chip-plant.html>

2. Sarah Zheng and Kari Soo Lindberg, "US Lawmaker Visits to Taiwan Hit Decade High, Irking China", Bloomberg, September 7, 2022. <https://www.bloomberg.com/news/articles/2022-09-07/more-us-lawmakers-visit-taiwan-as-shows-of-support-rise#xj4y7vzkg>

3. United States Internal Revenue Service, *United States Income Tax Treaties - A to Z*. <https://www.irs.gov/businesses/international-businesses/united-states-income-tax-treaties-a-to-z>

4. Jenny Leonard, Mackenzie Hawkins, and Laura Davison, "Taiwan Is Pushing Biden for a Tax Deal That Could Infuriate China", Bloomberg, March 29, 2023. <https://www.bloomberg.com/news/articles/2023-03-29/biden-risks-new-china-flashpoint-with-tax-deal-for-taiwan-firms#xj4y7vzkg>

this spring, US Treasury Secretary Janet Yellen called double taxation a “very significant problem”.⁵

While several paths to an agreement exist, the most straightforward would be a congressional-executive agreement, like that which facilitated passage of the North American Free Trade Agreement (NAFTA), the United States-Mexico-Canada Agreement (USMCA), and the Taiwan Relations Act. Taiwan’s ambiguous status precludes a traditional tax treaty, so the US government needs to be creative, which it has been many times before.

What’s the Holdup?

The United States signed its first international tax treaty nearly a century ago, and for at least 15 years groups such as the American Chamber of Commerce in Taiwan have called for such an agreement with Taiwan.⁶ Similar calls for a free trade agreement have gone unanswered, but progress has been made this year toward an alternative arrangement, the Initiative on 21st-Century Trade, raising expectations a tax agreement could be next.

At least three factors slowed progress on trade and taxation agreements until now. First, many competing priorities have always characterized the complex US-Taiwan relationship. A just-released 147-page Council on Foreign Relations report on US-Taiwan relations presented many recommendations but did not mention taxation.⁷ Second, no large or dedicated constituency has pushed to end double taxation. Multinational companies seeking to invest in either market just saw it as a cost of doing business, paying to establish shell companies and subsidiaries in jurisdictions with double-taxation agreements, such as Singapore, to circumvent the issue. Third, the atypical bilateral relationship, perhaps the greatest barrier, meant that no off-the-shelf solution could resolve the associated legal complications.

What’s Different Now?

In some ways, not much has changed. Taiwan and the United States have for several years had more bilateral trade than they have had with any other country without a double-taxation treaty. Taiwan has such agreements with many other states with which it lacks formal diplomatic relations, such as Canada, France, and even China.⁸ The island typically negotiates and manages such agreements through reciprocal, informal, nonprofit representative offices. For the United States, this is the American Institute in Taiwan (AIT), which has partnered with the Taiwan Economic and Cultural Representative Office (TECRO) and its predecessor many times, including to negotiate and sign agreements such as a 1988 transportation income-tax accord covering ships and aircraft.

What has changed is TSMC’s planned 2024 semiconductor factory opening, which has piqued interest in a double-taxation pact. The company has not advocated for an agreement, likely because it possesses the resources to cover double taxation, but many of its small- and medium-sized upstream and downstream partners do not. Those companies face a 30% withholding rate for repatriating profits. Conversely, under Taiwanese tax law, US companies pay a 21% tax on dividends, a 15% or 20% tax on interest, and a 20% tax on royalties. A tax agreement could lower these rates to 10%.⁹

5. Christopher Condon and Viktoria Dendrinou, “Yellen Pledges to Work on US-Taiwan Tax Issue Plaguing Business”, *Bloomberg Tax*, March 29, 2023. <https://news.bloombergtax.com/daily-tax-report/yellen-pledges-to-work-on-us-taiwan-tax-issue-plaguing-business>

6. American Chamber of Commerce in Taiwan, “Time for a US-Taiwan Tax Agreement”, April 18, 2023. <https://topics.amcham.com.tw/2023/04/time-for-a-u-s-taiwan-tax-agreement>

7. Susan M. Gordon, Michael G. Mullen, and David Sacks, “U.S.-Taiwan Relations in a New Era Responding to a More Assertive China”, *Independent Task Force Report No. 81*, Council on Foreign Relations, June 2023. <https://www.cfr.org/task-force-report/us-taiwan-relations-in-a-new-era>

8. Invest Taiwan, *Tax Treaties*. <https://investtaiwan.nat.gov.tw/showPage?lang=eng&se-arch=58>

9. Crystal Hsu, “Group Calls for Taiwan-US Tax Treaty”, *Taipei Times*, June 22, 2023. <https://www.taipeitimes.com/News/biz/archives/2023/06/22/2003801940>

The need to address taxation also now goes beyond economics. It has national security implications via supply chain risks in the semiconductor industry. In 2022, US Senators Ben Sasse and Chris Van Hollen introduced a resolution calling for a taxation agreement with Taiwan.¹⁰ The bill was reintroduced in March 2023, with a House companion bill introduced in May. The Senate Finance and House Ways and Means committees echoed the call that same month,¹¹ and Senators Bob Menendez and Jim Risch introduced the Taiwan Tax Agreement Act of 2023, which would formally authorize the executive branch to negotiate a double-taxation agreement and submit it to Congress for approval.¹²

What can be done?

The US government typically determines the best domestic pathway for an international agreement through the Circular 175 Procedure.¹³ This process lays out considerations for selecting that pathway among constitutionally authorized approaches, including “the preference of the Congress as to a particular type of agreement”; “the general international practice as to similar agreements”; and “whether the agreement can be given effect without the enactment of subsequent legislation”.¹⁴ Past practice and international convention has led the United States to pursue executive branch-initiated tax treaties based on provisions of the US Model Income Tax Convention.¹⁵ Taiwan, lacking a treaty option, has encouraged the US Treasury to consider a congressional-executive agreement, which becomes binding with a simple

majority vote of both houses of Congress, thereby eliminating the need for a two-thirds Senate majority necessary that a treaty requires.

The Treasury Department has thus far demurred to avoid setting an unintended precedent that could bear on questions of constitutional separation of powers or yield some of its responsibilities for managing these agreements, but there are ways around these concerns. The easiest may involve having Congress acknowledge an agreement with Taiwan as an exception given the unique nature of the bilateral relationship. The congressional interest in crafting an agreement may herald a willingness to work with the Treasury Department on treaty language to meet constitutional requirements. Such cooperation could lay out details including whether the agreement is self-executing.¹⁶

Other ways to conclude an accord may involve an executive agreement, the application of customary international law to US law,¹⁷ or splitting the agreement’s components into specific elements that Congress could add to the tax code, but all would likely face legal hurdles. The best path remains a congressional-executive agreement, which the executive could initiate and Congress could encourage through a concurrent resolution.

10. “Expressing the Sense of the Senate on the Value of a Tax Agreement with Taiwan” (US Senate Resolution CAN23093 JRV, 2022). https://www.vanhollen.senate.gov/imo/media/doc/taiwan_tax_resolution_van_hollen.pdf

11. US House Committee on Ways and Means, “Smith, Crapo, Neal, and Wyden Announce Bipartisan, Bicameral Effort to Extend Tax Preferences to Taiwan”, May 10, 2023. <https://waysandmeans.house.gov/neal-wyden-smith-and-crapo-announce-bipartisan-bicameral-effort-to-extend-tax-preferences-to-taiwan/>

12. Taiwan Tax Agreement Act of 2023 (US Senate Resolution DAV23816 H98, 2023). <https://www.foreign.senate.gov/imo/media/doc/dav23816.pdf>

13. Stephen P. Mulligan, “International Law and Agreements: Their Effect upon U.S. Law”, Congressional Research Service, September 19, 2018. <https://sgp.fas.org/crs/misc/RL32528.pdf>

14. US Department of State, Negotiation and Conclusion, 11 Foreign Affairs Manual 720, September 25, 2006. <https://fam.state.gov/fam/11fam/11fam0720.html>

15. United States Model Income Tax Convention, Updated 2016. https://home.treasury.gov/system/files/131/Treaty-US-Model-2016_1.pdf

16. Taiwan Tax Agreement Act of 2023 (US Senate Resolution DAV23816 H98, 2023). <https://www.foreign.senate.gov/imo/media/doc/dav23816.pdf>

17. Reuven Avi-Yonah, “Double Tax Treaties: An Introduction”, Social Science Research Network, December 3, 2007. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1048441

Worth the Wait

The benefits of a US-Taiwan tax deal are manifold and include bolstering national security and economic activity. The costs would be minimal, perhaps only the bureaucratic effort needed to prioritize breaking new ground on a new form of tax agreement. Without revising existing laws, Taiwanese companies pay more than half their US profits in taxes. Fixing those laws would encourage drop shipping from Taiwanese manufacturers direct to US customers, allowing companies to avoid holding extensive inventory and ship directly from supplier to consumer, shorten supply chains and reduce working capital requirements.¹⁸ A tax agreement would also create jobs, minimize economic distortions from base erosion and profit shifting, reduce treaty shopping and tax evasion, and improve transparency, information sharing, and tax harmonization. It would deepen bilateral economic ties, building resilient supply chains, and bolster Taiwan as a democratic partner.

Thirty-four countries have reached tax agreements with Taiwan, including Japan in 2015 and Poland in 2016,¹⁹ bringing economic benefits.²⁰ Tax treaties may require time and effort,²¹ but Taiwan and the United States, with creative thinking and political support, should seize the opportunity for one.

18. American Chamber of Commerce in Taiwan, *2023 Taiwan White Paper*, 2023. <https://amcham.com.tw/2023/06/2023-taiwan-white-paper-overview>

19. Invest Taiwan, *Tax Treaties*. <https://investtaiwan.nat.gov.tw/showPage?lang=eng&search=58>

20. H. David Rosenbloom and Stanley Langbein, "United States Tax Treaty Policy: An Overview", *Columbia Journal of Transnational Law*, 19:359, 1981, pp. 359-406. <https://core.ac.uk/download/pdf/227287027.pdf>

21. The US-Chile Tax Treaty was originally signed in 2010 and now looks to pass this summer. See <https://news.bloombergtax.com/daily-tax-report/chile-tax-treaty-lined-up-for-vote-in-us-senate-next-week>

Strong Substance, Low Profile

The EU Can Support Taiwanese Security Through Deepening Economic Engagement

By Max Neugebauer

The need to strengthen the status quo in the Taiwan Strait and maintain regional peace and stability is evident, but this geopolitical goal would be more easily achieved if the EU and its member states became more proactive in developing ties with Taipei. The bloc, however, has limited capacity to assist in terms of hard security. Rather, it can play a crucial role in improving Taiwan's security through economic links.

The broad rationale for deepening the EU's long-standing and comprehensive economic partnership with Taiwan is that it serves Europe's own security interests. As Taiwan has developed extensive economic ties with China, Beijing gains significant economic leverage over Taiwan, the ability to coerce it, and influence to alter the status quo. It will be less costly, politically and economically, to contribute to Taiwan's security and cross-strait stability now, by supporting Taiwanese efforts to achieve economic diversification and reduced dependency on China, and overcome Beijing's strategy to isolate Taiwan internationally, than to respond to a crisis. The Chinese government is likely to retaliate against such measures, but inaction also has costs for the island and for cross-strait relations, and, therefore, also for the EU.

The State of Play

EU-Taiwan engagements have surged since 2021 alongside a consensus in Europe that the EU should enhance relations with "like-minded" partners.¹ But the momentum has yet to yield tangible results.

The bloc has upgraded its non-binding Trade and Investment Dialogue with Taiwan, which includes four sectoral working groups, to the level of minister and director-general, though Taipei is growing frustrated over the lack of concrete progress made in these meetings. One reason for the slow pace is that the momentum for expanding EU-Taiwan relations is not shared equally across EU institutions. The European Commission, unlike the European Parliament, does not see the benefit of a bilateral investment agreement (BIA) with Taiwan as European companies already enjoy a high level of investment protection there. An economic assessment even led the head of the Commission's unit for China and Taiwan trade to state that a BIA "is currently not [in] the cards because we don't see the need to change the situation".²

Another crucial reason for the EU's hesitancy to push for a more comprehensive, high-level agreement with Taiwan is fear of potential Chinese retaliation, but the EU should not let this lead to paralysis. Regional peace and stability in the Taiwan Strait remain the bloc's primary objectives there, and maintaining the status quo does not imply inaction. On the contrary, it requires significant risk-management efforts, especially when China appears determined to alter the status quo through coercion. The EU must not let Beijing limit international engagement with Taiwan by dictating the parameters of economic agreements with the island. Taiwan is a full member of the World

1. European Union, *A Strategic Compass for Security and Defence*, March 24, 2022.

2. Finbarr Bermingham, "EU tells Taiwan to forget about a bilateral investment pact even as bloc seeks more chips", *South China Morning Post*, March 11, 2023.

