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## THE SILICON SHIELD

TAIWAN AMID THE SUPERPOWERS' RIVALRY

Michał Bogusz

# **THE SILICON SHIELD**

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CONTENT EDITORS

Wojciech Konończuk, Jakub Jakóbowski

EDITOR

Tomasz Strzelczyk

CO-OPERATION

Matylda Skibińska, Katarzyna Kazimierska

TRANSLATION

Radosław Alf

CO-OPERATION

Jim Todd

CHARTS

Urszula Gumińska-Kurek

GRAPHIC DESIGN

OSW

DTP

Urszula Gumińska-Kurek

PHOTOGRAPH ON COVER



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Centre for Eastern Studies

ul. Koszykowa 6a, 00-564 Warsaw, Poland

tel.: (+48) 22 525 80 00, [info@osw.waw.pl](mailto:info@osw.waw.pl)

  [www.osw.waw.pl](http://www.osw.waw.pl)

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## **Contents**

### **MAIN POINTS | 5**

A note on Chinese transcription | **8**

### **INTRODUCTION: WHAT IS TAIWAN? | 9**

#### **I. CHINA'S COURSE TO 'LIBERATE' TAIWAN | 14**

1. Beijing and the two Chinese states | **14**
2. China's sword of Damocles over Taiwan | **18**

#### **II. THE UNITED STATES: AN AMBIGUOUS ALLY | 23**

1. Informal guarantees | **24**
2. From a problem to an asset | **26**

#### **III. BETWEEN THE GIANTS | 29**

1. Direction Washington | **30**
2. An economic anchor and a silicon shield | **32**
3. The island divided | **35**

#### **IV. TUG-OF-WAR: DETERRENCE AND DISCUSSIONS ABOUT THE RISK OF INVASION | 38**

1. The US-led coalition | **38**
2. China's response | **43**

### **POSSIBLE FUTURE DEVELOPMENTS | 46**

### **APPENDIX | 53**

## MAIN POINTS

- Taiwan's strategic and economic importance, as well as political tensions in the East and Southeast Asian region, have made the island and the Taiwan Strait one of the world's major hotspots. At the same time, it is becoming increasingly difficult to maintain the status quo due to the socio-political changes in Taiwan itself, the growing military power and political ambitions of the People's Republic of China (PRC), and the resulting intensification of the rivalry between it and the United States of America as well as other countries such as Japan and Australia. As a result, the Taiwan issue has emerged as a gauge of China's intentions and capabilities, but the island itself has also become the limit of its expansion, beyond which conflict between Beijing on the one hand and Washington and its allies on the other would appear inevitable.
- Protecting Taiwan as a democratic state and one of the US's oldest allies is a priority for Washington in terms of its credibility as a great power. Taiwan's strategic location, economic role and key importance in the sector of new technologies, especially semiconductors, mean that maintaining its independence from the PRC is of vital interest to the US and its allies in East Asia (primarily Japan), as well as European countries. Consequently, any conflict between Taiwan and the PRC will have an international dimension and involve the US & its allies.
- The developments in Russia's assault on Ukraine have implications for the situation in the Taiwan Strait. The burgeoning informal alliance between the PRC and the Russian Federation means that a potential armed conflict in the Far East could allow Russia to take further aggressive action in the Central and Eastern European region, including against members of NATO and the EU. The transatlantic relationship has also seen tensions over divergent assessments of China's rise and the threats to the stability of the global system that would result from a potential conflict in the Taiwan Strait. Chinese diplomacy has been using this fact to undermine the US's system of alliances and transatlantic unity.
- Currently, the Chinese military is incapable of waging a full-scale war or carrying out a complex landing operation on Taiwan. Another factor mitigating the plans of the Chinese Communist Party (CCP)'s leadership is the fear of the economic consequences of such an attack. This includes both potential economic sanctions from the West and its partners, as well as

the disruption of global trade, particularly freight routes and telecommunications links. Most of all, however, China fears the destruction of Taiwan's semiconductor industry, as this country plays a central role in the global economy, and is the dominant supplier of chips to China. Moreover, it would seem impossible to rebuild or replicate this sector in any other country in the world, including China, in less than a decade. Even so, there are some doubts whether these concerns would dissuade the Chinese leadership from going to war in the event of an internal breakdown in the PRC or an international crisis.

- There are no prospects for a peaceful resolution to the growing crisis in the Taiwan Strait in the foreseeable future. The structural and identity-related foundations