Next-Generation Perspectives on Taiwan

Trade Organization (WTO) and has full rights to sign treaties.³ It has already done so with New Zealand and Singapore, among others. In fact, China itself has set a precedent by signing an Economic Cooperation Framework Agreement with Taiwan (although it views this as an internal issue that does not involve the WTO). Taiwan has the right to trade as freely as China does, and new agreements will not change the EU's "One China" policy. As the EU has rightly stated, it is for the bloc itself to decide what its "One China" policy entails.⁴

China would likely react strongly and accuse the EU and its member states of deviating from this policy if Brussels were to sign new economic agreements with Taipei, but the bloc can manage this risk that is worth taking. EU-China economic dependence is, after all, mutual. The former has significant leverage that could deter retaliation by the latter. In the context of deteriorating US-China relations and domestic economic challenges, China has much to lose if its relations with the EU worsen. Beijing is unlikely to cut off trade completely, and the EU can manage the risk by explaining its approach before it acts. China is also less likely to retaliate significantly if the EU reverts to economic agreements that are less political and visible than a BIA or free trade agreement (FTA). Ambitious and concrete sectoral agreements can suffice.

There is much room for EU-Taiwan links to grow. The bloc ranks second in foreign direct investment (FDI) in Taiwan, accounting for 18.4% of total 2021 inflows, but it plays a marginal role in total Taiwanese outbound investment, accounting for only 5.7% in that same year. The EU held only 2.2% of Taiwan's worldwide FDI stock at the end of 2021.⁵

For the EU, enhancing economic ties with Taiwan would also signal that it is abiding by its commitment to deepen its connections to like-minded countries

and contributing to stability in the region while addressing some of its own economic and security issues. Taiwan is an ideal partner for the EU since closer economic links could help attract more investment in Europe by technology firms, especially in the advanced semiconductor industry, thereby strengthening the bloc's critical supply chain resilience.

Policy Recommendations

If the war in Ukraine has taught Europe anything, it is that self-restraint comes with costs. Europe must be more proactive in safeguarding its security interests, which include stability and security for a Taiwan linked to the rest of the world through, above all, economic integration into the international system.

Given the European Commission's and certain member states' likely opposition to high-profile political agreements with Taiwan that would antagonize China, the EU's best course of action is pursuing more flexible, low-profile bilateral agreements that include some benefits of a BIA or FTA without the attendant political headache. The bloc could, for instance, launch an investment and trade initiative similar to the US-Taiwan Initiative on 21st-Century Trade, which covers negotiations on 11 areas of trade.⁶ In an initiative of this kind, the EU could prioritize substance over symbolism by developing concrete and creative ways to deepen economic ties.

3. Under the nomenclature *Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)*

4. Bermingham, "EU tells Taiwan to forget about a bilateral investment pact".

5. European Economic and Trade Office in Taiwan, "EU-Taiwan Relations", 2022.

6. Bonnie S. Glaser, "Transcript of European Parliament, Committee on Foreign Affairs. Situation in the Taiwan Strait", March 22, 2023.

Focusing on priorities similar to those of the US-Taiwan initiative, with concrete goals and time frames for each round of negotiations, could provide a path. These negotiations, which should be made binding, should aim for an early round of quick wins in areas of mutual interest. This could be a move away from comprehensive and high-level dialogue that covers a broad list of subjects but tends, according to high-level officials at Taiwan's Ministry of Economic Affairs speaking about their bilateral talks with the EU, to be scripted and achieve only limited concrete results.

Agreements could cover topics such as trade and investment facilitation, regulatory practices, removal of discriminatory barriers, robust labor and environmental standards, and issues related to non-market policies and practices. The parties should pay particular attention to creating opportunities for Taiwanese companies to invest in the EU by encouraging greater market access through simplifying and harmonizing customs procedures and facilitating financial cooperation for cross-border investments.

Such agreements could also include provisions on science and technology cooperation that would foster joint research and development projects, and promote collaboration on energy and environmental policies, in part by encouraging investment in renewable energy infrastructure. These complementary bilateral accords and initiatives could then serve as roadmaps for negotiating more comprehensive economic agreements, such as BIAs, should the European Commission and member states develop the political will to pursue them.

Fears of damaging EU-China relations should not hold hostage opportunities for stronger economic engagement with Taiwan. EU member states, such as the Czech Republic, Slovakia, and Lithuania are

already establishing closer ties with the island. But in doing so bilaterally, they remain vulnerable to Chinese diplomatic and economic coercion. A more ambitious EU-wide approach to raise economic engagement would provide cover for countries and make it more difficult for China to pressure them individually. China has already showed its willingness to cut trade ties with Lithuania, but it would be reluctant to punish the EU as a whole. The more forward-leaning member states, in particular those in Central and Eastern Europe, should push within the EU for stronger economic ties with Taiwan, even if such action must be balanced by assurances to China that deepening bilateral economic engagement does not deviate from the current "One China" policy and instead aims to strengthen the status quo in the Taiwan Strait.

Next-Generation Perspectives on Taiwan

In It Together

Taiwan's and Japan's Security Are Linked

By Giulio Pugliese

In recent years, Japan has worked in lockstep with the United States and other like-minded players to enlarge Taiwan's international presence. They have done so through diplomacy, including public diplomacy, by allowing for Taiwan's participation in multilateral forums and by highlighting the importance of peace and stability across the Taiwan Strait, most recently at the G7 summit in May in Hiroshima. In addition to deep historical ties, shared democratic values, and sustained people-to-people contacts, Taiwan and Japan also benefit from strong economic links. Taiwan is Japan's third-largest trading partner, following only China and the United States. The island is also Japan's most important semiconductor supplier by a wide margin.

Despite these links, a rapidly shifting regional military balance tilts in China's favor across the Taiwan Strait. This has resulted in more assertive action by Beijing and, consequently, a previously unthinkable vocal stance from Tokyo, albeit one within the confines of its official "One China" policy. Given that this policy includes a tacit agreement from 1972 according to which "Taiwan is the territory of the People's Republic of China and the liberation of Taiwan is a domestic issue for China," Japan has clearly demonstrated flexibility in its implementation.¹ According to a key diplomat, who was behind the 1972 negotiations to normalize diplomatic relations with China, the principle spelled out in the bilateral agreement ceases to exist when force is used on Japan's doorstep.²

From a strategic standpoint, Japan and the United States benefit from preserving the regional status quo because it contains China's advancement into the seas around the first island chain and facilitates the tracking of Chinese military assets, including intercontinental ballistic missiles, ships, and submarines, venturing beyond those waters.³ In fact, Japan has been discreetly overhauling its security regime, military doctrine, and force posture to preserve the military balance of power and deter Chinese aggression. Recent strategic documents and joint statements by Japan and the United States suggest that the transpacific allies are also working in lockstep to keep the status quo across the Taiwan Strait.

1. "Tacit Agreement between the Government of the People's Republic of China and the Government of Japan", Wilson Center Digital Archive 2001-42, Act on Access to Information Held by Administrative Organs, September 1972. Also available at the Diplomatic Archives of the Ministry of Foreign Affairs of Japan. Obtained by Yutaka Kanda and translated by Ryo C. Kato. I am indebted to Jeffrey Hornung of RAND for this important detail. <https://digitalarchive.wilsoncenter.org/document/121236>

2. Kuriyama Takakazu, "Nicchū kokkō seijōka" (Sino-Japanese Normalization of Diplomatic Relations), Waseda Hōgaku Gakushi, Vol.74 (4-1), 1999, pp. 45-50; Matsuda Yasuhiro, "Taiwan Fakutā: akujunkan no kōzō-ka", in Takahara Akio, Sonoda Shigeto, Marukawa Tomoo, and Kawashima Shin [eds.], *Nicchū kankei 2001-2022*, Tokyo Daigaku Shuppansha, 2023, pp. 181-200.

3. Morimoto Satoshi and Ohara Bonji (eds.), *Taiwan yūji no shinario (Taiwan Crisis Scenarios)*, Minerva Shobō, 2022, pp.i-vi.

Legal and Strategic Revolutions

Japan's recent decision to post a defense ministry official on active duty and a retired military officer to Japan's representation office in Taipei (the Japan-Taiwan Exchange Association) suggests more preparation for contingency planning, including liaising with US counterparts.⁴ However, this move may not necessarily mean that Japan is beefing up direct military and intelligence assistance to Taiwan. The consensus among scholars and practitioners is that Japan is effectively preoccupied with its own security, for instance by preparing for potential evacuation of its citizens from the island or by protecting Japanese territories close to Taiwan.⁵ Yet Taiwanese and Japanese security are indirectly linked as evidenced by the little-understood legal framework and recent tactical moves of the US-Japanese alliance.

In 2014, the Japanese government under Prime Minister Shinzo Abe initiated, via executive fiat, a reinterpretation of the constitution to allow for exercising the right of collective self-defense (CSD) or for military responses to support "a foreign country that is in a close relationship to Japan" that comes under attack. This definition permits CSD with regard to the United States and other like-minded states, such as Australia and European countries (and possibly even semi-sovereign states such as Taiwan, according to remarks during Diet interpellations in 2015 by then-Foreign Minister Fumio Kishida).⁶ At the same time, the 2014 cabinet decision linked the country's self-defense to constitutional rights to individual dignity and to public welfare. It did so to expand what constitutes "Japan's survival" by stating that "self-defense measures are only intended to deal with the urgent and unjust situation in which people's right to life, liberty and the pursuit of happiness will be/may be completely overthrown by an armed attack

by a foreign country, and to protect these rights of the people."⁷

Similar considerations would also apply if friendly countries came under an attack that impacted "Japan's survival" as broadly defined above. Key bureaucrats working for the Abe cabinet and national security secretariat later introduced such language in peace and security legislation, which the Diet approved in 2015.

The Japanese government's preference for rhetorical understatement and a lack of vigorous debate in the Diet have obfuscated actual policy change. Indeed, if US forces were to intervene after a Chinese attack on Taiwan, Japanese decision-makers could invoke a "survival threatening situation" to dispatch military assets in defense of US forces and, unless the attacker desists by sparing Japan's Self-Defense Forces (JSDF), enter a conflict against China. Under the same legislation, but in less dire situations defined as "situations that have an important influence" on Japan's peace and security, the JSDF may instead provide rear area support closer to its shores. This includes the provision of weapons, ammunition, fuel, and, possibly, search and rescue operations.

At the same time, given substantial US forward deployment in Japan and the importance of access to US and Japanese military and civilian facilities, the difference between the two scenarios in a US-China

4. Tetsuo Kotani, *Japan to Upgrade Defense Ties with Taipei by Dispatching a MOD Official*, *The Prospect Foundation*, August 4, 2022.

5. Adam P. Liff, "Japan, Taiwan, and the 'One China' Framework after 50 Years", *The China Quarterly*, Vol. 252, pp.1066-1093.

6. Kutsunegi Kazuhito, 集団的自衛権の行使容認をめぐる国会論議 (*The Diet Debate on the Authorization to Exercise Collective Self-Defense*), 立法と調査, December 2015, No. 372, pp. 31-46. https://www.sangiin.go.jp/japanese/annai/chousa/rippou_chousa/backnumber/2015pdf/20151214031.pdf

7. 国の存立を全うし、国民を守るための切れ目のない安全保障法制の整備について (*The Development of a Seamless Security Law System to Ensure the Nation's Existence and Protect its People*), Cabinet Office of Japan, July 1, 2014 (translation by the author). <https://www.cas.go.jp/jp/gaiyou/jimu/pdf/anpohosei.pdf>

confrontation is likely irrelevant. Japan would almost certainly become a target (especially Okinawa) and, therefore, a belligerent either way. Tokyo could deny support to US forces, but that would end its alliance with Washington and favor Chinese irredentism.

This is highly unlikely, especially in the short to medium term. In fact, a well-attended exercise organized by a Japanese think tank suggested that the government would, despite some hesitancy, invoke a “survival threatening scenario”.⁸ This demonstrates why the Abe administration’s legacy on Japan’s security policy ought to be considered transformational. Without the constitutional reinterpretation and accompanying legislation, Japan would lack the legal ability to use its weight, military or not, in US-led deterrence in a Taiwan contingency.

The Kishida government has built on its predecessors’ legacy. Recent major developments in force posture and, potentially, military doctrine confirm the linkage between Japanese and Taiwanese security. Since its 2010 National Defense Policy Guidelines, Japan has revamped its military force posture in its southwestern Ryukyu islands of Okinawa prefecture by establishing an amphibious rapid deployment brigade; deploying radars and short- and mid-range missile units, and ballistic missile defense (BMD) at sea; and introducing anti-submarine warfare. Given the proximity of the Okinawan islands to Taiwan and the inability of Japan’s BMD system to cope with China’s missile capabilities, the government is bolstering the defense of the remote islands with stand-off capabilities. Tokyo is also improving surface-to-ship guided missiles already deployed on Okinawa by expanding their reach fivefold, to 620 miles, introducing long-range cruise missiles, and developing hypersonic glide missiles.⁹ These moves were spelled out in three Kishida government strategic documents, finally unveiled in December 2022.¹⁰ The Abe government’s earlier security reforms, however, paved

the way for offensive strike capabilities and increases in Japan’s military budget.¹¹

Endowing Japan with offensive strike capabilities is premised on the assumption that having the option to go on the offensive “will complicate the opponent’s tactical and strategic calculations”.¹² More simply put, Japan will enhance its options for engaging in retaliatory operations against the territory of another nation and targeting enemy bases, including command and control centers. These capabilities could be punishment- and denial-focused, and weapons such as the extended-range Type-12 can be valuable for offensive operations in foreign territory and “defending in depth” by threatening, from a variety of launch points, Chinese ships operating around Okinawa or Taiwan, or forces landing on smaller islands in the East China Sea, such as the Senkaku Islands. Thus, Japan’s strategy in some way resembles China’s own Anti-Access/Area Denial (A2/AD).¹³ And while Japan’s emerging capabilities are chiefly designed for homeland defense, its stand-off capabilities will clearly be useful in a Taiwan contingency.

8. 台湾有事に備えは十分か 政治家に覚悟迫る演習 (Are We Prepared for a Taiwan Contingency? [Table-Top] Exercises Test Politicians’ Readiness), *Nihon Keizai Shinbun*, September 9, 2022; Iwata Kiyofumi, Takei Motohisa, Ōe Sadamasa, and Kanehara Nobukatsu, *Kimitachi Chūgoku ni kateru no ka*, *Sankei Shinbun shuppan*, 2023.

9. Brad Lendon, *Japan to develop long-range missiles as tensions with China rise*, *CNN*, April 12, 2023. <https://edition.cnn.com/2023/04/12/asia/japan-hypersonic-missiles-intl-hnk-ml/index.html>

10. Corey Wallace and Giulio Pugliese, “Japan 2022: Putin and Abe Shocks Thwart Kishida’s Enjoyment of Three Golden Years Despite Major Defence Overhaul”, *Asia Maior*, XXXIII, 2023. The author is indebted to Corey Wallace for many thoughtful insights.

11. Giulio Pugliese and Sebastian Maslow, “Japan 2019: Inaugurating a New Era?”, *Asia Maior*, XXX, 2020, pp. 125-62.

12. Defense Minister Hamada statement during a press briefing, December 20, 2022. <https://www.mod.go.jp/j/press/kisha/2022/1220a.html>

13. But with the appropriate caveats between the two A2/ADs: China has short- to long-range ballistic missiles along with a growing number of nuclear warheads (although Beijing abides by a “no first use” policy). Japan has neither ballistic missiles nor nuclear warheads.

Finally, Japan's linkage of its own security with Taiwan's is evident in US-Japan alliance developments. On January 11, 2023, the US-Japan "2+2" meeting of foreign and defense ministers was held in Washington. Both governments announced that "the 12th Marine Regiment would be reorganized into the 12th Marine Littoral Regiment by 2025", a move aimed at "strengthen[ing] Alliance deterrence and response capabilities by positioning more versatile, resilient, and mobile forces with increased intelligence, surveillance, and reconnaissance, anti-ship, and transportation capabilities".¹⁴

This initiative dovetails with the expansion of the US-Philippines Enhanced Defense Cooperation Agreement to allow for four new American bases in key spots across the first island chain and, possibly, with the rotation of US military assets through bases in Australia, while inviting Japan to participate in "force postures initiatives in Australia".¹⁵ Effectively, the Marine Littoral Regiment (MLR), made up of 1,800-2,000 servicemen, will split into smaller teams of 50-100 soldiers to allow for intelligence, surveillance, and reconnaissance (ISR) of Chinese activities across the East and South China seas by deploying unmanned surface, underwater, and aerial vehicles.¹⁶ In a contingency, these US amphibious teams on Japanese and Philippine territory may distribute maritime operations (i.e., disperse lethal forces) through anti-ship missiles and low-altitude defense systems, all while, theoretically, hopping from island to island every 48 to 72 hours to avoid Chinese attacks and while continuing to conduct ISR and fight.¹⁷ These so-called "stand-in forces", which

must rely on Japanese military and civilian facilities, may well disrupt an eventual Chinese blockade or amphibious landing on Taiwan. Such capabilities also contribute to the US concept of integrated deterrence by their working in tandem with American and other allied forces that must operate beyond the first and second island chain due to threats posed by China's aircraft carrier and "Guam killer" ballistic missiles. These capabilities further demonstrate that the Japanese government has gone to great lengths to integrate its own security into deterring a kinetic attack across the Taiwan Strait. This is underappreciated by the literature on Japan's recent moves, as are analyses that focus on the long-term view of post-Cold War Japan's security trajectory. These takes are misplaced because they fail to appreciate the quiet yet transformational expansion of Japan's security architecture.

Increasing Deterrence and Reassurance

Japan's recent steps to heighten its security are pathbreaking and important, but more can be done to enhance deterrence and promote regional stability. This includes:

- o Streamlining Japanese legislation to clarify actions the central government and the United States can take in peacetime and wartime. This includes obtaining necessary local permission to use civilian facilities, such as Shimoji-shima airport on Miyako Island.¹⁸

14. Joint Statement of the Security Consultative Committee (2+2), January 11, 2023. <https://jp.usembassy.gov/joint-statement-security-consultative-committee-2plus2/>

15. Aaron-Matthew Lariosa, "New Philippine Basing Access Strengthens U.S. Marine, Navy Plans", *Naval News*, February 9, 2023. <https://www.navalnews.com/naval-news/2023/02/new-philippine-basing-access-strengthens-u-s-marine-navy-plans/>; Joint Statement on Australia-U.S. Ministerial Consultations (AUSMIN) 2022, December 6 2022, <https://www.state.gov/joint-statement-on-australia-u-s-ministerial-consultations-ausmin-2022/>

16. Iwata Kiyomi, Takei Motohisa, Ôe Sadamasa, and Kanehara Nobukatsu, *Kimitachi Chûgoku ni kateru no ka*, *Sankei Shinbun shuppan*, 2023, pp. 89-91.

17. *Ibid.*

18. 周辺事態安全確保法第9条の解説 主要修正点 (Major Revision Points of Art. 9 of the Act on Measures to Ensure the Peace and Security of Japan in Perilous Situations in Areas Surrounding Japan), March 28, 2016. https://www.cas.go.jp/jp/siryou/pdf/h280328_tais-houhyou.pdf; 覚書より地位協定「優先」 県、下地島空港使用で県議会 議会一般質問 (SOFA Gets Precedence Ahead of the MoU—An Interpellation at the Prefectural Assembly Over the Use of Shimoji-shima Airport), *Okinawa Times Plus*, February 28, 2023. www.okinawatimes.co.jp/articles/-/1110603

- o Allowing for broader legislative flexibility to evacuate Japanese citizens from Taiwan and some of the Ryukyu islands ahead of potential conflict. Recent public table-top exercises suggest that older legislation does not fully authorize some of these emergency evacuations.
- o Mobilizing Japan's Coast Guard (JCG) to fill vacuums left by the JSDF domestically (e.g., in northern Japan) when JSDF forces engage in any military crisis with China. This will require regulatory changes and, perhaps, an upgrading of the JCG's resources, including sensors, armor, and weapons.
- o Enhancing communication with Taipei to better coordinate in case of a contingency.
- o Sharing intelligence on maritime domain awareness in the East and South China seas through, among other channels, the Indo-Pacific Maritime Domain Awareness Initiative and, indirectly, via the United States. This would give Japan a key advantage over China and may allow for quiet intelligence sharing with Taiwan.
- o Permitting more joint military exercises in the Pacific and more presence by like-minded players. This will foster the rules-based international order (e.g., if they engage in transiting the Taiwan Strait). Japan can help indirectly by facilitating the military presence of actors from outside the region through reciprocal access agreements and acquisition and cross-servicing agreements.
- o Forging links with other actors for potential evacuation of their citizens (the Hiroshima Accord between the United Kingdom and Japan hints at this).
- o Engaging in strategic communications, in part by collaborating with NATO and the EU. Information aimed at deflating and confronting Chinese cognitive warfare can enhance Taiwan's security.
- o Increasing, in cooperation with the United States, the frequency of military exercises involving

the MLR and amphibious operations scenarios with real-world implications. This is especially important given China's aircraft carrier and "Guam killer" ballistic missiles. Many current military exercises involve formulaic military signaling/presence operations that would mean little in an actual war (e.g., dispatching aircraft and helicopter carriers in the South China Sea).

- o Providing reassurances to Beijing that all interested parties abide by a "One China" policy, for instance by avoiding diplomatic and political measures that give the impression to the contrary,¹⁹ and by continuing to hold security dialogues and establish confidence-building mechanisms with China. A good example of the latter is the recently established bilateral military hotline.

19. According to interviews conducted by the author, Japan's position as presented in a recent G7 foreign ministers' statement was the toughest in openly questioning the applicability (or not) of the members' "respective 'One China' policy". G7 Foreign Ministers' Statement on Preserving Peace and Stability Across the Taiwan Strait, August 3, 2022. https://www.eeas.europa.eu/eeas/g7-foreign-ministers%E2%80%99-statement-preserving-peace-and-stability-across-taiwan-strait_en

Next-Generation Perspectives on Taiwan

The Dalai Lama Conundrum

Prospects for Taiwan-Tibet Relations

By Anna Sawerthal

When President Lee Teng-hui invited the Dalai Lama to Taiwan in the 1990s, the Buddhist monk from Tibet was hesitant. For nearly four decades, since his flight to India in 1959, the Dalai Lama had not stepped on soil ruled by a Chinese government. But his older brother, Gyalo Thondup, together with his son Khedroob, who facilitated the visit, reassured him: If you are successful in Taiwan, you will be successful in China.

Indeed, the Taiwanese welcomed the Dalai Lama warmly and he saw “how robust democracy was” and “recognized Taiwanese as a separate entity to Chinese”, as his two relatives remember.¹ From a Tibetan point of view, this viewpoint was crucial. The Kuomintang-government under Chiang Kai-shek settled constitutionally, that Tibet is part of China (in this case the Republic of China). For decades, this made for an uneasy relationship—even in the face of a common enemy, the Chinese Communist Party (CCP).

Inviting the Dalai Lama made sense to President Lee. In 1996, Lee had won the first direct popular presidential election in Taiwan, after decades of Chiang’s dictatorship, in a post-1989 world in which Tibet and the Dalai Lama received overwhelming global adoration. The visit took place in 1997, shortly after the third Taiwan Strait crisis, at a time when the island was keen on showing more assertiveness toward the CCP government.

But inviting the Dalai Lama also came with a trail of problems. Representing a contested political entity, His Holiness’ international travels have always been controversial. Until 2011, the Dalai Lama headed an institution of spiritual and political leadership that dates back to the mid-17th century. In 1959, the 14th Dalai Lama fled his homeland after the People’s Liberation Army of the newly formed People’s Republic of China had invaded Tibet. While Chiang Kai-shek was driven to Taiwan and established the Republic of China there, Tibet was incorporated into the People’s Republic. The Dalai Lama set up an exile government in India, today’s Central Tibetan Administration (CTA).

From early on, the Dalai Lama started a process of democratization of his own government that culminated in his resignation from all political functions in 2011.² In realpolitik, he nonetheless remains an important political figure whose actions Beijing closely watches. Wherever the Dalai Lama goes, Beijing is sure to make a note of protest. The CCP calls the Dalai Lama a separatist, even though His Holiness does not demand independence, but rather insists only on genuine autonomy within the framework of the People’s Republic.³

1. Khedroob Thondup, “*Taiwan must stand up for itself*”, *Taipei Times*, February 1, 2023.

2. A.Y., “*The Dalai Lama resigns: So long, farewell!*”, *The Economist*, March 11, 2011.

3. The Office of His Holiness the Dalai Lama, “*His Holiness’s Middle Way Approach For Resolving the Issue of Tibet*”.

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Leaders in Beijing are also closely watching which foreign political representatives visit Taiwan. In their eyes, Taiwan is a renegade island that must be reunified with mainland China, by force if necessary. While the CCP government does not govern the island, from its perspective, Taiwan, like Tibet, is part of China. Therefore, any high-level visits by foreign officials or lawmakers are frowned upon, as they underline the reality of a self-governed island or—even worse—signal possible trends toward an independent Taiwan. Particularly problematic in this regard are visits by US officials and members of Congress since the United States remains the de facto protecting power of the island. When then-Speaker of the House of Representatives Nancy Pelosi visited Taiwan in August 2022, Beijing protested with the fiercest military drills ever conducted around the island.⁴

When the Dalai Lama visits Taiwan, CCP leadership is on high alert. This is true regardless of whether the spiritual leader arrives via an invitation from an NGO or a religious organization, or in more official terms. So far, the Dalai Lama has visited Taiwan three times, in 1997,⁵ in 2001,⁶ and in 2009.⁷ For each visit, there were certain political configurations that made such a delicate visit feasible for both parties concerned. In 1997, after the third Taiwan Strait crisis, rapprochement between the Tibetan exile government and Taiwan was welcomed and even led to the establishment of the “Office of Tibet in Taiwan”, a branch office of the CTA.⁸ Officially, a Buddhist organization invited His Holiness, who met with President Lee.

In 2001, Taiwan’s first Democratic Progressive Party (DPP) president, Chen Shui-bian, built on the newly established ties and approved a visit facilitated again by a Buddhist organization. Chen welcomed the

Dalai Lama in the presidential palace. In 2009, the Dalai Lama came again to pray for victims of the deadly typhoon Morakot, on the invitation of local governments in the storm-hit region in the south of the island.⁹ Just one year earlier, Kuomintang President Ma Ying-jeou had declined to host the Dalai Lama. When he approved a visit in the wake of the natural disaster, he was careful not to meet with His Holiness, however. Importantly, there were also times when a visit was considered but not realized to avoid angering Beijing.

When DPP candidate Tsai Ing-wen won the 2016 presidential election, hopes of closer ties have once again surged. But the Dalai Lama has not visited the island again so far. Tsai, who now is in her last year of her second term, has shied away from hosting him. The fact that a Taiwanese administration that has been tough on China has been unwilling to invite the Dalai Lama underscores the complexity of Taiwan’s politics. Taiwan needs to carefully weigh its genuine sympathy toward the Tibetans’ struggle against its own vulnerable position vis-à-vis Beijing.

Today, neither politicians of the DPP ruling party nor of the Kuomintang opposition are willing to take the risk of inviting the Dalai Lama to visit Taiwan. While all sides are quick to emphasize their respect for His Holiness, they underline the implied risks for cross-Strait stability, when there is little or nothing to gain. Kuomintang politicians have a comparably easier history to build on when rejecting ideas of a possible invitation. DPP politicians find themselves in a conundrum when it comes to the Dalai Lama, on one hand promoting democratic ideas, human rights, and the striving for self-determination—all themes that resonate loudly with the Tibetan case. But, ironically precisely because the party follows a more distant course towards Beijing, DPP leaders weigh possible

4. Yimou Lee and Sarah Wu: “Pelosi arrives in Taiwan vowing U.S. commitment; China enraged”, Reuters, August 3, 2022.

5. “Taiwan silent on expected meetings with Dalai Lama”, Reuters, March 25, 1997.

6. “Dalai Lama visit tests Taiwan-China relations”, CNN, March 31, 2001.

7. The Office of His Holiness the Dalai Lama, “Dalai Lama Wraps Up Sensitive Taiwan Visit”, September 4, 2009.

8. Dolma Tsering, “Is there hope for Taiwan-Tibet relations?”, East Asia Forum, November 29, 2021.

9. “Dalai Lama arrives in Taiwan after China’s protest”, Reuters, August 30, 2009.

risks of a Dalai Lama visit even more carefully against possible gains. They are thus relieved to know that the Dalai Lama himself is aware of the risks and will not push for a visit. Therefore, prospects for a visit remain dim, no matter which party wins the next presidential election in January 2024. This remains a source of frustration for many Tibetans living in Taiwan.

The situation of Tibetans living in Taiwan is unique. Due to a lack of Taiwanese refugee laws, their status is obscure. It is not known how many Tibetans are based on the island. The early arrivals, who took advantage of incentives by the Chiang regime to support his fight against the CCP, more or less assimilated to predominantly Han Chinese life, revealing few distinct cultural markers such as language.

Only after the Dalai Lama's first visit to Taiwan did more new-generation Tibetans, born and raised in Indian exile, arrive in Taiwan, bringing with them more articulated ideas on the Tibet issue. Some Tibetans believe that Mandarin-speaking Taiwan provides unique opportunities for Tibetans to be heard and seen in China. Others use Taiwan as an entry point to the People's Republic to visit their families. For this reason, many Tibetans in Taiwan keep a low profile. They want to avoid attracting negative attention in Beijing and to continue using Taiwan as access point to a lost home.

Overall, Tibetans in Taiwan need to carefully navigate their unresolved status, searching for the fine line between having their voices heard in China versus safeguarding their own and their family's safety. Taiwan might provide unique opportunities, but it comes with the challenges presented by the island's own vulnerable position: Taiwan's moves are significantly restrained by Beijing's red lines. This, of course, affects Tibet-related affairs. Even if Taiwan was willing to officially renounce its claim on Tibet, it would still require a constitutional amendment,

something Beijing strongly opposes. Also, in less ideological and practical terms, Taiwan is highly unlikely to promulgate new refugee laws, as this would also anger Beijing. Many of Tibetans' grievances in Taiwan thus remain invisible and unresolved.

Nevertheless, activist politicians are taking action. One is Freddy Lim, who founded the small Taiwanese pro-independence New Power Party in 2015 but later left it and was re-elected to the legislature as an independent. Lim is chair of the Tibet caucus in the Legislative Yuan¹⁰ and supports Hong Kong activists.

When it comes to a possible visit of the Dalai Lama to Taiwan, ruling politicians are careful to steer clear of more assertive positions. Spaces for cooperation between Tibetans and Taiwan are currently best explored in the realm of cultural, human rights-related, or educational exchanges.

Going forward, changing global power dynamics might create room for a future Taiwan administration to consider a visit by His Holiness. A change may be afoot as a growing number of major global players adopt more assertive approaches toward China. The United States and India are especially important in this regard.

The last few years have seen the United States take a tougher stance toward China on a range of issues. The Trump administration set an aggressive tone in response to Chinese President Xi Jinping's growing domestic authoritarianism and bullying in foreign relations. President Joe Biden subsequently toned down the anti-CCP rhetoric significantly but has embraced a democracy-versus-autocracy narrative. This includes supporting policies that benefit Tibet, such as the Reciprocal Access to Tibet Act of

10. "Representative Bawa Calls on Taiwanese Parliamentary Group for Tibet's Chair Freddy Lim", Central Tibetan Administration, January 11, 2023.

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2018,¹¹ the Tibet Policy and Support Act of 2020,¹² sanctions against human rights abusers in Tibet,¹³ and government funding in the amount of \$20 million for Tibet-related programs.¹⁴ At the same time, increased US-China competition has also translated into closer US-Taiwan ties.

India is also showing more assertive steps toward China, which similarly entails new stances to Tibet. Traditionally, India has pursued an ambiguous approach, generously granting asylum to the Dalai Lama and his people while keeping the issue quiet by not openly promoting ties and antagonizing Beijing. In 2021, however, Prime Minister Narendra Modi prominently congratulated the Dalai Lama on his birthday on Twitter.¹⁵ The unprecedented gesture came amid rising tensions along the unsettled border with China. India's approach toward its giant neighbor will be crucial in the coming years—globally, but also for Taiwan. It may well play the “Tibet card” more often.¹⁶

Taiwanese leaders should watch these developments closely and continue to carefully weigh its actions in support of Tibet against possible repercussions from China. A potential benefit of a visit by His Holiness would be a signal to the world that Taiwan has the confidence to make its own decisions. Yet, working within the tight framework that Beijing controls, this step is hardly imaginable without at least two preconditions. First, powerful global actors must set bold examples by taking similarly assertive steps. Second, such a visit must be strongly anchored within the framework of Buddhist institutions, aspiring to a transnational network of Buddhist connectivity, which transcends national politics. Given the Dalai Lama's advanced age, it remains to be seen whether an opportunity will arise for him.

11. “*Biden Administration Promises Continued US Support For Tibet*”, *Radio Free Asia*, March 2, 2021.

12. *International Campaign for Tibet*, “*Congress passes key legislation supporting Tibetans' aspirations, rights*”, December 21, 2020.

13. “*U.S. imposes sanctions over rights abuses, targets China and Russia*”, *Reuters*, December 9, 2022.

14. *International Campaign for Tibet*, “*Spending bill affirms US commitment to Tibetan empowerment*”, January 3, 2023.

15. @narendramodi (Twitter), July 6, 2021. <https://twitter.com/narendramodi/status/1412310494870913032?lang=de>

16. Sudha Ramachandran, “*Prime Minister Modi Plays the 'Tibet Card' Again*”, *The Diplomat*, July 13, 2021.

From Aid to Investment

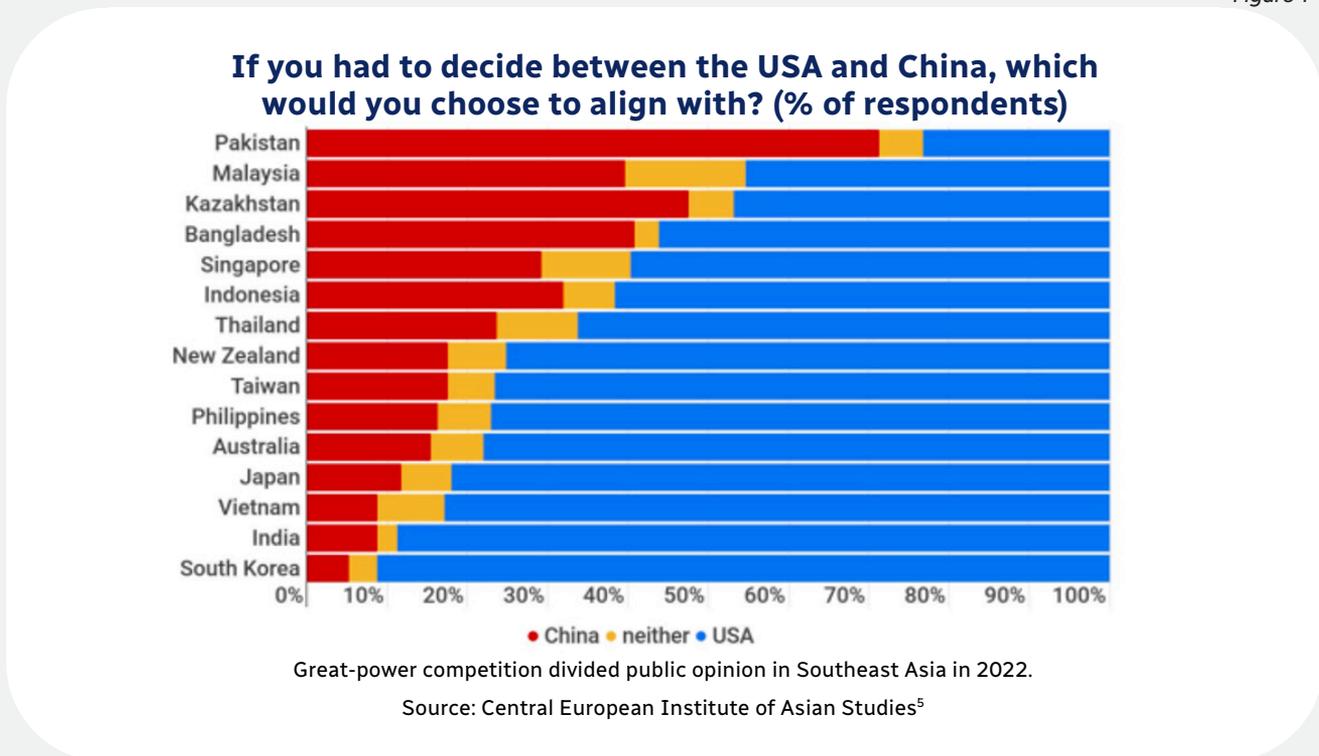
Establishing Taiwan’s Long-Term Presence in Southeast Asia

By Zoë Weaver-Lee

Taiwan’s focus on Southeast Asia is not new, but President Tsai Ing-wen’s New Southbound Policy (NSP), established in 2016, has greatly expanded efforts to strengthen ties with the region. The policy laid the foundation for economic cooperation, cultural exchange, and people-to-people ties with an ambitious overarching goal of diplomatically boosting Taiwan’s position in Southeast Asia—and South Asia, Australia, and New Zealand—despite the absence of diplomatic relations with any of the 18 target countries.¹

The NSP has fostered growth in trade, investment, and tourism between those countries and Taiwan, but the island has undeniably encountered challenges along the way.² Lack of consensus in Southeast Asian public opinion regarding tensions in the Taiwan Strait (see Figure 1),³ a poorly developed regional diplomatic ecosystem,⁴ lagging cultural understanding, and limited economic resources leave gaps in the NSP’s effectiveness and Taiwan’s overall engagement with Southeast Asia. If Taiwan is to fully realize the NSP’s economic and political goals, it will need to apply

Figure 1



other policy tools creatively. It can start by using its substantive foreign assistance programs in Southeast Asia to build a strong foundation for bilateral investment.

Such investment has already grown under the policy's auspices, with Taiwanese exports up 15% between 2016 and 2018 alone.⁶ And Taiwanese investors, including startups,⁷ still see opportunities and demand in the region.⁸ Southeast Asia provides Taiwanese companies with the market access, lower production costs, access to natural resources, and technology transfers that they seek. Researchers suggest that Taiwan build these relationships by focusing on initiatives that upgrade production capability and workforce training.⁹ This approach presents an ideal landscape for Taiwan's foreign assistance programs to play a role.

As of 2023, Taiwan's leading international aid organization, the International Cooperation and Development Fund (ICDF), collaborates with all 18 NSP partner countries, six of which have active programs that address issues ranging from solar power grid construction to healthcare personnel training, food security programs, and earthquake medical assistance.¹⁰ While many argue that Taiwan cannot compete with the sheer total of assistance that China provides to Southeast Asia and other regions, research suggests that Taiwan's social and economic assistance programs are some of the world's most positively perceived (see Figure 2).¹¹ Taiwan's aid foothold in Southeast Asia presents a major opportunity for expanding ICDF's existing programs, which have received praise for their impact on capacity building and small business development.

1. Bonnie S. Glaser, Scott Kennedy, and Derek Mitchell, "The New Southbound Policy: Deepening Taiwan's Regional Integration", Center for Strategic and International Studies, January 2018. https://csis-website-prod.s3.amazonaws.com/s3fs-public/event/180113_Glaser_NewSouthboundPolicy_Web.pdf

2. Ja Ian Chong, "Taiwan's New Southbound Policy: Accomplishments and Perceptions", East-West Center, April 10, 2019. <https://www.eastwestcenter.org/publications/taiwan%E2%80%99s-new-southbound-policy-accomplishments-and-perceptions>

3. Hsin-Huang Michael Hsiao, Alan Hao Yang, and Sana Hashmi, "Strengthening Taiwan-Southeast Asia Relations: Trends and Prospects", Taiwan-Asia Exchange Foundation, Research Series 009, October 2022. https://drive.google.com/file/d/1tQ_4RU3cUh-bPID9Nt9mK4Neyb6yqhGE8/view

4. Sharon Seah, et. al., "The State of Southeast Asia 2022: Survey Report", ISEAS-Yusof Ishak Institute, February 16, 2022. https://www.iseas.edu.sg/wp-content/uploads/2022/02/The-State-of-SEA-2022_FA_Digital_FINAL.pdf

5. Richard Q. Turcsányi, et. al., "Public Opinion in the Indo-Pacific: Divided on China, cheering for US & EU", Central European Institute of Asian Studies, November 2022. https://ceias.eu/wp-content/uploads/2022/11/Draft-2_FINAL.pdf

6. "Taiwan's New Southbound Policy: Data Repository", Center for Strategic and International Studies, April 2023, updated January 2018. <https://southbound.csis.org/data>

7. For example, "Startboard". <https://startboard.co/>

8. Thompson Chau, "Taiwanese companies in China flocking to Southeast Asia: survey", Nikkei Asia, October 8, 2022. <https://asia.nikkei.com/Politics/International-relations/Taiwanese-companies-in-China-flocking-to-Southeast-Asia-survey>; and Russell Hsiao and Robert Wang, "Policy Brief on Connecting Taiwan's New Southbound Policy with U.S. Foreign Policy Initiatives in Asia: Recommendations for Taipei and Washington", Taiwan Asia Exchange Foundation and Global Taiwan Institute, Research Series 004, September 2021. <https://globaltaiwan.org/wp-content/uploads/2022/08/TAEF-GTI-Report-on-Connecting-Taiwans-New-Southbound-Policy.pdf>

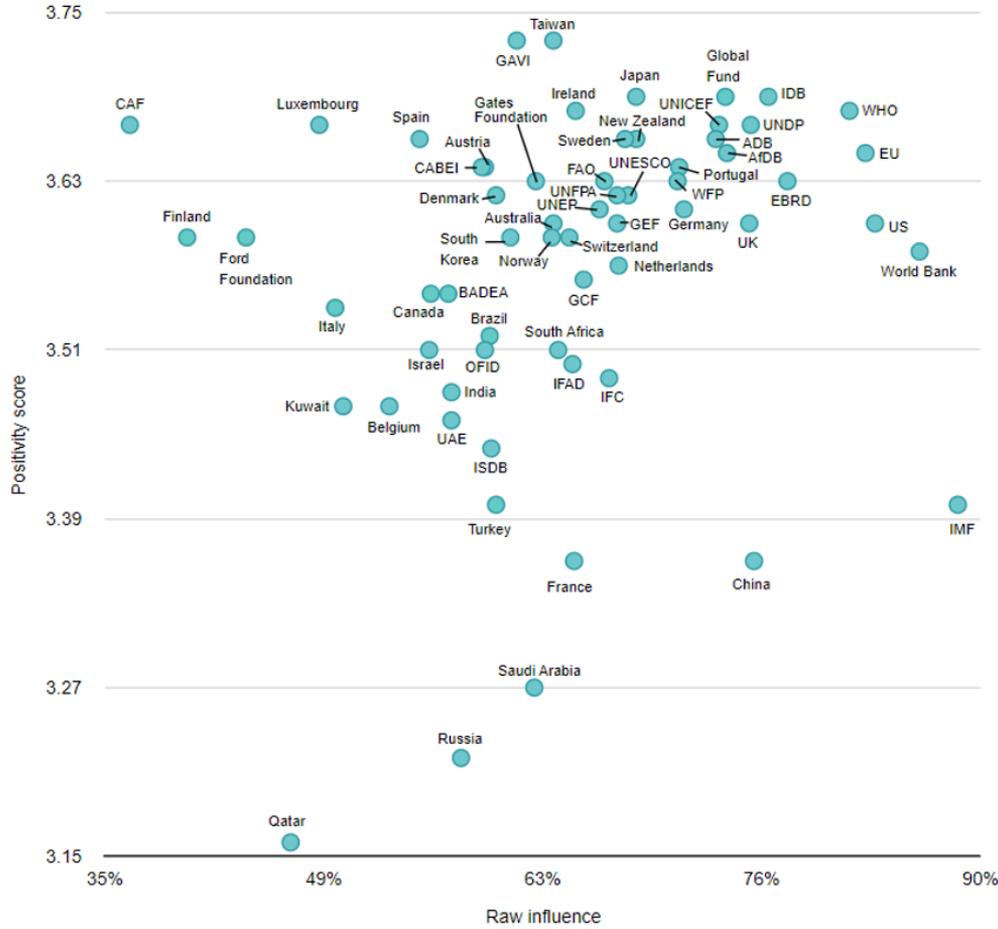
9. Nhan Thanh Thi Hoang, Hoan Quang Truong, and Chung Van Dong, "Determinants of Trade Between Taiwan and ASEAN Countries: A PPML Estimator Approach", SAGE Open, April 2020. <https://journals.sagepub.com/doi/pdf/10.1177/2158244020919516>

10. "Projects", TaiwanICDF. <https://www.icdf.org.tw/wSite/ct?xItem=5293&ctNo-de=31568&mp=2>

11. Samantha Custer, et. al., "Listening to Leaders 2021: A Report Card for Development Partners in an Era of Contested Cooperation", Chapter 4, AidData at the College of William & Mary, 2021. <https://docs.aiddata.org/reports/listening-to-leaders-2021.html#section4>

Figure 2

Comparison of overall development partner influence versus the positivity of that influence



Partner countries regard Taiwan positively despite its small aid footprint. Source: AidData, 2021¹²

How Aid Can Lead to Investment

As former USAID Deputy Administrator and Chief Operating Officer Bonnie Glick noted during a Global Taiwan Institute panel, “when Taiwan undertakes a project in an emerging market country, it is with an eye toward that country eventually being able to return the favor.”¹³ This, in fact, is a common goal

among donor countries worldwide.¹⁴ Taiwan itself is often viewed as a successful case study in action, as its transition from aid recipient to donor is seen as the foundation of its economic progress and world-class health care system.¹⁵ This “aid-to-investment pipeline” is built on the idea that foreign assistance contributes to the development of human capacity, infrastructure, governance, and other essentials that

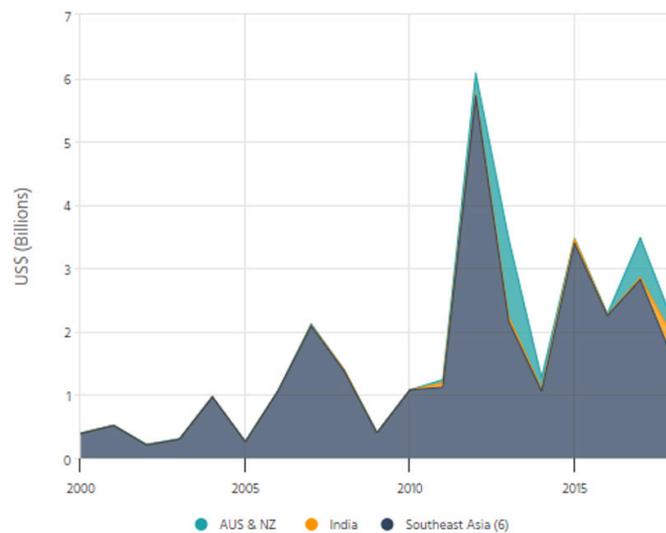
create a vibrant business environment and long-term economic resilience. In addition, aid programs give donor countries a front-row seat to market research, as well as opportunities to gain familiarity with the recipient country’s legal system and to build people-to-people connections with a new labor market. Taiwan has just begun to recognize the importance of this type of relationship. Yen Ming-hong, director of ICDF’s technical programs division has observed that Taiwan offers unique public-private partnerships that allow investors to identify risks in a new market.¹⁶ Aid can then be applied to create long-term solutions to these risks. This could help Taipei to build strong connections with Southeast Asian states, ultimately helping the region to begin its own journey through the aid-to-investment pipeline.

Leveraging Foreign Assistance to Boost Bilateral Investment

Regarding areas of opportunity, Taiwanese investors and their Southeast Asian partners seek to boost infrastructure development—particularly in transportation, energy, and telecommunications—and elevate manufacturing capabilities, develop renewable energy technology, and amplify the strong agricultural and food processing industries. As demand in these sectors grows, so has Taiwan’s investment in the region (see Figure 3). The ICDF has various programs that address these sectors, and these should be expanded to attract investment.

Figure 3

Taiwan’s Foreign Direct Investment to NSP Partner Countries



Taiwan’s foreign direct investment to NSP partner countries has continued to grow despite persistent barriers.
Source: Center for Strategic and International Studies and Bureau of Trade, Ministry of Economic Affairs, Taiwan¹⁷

12. *Ibid.*

13. Bonnie Glick, “Opportunities in Taiwan’s Foreign Assistance: Aid Competition, People-to-People Ties, and Diplomacy” (seminar, Global Taiwan Institute, Washington, DC, October 26, 2022). <https://globaltaiwan.org/events/october26-opportunities-in-taiwans-foreign-assistance/>

14. For example, “Aid for Trade”, World Trade Organization. https://www.wto.org/english/tratop_e/devel_e/a4t_e/aid4trade_e.htm

15. David W. Chang, “U.S. Aid and Economic Progress in Taiwan”, *Asian Survey* 5, no. 3 (March 1965), pp. 152-160. <https://www.jstor.org/stable/2642405>; and Ming-liang Lee, “From Recipient to Donor: How Taiwan transformed its healthcare system”, *JMAJ* 55, no. 1 (January 2012). https://www.med.or.jp/english/journal/pdf/2012_01/023_025.pdf

16. Ming-hong Yen, “Opportunities in Taiwan’s Foreign Assistance: Aid Competition, People-to-People Ties, and Diplomacy” (seminar, Global Taiwan Institute, Washington, DC, October 26, 2022). <https://globaltaiwan.org/events/october26-opportunities-in-taiwans-foreign-assistance/>

Notably, the NSP has created a platform for Taiwan to interact with Southeast Asia on larger-scale projects than the ICDF's resources allow. Infrastructure, for example, is a significant focus of the policy although historically underrepresented in ICDF programming. Taiwan's private sector, however, has increasingly worked to fill this void. It has spearheaded initiatives such as mass transit development in Indonesia, wind power projects in Vietnam, and smart-city planning in Thailand within the NSP framework.¹⁸ But despite these achievements, a robust public-private partnership in these sectors requires more capacity-building from the ground up.

Taiwan's ICDF may lack the resources to manage large-scale infrastructure construction, but it does have programs that support urban development. Its "Workshop on Smart Cities", for example, trains participants on public-private cooperation for urban planning and city governance.¹⁹ Such programs are key to creating attractive, stable environments in which businesses can thrive and set the stage for investments in larger infrastructure projects.

Renewable energy is another popular sector for Taiwanese investment in NSP target countries. The policy has facilitated Taiwanese private-sector investment in solar power in the Philippines and geothermal power on the Indonesian island of Sulawesi, and supported partnerships on

other projects that develop renewable energy technologies.²⁰ Like infrastructure investment, however, closer coordination between private companies and the Taiwanese government on such initiatives would create a more unified approach toward the NSP's goals. The ICDF can play a unique role in fostering this cooperation, and its Green Energy Special Fund is a good example of using foreign assistance to bolster coordination on renewable energy.²¹

The fund, launched in 2011, has created partnerships with several countries in Eastern Europe and Central Asia to provide financing for renewable technology projects including LED streetlights, solar power systems, and public transportation. There is a key emphasis on preventing partner countries' infrastructure from becoming outdated since "projects containing green energy components can be replicated in the long-term."²² The ICDF, by instituting this long-term focus on modernizing infrastructure through renewable technologies, has created demand for Taiwanese private-sector investment, especially in fields such as electric grid maintenance, energy storage systems, and technology upgrades. Many NSP target countries have drafted plans to improve their renewable energy systems, and bids have been competitive.²³ Taiwan should leverage its substantive and well-received foreign assistance programs to create its own place in the Southeast Asian market.

17. "Taiwan's New Southbound Policy: Data Repository", Center for Strategic and International Studies.

18. See, respectively: 石秀娟, "雅加達首條捷運3月底通車 台灣廠商參與建造", 中央社, February 27, 2019. <https://www.cna.com.tw/news/firstnews/201902270057.aspx>; "Teco Electric secures USD-105m wind turbine order in Vietnam – report", Renewables Now, June 1, 2011. <https://renewablesnow.com/news/teco-electric-secures-usd-105m-wind-turbine-order-in-vietnam-report-36687/>; and "2022 Taiwan x Thailand Industrial Collaboration Summit - Smart City Industry Forum to kick off in Bangkok", Institute for Information Industry, Cision PR Newswire, September 22, 2022. <https://en.pnasia.com/releases/apac/2022-taiwan-x-thailand-industrial-collaboration-summit-smart-city-industry-forum-to-kick-off-in-bangkok-376540.shtml>

19. "Workshop on Smart Cities", presentation by TaiwanICDF. https://www.icdf.org.tw/wSite/DownloadFile?type=attach&file=f1675135466824.pdf&realname=Workshop+on+Smart+Cities_+FV.pdf

20. Chang Min-chieh, "TCC shares core values of efficiency and sustainability with Asia", South China Morning Post, November 22, 2018. <https://www.scmp.com/country-reports/country-reports/topics/taiwan-business-report-2018/article/2174499/tcc-shares-core>

21. "The Green Energy Special Fund", TaiwanICDF, updated March 15, 2022. <https://www.icdf.org.tw/wSite/ct?xItem=6776&ctNode=31531&mp=2>

22. Ibid.

23. Darrin Magee, Same Geall, and Courtney Weatherby, "Shining a Light on a Greener Belt and Road: Chinese Solar Power Investment in Southeast Asia" (seminar, Woodrow Wilson Center, April 30, 2019). <https://www.wilsoncenter.org/event/shining-light-greener-belt-and-road-chinese-solar-power-investment-southeast-asia>

Elevating Manufacturing Capabilities by Building Human Capital

Another significant area of potential expansion for Taiwanese investors eyeing NSP target countries is manufacturing. Companies looking to expand operations in the region, however, often cite the risks of limited technical skills in the labor force, inadequate infrastructure, and dependence on low-cost labor.²⁴

Fortunately, several ICDF programs aim to strengthen human capital and thus contribute to a well-trained and highly skilled workforce. These programs can buttress manufacturing by creating an increasingly productive labor pool, rewarding innovation, and improving supply chain management.

One such program is the Financial Sector Support Facility for MSMEs (micro, small, and medium enterprises) project, which has provided a package of loans, credit guarantees, and capacity building training to Central American countries.²⁵ Another project, Capacity Building Project for Microfinance Ecosystem Focusing on Grassroots Women in Eswatini, has provided financial management and marketing training to female entrepreneurs.²⁶ Such programs, however, are narrowly focused and should be expanded to meet other industries' needs. In NSP target countries, the ICDF could provide technical skills training to meet the needs of a growing manufacturing sector.

Language and cultural barriers also pose investment obstacles. The ICDF is uniquely suited to and



The ICDF has implemented programs that focus on skills attainment and human capacity building through training and microlending. Source: Eswatini Positive News²⁷

24. See, respectively: "Adapting to Changing Skill Needs in Southeast Asia", 2021 OECD Southeast Asia Regional Forum, May 20, 2021. https://www.oecd.org/southeast-asia/events/regional-forum/OECD_SEA_RegionalForum_2021_Discussion_Note.pdf; Diaan-Yi Lin, "How can South-East Asia close its infrastructure gap?", World Economic Forum, April 20, 2015. <https://www.weforum.org/agenda/2015/04/how-can-south-east-asia-close-its-infrastructure-gap/>; and Michael Meyer, et. al., "How ASEAN Can Move up the Manufacturing Value Chain", Boston Consulting Group, June 15, 2021. <https://www.bcg.com/publications/2021/asean-manufacturing>

25. "Financial Sector Support Facility for MSMEs", TaiwanICDF, updated January 30, 2023. <https://www.icdf.org.tw/wSite/ct?xItem=59856&ctNode=31795&mp=2>

26. "Capacity Building Project for Microfinance Ecosystem Focusing on Grassroots Women in Eswatini", TaiwanICDF, updated February 2, 2023. <https://www.icdf.org.tw/wSite/ct?xItem=61933&ctNode=31623&mp=2>

27. Fiona Motsa, "Taiwan Hosts Capacity Building Project for Eswatini Rural Women", Eswatini Positive News, March 16, 2023. <https://eswatinipositivenews.com/2023/03/16/taiwan-hosts-capacity-building-project-for-eswatini-rural-women/>

has experience in providing the relevant training, especially if companies cannot shoulder the financial burden of doing so. Its Overseas Professional Mandarin Teaching Project sponsors Taiwanese Mandarin-language instructors to conduct courses abroad that promote the language and Taiwanese culture.²⁸ The ICDF should expand the program into the NSP region as a way to prime the labor force for Taiwanese investment.

Microlending and Product Marketing

In recent years, Taiwan has sought to develop its ties with the vibrant agricultural sectors of NSP countries. Agricultural trade volumes between the island and those countries grew by 6.3% from 2019 to 2020 as commerce in coffee, seafood, vegetables, and processed foods increased.²⁹ Taiwan's trade and investment agreements—including a free trade agreement with Singapore, an economic cooperation agreement with Indonesia, and a bilateral investment agreement with India—have facilitated this growth, but barriers for Taiwanese exporters and investors remain.³⁰ Taiwan's ICDF could create an environment that encourages Taiwanese imports and investment through programming that mitigates cultural and linguistic differences, regulatory restrictions, and regional economic instability.

This effort could be built on the ICDF's One Town, One Product (OTOP) campaign, which began as a marketing campaign in Taiwan but has expanded to become a collection of initiatives aimed at providing grants, training, and selling opportunities to small business owners and craftsmen in ICDF partner countries.³¹ From handmade leather goods to bamboo furniture, OTOP has provided a platform for small- and medium-sized enterprises (SMEs) in partner countries to learn entrepreneurship skills from Taiwanese experts and have access to resources for marketing, expansion, and management. Since its founding, the program has been implemented in various Central and South American countries, including Honduras, Guatemala, El Salvador, and Nicaragua.³²

OTOP's focus on cultural and agricultural products provides a mechanism for SMEs to expand production through marketing and workforce development.³³ This could create demand for bilateral partnerships and provide opportunities for Taiwanese entrepreneurs to learn about new markets, build people-to-people connections, and familiarize themselves with other business ecosystems.

28. "Overseas Professional Mandarin Teaching Project", TaiwanICDF, updated March 7, 2023. <https://www.icdf.org.tw/wSite/ct?xItem=47542&ctNode=31537&mp=2>

29. "Value of goods exported from Taiwan to countries within New Southbound Policy from 2011 to 2021", Statista, updated October 2022. <https://www.statista.com/statistics/1271612/taiwan-exports-to-new-southbound-policy-countries/>

30. See, respectively: Anthony Fensom, "Taiwan-Singapore FTA", *The Diplomat*, November 8, 2013. <https://thediplomat.com/2013/11/taiwan-singapore-fta/>; "Economic cooperation agreement signed by Taiwan, Indonesia", *Taiwan Today*, November 21, 2018. [https://taiwantoday.tw/news.php?unit=6&post=145779#:~:text=Under%20the%20agreement%2C%20the%20two,explore%20business%20opportunities%20in%20Indonesia;and%20Republic%20of%20China%20\(Taiwan\)%20Taipei%20Economic%20and%20Cultural%20Center%20in%20Chennai,%20Taiwan%20and%20India%20have%20signed%20two%20bilateral%20agreements%20on%20December%2018,%202018%20to%20further%20boost%20trade%20and%20investment%20between%20the%20two%20countries%20](https://taiwantoday.tw/news.php?unit=6&post=145779#:~:text=Under%20the%20agreement%2C%20the%20two,explore%20business%20opportunities%20in%20Indonesia;and%20Republic%20of%20China%20(Taiwan)%20Taipei%20Economic%20and%20Cultural%20Center%20in%20Chennai,%20Taiwan%20and%20India%20have%20signed%20two%20bilateral%20agreements%20on%20December%2018,%202018%20to%20further%20boost%20trade%20and%20investment%20between%20the%20two%20countries%20); "Taiwan and India have signed two bilateral agreements on December 18, 2018 to further boost trade and investment between the two countries", *December 18, 2018*. https://www.roc-taiwan.org/inmaa_en/post/5095.html

31. "One Town One Product", OTOP. <https://www.otop.tw/>

32. See, respectively: Martin Lara, "MINECO y Taiwán lanzan el 'Concurso Nacional de Innovación, Artesanía y Diseño: Kakaw'", *Central News*, May 18, 2021. <https://centranews.com.gt/2021/05/18/mineco-y-taiwan-lanzan-el-concurso-nacional-de-innovacion-artesania-y-diseno-kakaw/>; "Festival del barro", *Versative*. <https://versative.co/festival-del-barro-en.html>; and Republic of China (Taiwan) Ministry of Foreign Affairs, "President Tsai touches down in Nicaragua" (from *Taiwan Today*), January 10, 2017. https://nspp.mofa.gov.tw/nspp/content_tt.php?unit=2&post=106973

33. Zoe Weaver-Lee and Adrienne Wu, "Beyond Aid: Using 'One Town, One Product' as a Mutual Partnership", *The News Lens*, July 26, 2022. <https://international.thenewslens.com/article/170520>

Ensuring Successful Investment Partnerships

Regardless of Taiwanese companies' competitiveness in Southeast Asia, NSP target countries require a nuanced balance of Taiwanese government and private-sector activity. Many Southeast Asian states have complex histories and relationships with China and are sensitive to [the risk](#) of regional conflict.³⁴ Taiwan should approach engagement mindful of these sensitivities and split public opinion on China. At the same time, Taiwan's public and open engagement in NSP countries could create objections from China itself, a situation many regional states wish to avoid. The delicate situation may well require Taiwan and, therefore, the ICDF to take a cautious approach to ensure public-private partnerships realize their full potential.

The ICDF's role aside, Taiwanese companies also need to continue acting proactively to invest and expand in NSP target countries. Strategies for doing so are beyond the scope of this paper, but there are Taiwanese organizations that may be able to help the ICDF in its efforts to understand the needs of domestic investors. STARTBOARD is a startup incubator that specializes in assisting Taiwanese companies with expanding their business into ASEAN countries and India. Its business and legal expertise would be invaluable to ICDF's efforts to create an aid-to-investment pipeline. Other organizations, such as the Taiwan External Trade and Development Council (TAITRA), could also assist by promoting Taiwanese industries in Southeast Asia. The ICDF could coordinate with TAITRA to highlight key sectors and coordinate public messaging.

This strategy requires significant resources and coordination. Luckily, Taiwan's ICDF need not work alone. Project coordinators can and should also collaborate with USAID, the Blue Dot network, the Development Finance Corporation, and other US-based aid and investment organizations to achieve success.³⁵

34. David Rising, "SE Asia urges US, China to avoid provocation over Taiwan", Associated Press, August 3, 2022. <https://apnews.com/article/taiwan-asia-united-states-beijing-china-7cbd97881d2ea4e12b950d7ce4b60134>

35. Great work has already been done in regions such as the Pacific Islands: United States Agency for International Development, "United States, Taiwan Collaborate to Boost Capacity of Health Workers in the Pacific Islands", July 14, 2021. <https://www.usaid.gov/pacific-islands/press-releases/july-13-2021-united-states-taiwan-collaborate-boost-capacity-health-workers-pacific-islands>

Powering Taiwan

The United States Must Take Action to Bolster Taiwan's Energy Security

By Gillian Zwicker

Much of Taiwan's resources are devoted to counteracting Chinese disinformation, strengthening domestic military defense systems, and maintaining economic stability—particularly the island's critical semiconductor and electronics industries. The crux of these objectives, and Taiwan's defense and economic systems overall, is energy. Heavily dependent on fossil fuel imports, the island's energy supply, as well as its energy infrastructure, must be fortified through dual processes of decarbonization, and infrastructure improvement and decentralization.

As the manifold impacts of climate change and geopolitical tensions amplify over time, the window of opportunity to support Taiwan's energy securitization shrinks.

The "Need"—Taiwan's Energy Dependency and Infrastructure

The overall security of Taiwan's energy systems is threatened by two critical vulnerabilities: its dependence on fossil fuel imports and centralized infrastructure that is neither climate resilient nor equipped to efficiently increase renewable energy at scale.

Taiwan is overwhelmingly dependent on other countries to provide the raw materials used to power most of its domestic energy system, which is more than 97% reliant on fossil fuel imports. While the United States provided roughly 20% of Taiwan's oil and petroleum imports and 10% of its liquefied natural

gas (LNG) imports in 2021, 15% of Taiwan's coal and 10% of its LNG was imported from Russia.¹ In 2022, Taiwan's energy mix remained dominated by fossil fuels, with coal accounting for 42.1% of total power generation, followed by natural gas (38.8%), "green energy" (8.3%), and nuclear (8.2%), according to a representative from the Executive Yuan's Office of Energy and Carbon Reduction.² Traditionally import-dependent on fossil fuels from Russia,³ Taiwan Power Co. (Taipower), the island's primary power company, recently committed to stop purchasing coal from Russia in the wake of the invasion of Ukraine, planning instead to source coal imports from Australia, Colombia, Indonesia, and South Africa.⁴ Equipped with a reserve supply of energy to power the entire island for a mere 11 days before suffering "severe damage to its economy",⁵ Taiwan's current power system is perilously susceptible "should China implement a full or even partial blockade".⁶

1. Thomas J. Duesterberg and Abby Fu, "Taiwan Needs U.S. Help on Energy Security", *RealClear Energy*, September 13, 2022. https://www.realclearenergy.org/articles/2022/09/13/taiwan_needs_us_help_on_energy_security_853093.html#:~:text=Most%20of%20Taiwan%20oil%20is,LNG%20expired%20in%20March%202022

2. Interview with representative of the Office of Energy and Carbon Reduction Executive Yuan, Taiwan. February 24, 2023.

3. Center for Research on Energy and Clean Air, "Fossil fuel imports from Russia to South Korea, Japan, and Taiwan in the first five months of the invasion of Ukraine", August 2022. https://energyandcleanair.org/wp/wp-content/uploads/2022/08/CREA_South-Korea_Japan_Taiwan_Briefing.pdf

4. Keoni Everington, "Taiwan ends purchases of Russian coal", *Taiwan News*, August 25, 2022. <https://www.taiwannews.com.tw/en/news/4637714>

5. Jeff Kucharski, "Taiwan's Greatest Vulnerability Is Its Energy Supply", *The Diplomat*, September 13, 2022. <https://thediplomat.com/2022/09/taiwans-greatest-vulnerability-is-its-energy-supply/>

6. *Ibid.*

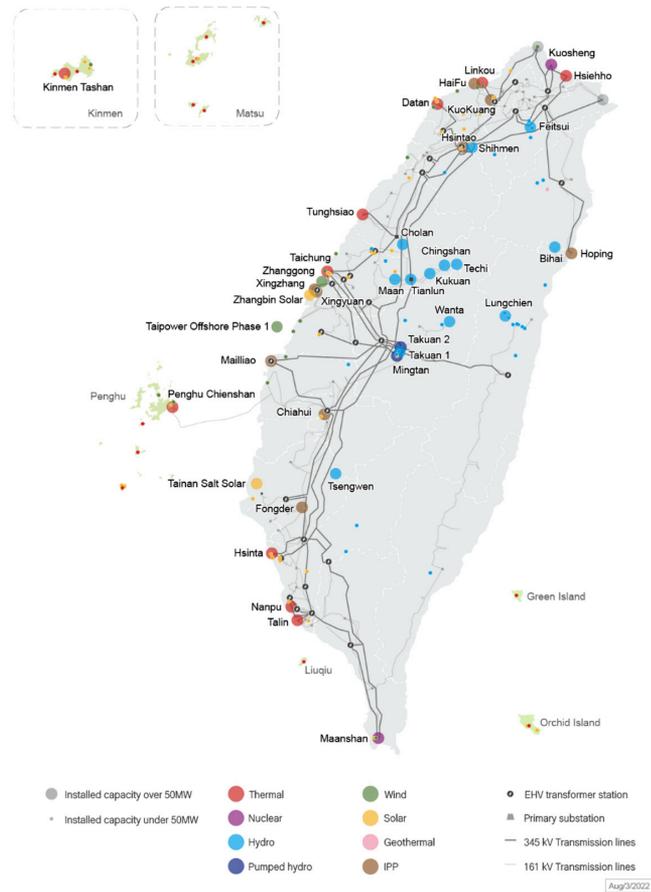
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As Taiwan redesigns its traditional energy system to accommodate renewable energy integration, it must not only shift from fossil fuels to renewable energy sources, but it must also decentralize its energy grid and accelerate efforts to make energy infrastructure more climate resilient.⁷ The electricity sector in Taiwan consists of a single grid responsible for transmitting power throughout the entire island (see graphic).⁸ The weaknesses and limitations of this and Taiwan's entire power system have been observed in island-wide blackouts: The island suffered 22 power outages "that affected 1,000 households or more" within the span of two months in 2022.⁹ During those months, the island also experienced its hottest temperature on record in Hualien County.¹⁰

The "Why"—US Interests Linked to Taiwan's Energy Resiliency

The United States has a significant stake in bolstering Taiwan's energy security. The island is the fourth-largest producer of electronics, and the world's largest producer of semiconductors, supplying "about 65% of the world's semiconductors and almost 90% of the world's most advanced chips."¹¹ The island's immense role in the global semiconductor supply chain ensures that any threat to Taiwan's industries will have international ramifications, and yet Taiwan, and the global semiconductor market, remain vulnerable to the threat of climate change. As the frequency of extreme weather increases, flooding and extreme heat will threaten physical energy infrastructure, while a corresponding increase in energy demand

Taipower's Power Plants and Power Grid



will strain and diminish energy supplies. For Taiwan, and the countries and industries that rely on its semiconductors, these changes will prove disastrous.

7. Ministry of Economic Affairs, Republic of China, "Taipower Announces Grid Resilience Strengthening Construction Plan, with NT\$564.5 Billion Investment Over 10 Years, Preventing Recurrence of Massive Power Outages", September 15, 2022. https://www.taipower.com.tw/en/news_info.aspx?id=127&chk=3567c3cc-306d-4aaa-8f92-64d9d8e77352&mid=4412¶m=pn%3d1%26mid%3d4412%26key%3d

8. Taipower, "Taipower's Power Plants and Power Grid", August 3, 2022. <https://www.taipower.com.tw/en/page.aspx?mid=4426>

9. Lauly Li and Ting-Fang Cheng, "Taiwan's frequent backouts expose vulnerability of tech economy", Nikkei Asia, August 30, 2022. <https://asia.nikkei.com/Business/Technology/Taiwan-s-frequent-blackouts-expose-vulnerability-of-tech-economy>

10. Keoni Everington, "Eastern Taiwan reports record-sharing 41.4 C", Taiwan News, July 22, 2022. <https://www.taiwannews.com.tw/en/news/4603646#:~:text=Eastern%20Taiwan%20reports%20record%2Dsearing,%2D22%2017%3A44%3A00>

11. Jeff Kucharski, "Taiwan's Greatest Vulnerability Is Its Energy Supply", The Diplomat, September 13, 2022. <https://thediplomat.com/2022/09/taiwans-greatest-vulnerability-is-its-energy-supply/>

The domestic semiconductor industry consumes nearly 20% of Taiwan’s water, using extensive amounts of the precious resource to wash wafers. It also consumes immense amounts of energy.¹² The Taiwan Semiconductor Manufacturing Company (TSMC) alone accounted for 6% of Taiwan’s total energy consumption in 2020 and in 2022, and the company’s consumption is expected to increase by 237% by 2030. Ensuring that the island can generate and transfer the amount of energy needed to sustain the world’s supply of nanochips must be a top priority for the United States as it develops national and subnational engagements with Taiwan.

Now is an opportune to support Taiwanese government efforts to tackle climate change, as political momentum to accelerate the island’s energy transition continues to grow. In February 2023, President Tsai Ing-wen signed the Climate Change Response Act¹³ into law, codifying Taiwan’s 2050 goal of net-zero carbon emissions and creating a “carbon fee system for large emitters.”¹⁴ In the United States, the Inflation Reduction Act¹⁵ and the Infrastructure Investment and Jobs Act, also provide new opportunities for collaboration.¹⁶

The “How”—Increasing Energy Security through Renewable Integration and Climate-Resilient Infrastructure at National and Subnational Levels

To decrease Taiwan’s energy import dependency, the United States should assist renewable energy transition on the island by supporting the building of resilient and defensible renewable energy infrastructure. Washington can do this through bilateral cooperation at national and subnational levels, including direct efforts such as research and development collaboration focused on battery storage and other renewable energy infrastructure, and indirect efforts such as economic initiatives to incentivize energy resiliency.

China, which exercises diplomatic pressure to block Taiwan’s engagement in large international bodies, severely constrains official international collaboration with the island.¹⁷ However, the American Institute in Taiwan (AIT) and US government agencies¹⁸ have historically collaborated with the Taipei on energy and climate issues, and these efforts, now more than ever, must be revived at national and subnational levels.¹⁹ AIT oversees several platforms that could facilitate enhanced bilateral and multilateral engagement on energy securitization:

- o the Global Cooperation and Training Framework (GCTF) has held several workshops focused on energy cooperation since its inception in 2015. More resources should be devoted to facilitating

12. Earth.Org, “The Taiwan Water Shortage Dilemma”, April 8, 2022. <https://earth.org/the-taiwan-water-shortage-dilemma/>

13. Law & Regulations Database of the Republic of China (Taiwan), “Climate Change Response Act”, February 15, 2023. <https://law.moj.gov.tw/ENG/LawClass/LawAll.aspx?pcode=00020098>

14. Thompson Chau, “Taiwan commits to net-zero carbon emissions by 2050”, Nikkei Asia, February 15, 2023. <https://asia.nikkei.com/Spotlight/Environment/Climate-Change/Taiwan-commits-to-net-zero-carbon-emissions-by-2050>

15. Congress.gov, “H.R. 5376 – 117th Congress (2021-2022): Inflation Reduction Act of 2022”, August 16, 2022. <https://www.congress.gov/bills/117th-congress/house-bill/5376/text>

16. Congress.gov, “H.R. 3684 – 117th Congress (2021-2022): Infrastructure Investment and Jobs Act”, November 15, 2022. <https://www.congress.gov/bills/117th-congress/house-bill/3684/text>

17. Jessica Drun and Bonnie S. Glaser, “The Distortion of UN Resolution 2758 and Limits on Taiwan’s Access to the United Nations”, The German Marshall Fund of the United States, March 24, 2022. <https://www.gmfus.org/news/distortion-un-resolution-2758-and-limits-taiwans-access-united-nations>

18. United States Environmental Protection Agency, “Collaboration with Environmental Protection Administration Taiwan (EPAT)”. <https://www.epa.gov/international-cooperation/collaboration-environmental-protection-administration-taiwan-epat>

19. Bureau of Energy, Ministry of Economic Affairs, Republic of China (Taiwan), “The United States”, July 5, 2022. https://www.moeaboe.gov.tw/ECW/English/content/Content.aspx?menu_id=8669

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more frequent, focused workshops dedicated to policy and technical analysis to develop action plans to decarbonize and decentralize energy systems in Taiwan, partner countries, and like-minded countries in the region.²⁰

- o several trade-related bilateral engagement mechanisms are convened under the auspices of the AIT, including the Technology, Trade, and Investment Collaboration (TTIC)²¹ and the US-Taiwan Economic Prosperity Partnership Dialogue (EPPD), which should include significant focus on the promotion of renewable energy integration and the development of adequate energy infrastructure required to sustain Taiwan's economy. Both would improve domestic energy security.²²
- o the US-Taiwan Initiative on 21st-Century Trade is a joint effort to improve bilateral economic and trade relations while advancing mutual priorities and promoting innovative and equitable economies.²³ The negotiating mandate for the initiative outlined several trade areas it is to cover, including a focus on "environment", with the aim of adopting trade provisions that promote the decarbonization of respective economies.

Overall, AIT should consider creating additional capacity to engage on climate and energy issues, creating positions such as regional climate and regional energy officers dedicated to monitoring

and facilitating long-standing technical exchanges focused specifically on Taiwan's domestic energy security challenges. These officers should operate across relevant platforms to ensure effective and coordinated efforts to advance Taiwan's energy transition through trade and commerce negotiations, science and technology workshops, and political dialogues.

The Biden administration should consider creating new platforms for bilateral collaboration to assist Taiwan's energy transition and securitization. Drawing from historical models of successful bilateral energy cooperation, the administration could establish a US-Taiwan Clean Energy Research Center (CERC), using the blueprint from the US-China CERC that operated from 2011 to 2020 under the US Department of Energy.²⁵ Utilizing expertise from government agencies and national labs, and bringing together policymakers, technical experts, and industry and academic experts, a US-Taiwan CERC would be capable of conducting research and development on critical issues that arise in decarbonization efforts. These issues should, at a minimum, include grid development (including microgrids and renewable energy integration), battery storage, decommissioning coal-fired and nuclear power plants, green hydrogen development, and water recycling and waste management.

Taiwan has enacted progressive renewable energy targets at subnational levels,²⁶ despite ongoing exclusion from high-level climate and energy

20. Global Cooperation & Training Framework, "Energy Cooperation". https://www.gctf.tw/tw/issues4_0.htm

21. American Institute in Taiwan, "Technology, Trade and Investment Collaboration (TTIC)", December 6, 2021. <https://www.ait.org.tw/technology-trade-and-investment-collaboration/>

22. American Institute in Taiwan, "U.S.-Taiwan Economic Prosperity and Partnership Dialogue (EPPD)", November 23, 2021. <https://www.ait.org.tw/u-s-taiwan-economic-prosperity-partnership-dialogue/>

23. American Institute in Taiwan, "MOU between AIT and TECRO on Establishing a U.S.-Taiwan Economic Prosperity Partnership Dialogue", November 21, 2020. <https://www.ait.org.tw/mou-ait-tecro-on-us-taiwan-eppd/>

24. Office of the United States Trade Representative, "U.S.-Taiwan Initiative on 21st-Century Trade: Negotiating Mandate", August 17, 2022. [https://ustr.gov/sites/default/files/2022-08/US-Taiwan%20Negotiating%20Mandate%20\(Final\).pdf](https://ustr.gov/sites/default/files/2022-08/US-Taiwan%20Negotiating%20Mandate%20(Final).pdf)

25. Office of Energy Efficiency & Renewable Energy, "U.S.-China Clean Energy Research Center (CERC)", April 26, 2017. <https://www.energy.gov/eere/buildings/articles/us-china-clean-energy-research-center-cerc>

engagement at major national and international climate forums.²⁷ Existing international platforms, such as the Local Governments for Sustainability (ICLEI)²⁸ and “sister city” programs, should be used for near-term subnational collaboration focused on energy transitions and infrastructure development in Taiwan and the United States. US states with existing engagements with Taiwan should consider incorporating energy resiliency elements into existing or new bilateral initiatives.²⁹ Arizona, for example, home to two TSMC facilities,³⁰ is well-positioned to collaborate with Taiwan on issues such as energy reliability and grid resiliency, renewable energy integration, and water resource management.³¹ Other states, such as Hawaii, with existing links and topography similar to Taiwan’s, should build on existing engagements between national government³² and subnational entities, and collaborate on improving the resiliency of their respective energy systems.³³

26. New Taipei City Government, “Climate Action”. <https://foreigner.ntpc.gov.tw/home.jsp?id=761cdebee8b6318>

27. Taiwan Today, “Global Minded”, November 1, 2022. <https://taiwantoday.tw/news.php?post=228043&unit=4,8,31&unitname=Taiwan-Review&postname=Global-Minded>

28. Local Governments for Sustainability, “What we do”. https://iclei.org/what_we_do/

29. East-West Center, “Sister Partnerships By US State”. <https://asiamattersforamerica.org/taiwan/data/sister-partnerships>

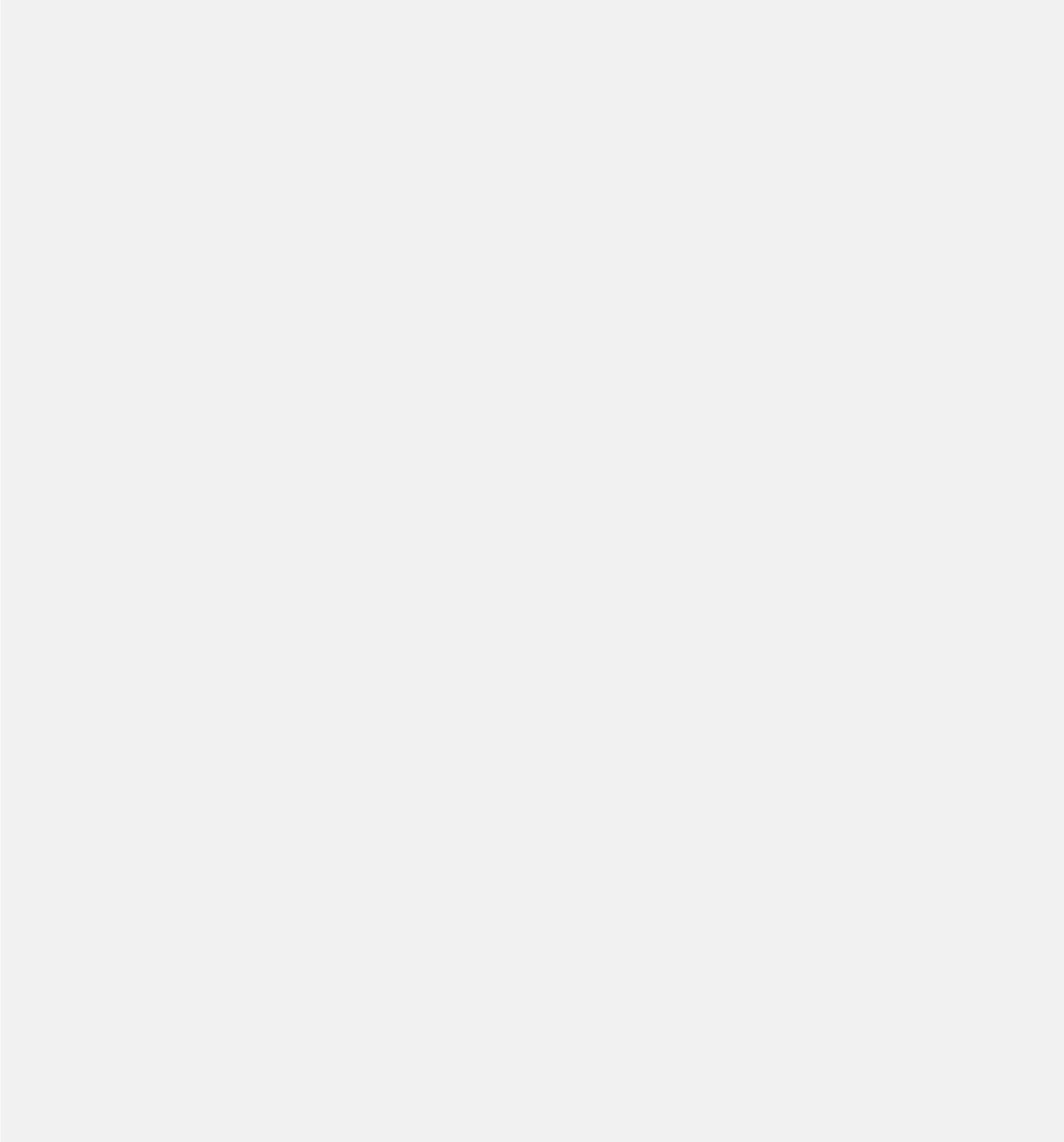
30. Cecilia Kang, “How Arizona Is Positioning Itself from \$52 Billion to the Chips Industry”, *The New York Times*, February 22, 2023. <https://www.nytimes.com/2023/02/22/technology/arizona-chips-act-semiconductor.html>

31. Focus Taiwan, “TSMC attempts to assuage fears over Arizona fabs’ water demands”, April 4, 2023. <https://focustaiwan.tw/business/202304040011>

32. U.S. Indo-Pacific Command, “USINDOPACOM Area of Responsibility”, updated March 2022. <https://www.pacom.mil/About-USINDOPACOM/USPACOM-Area-of-Responsibility/>

33. Hawaiian Electric, “Grid Modernization Strategy”. <https://www.hawaiianelectric.com/clean-energy-hawaii/grid-modernization-technologies/grid-modernization-strategy>

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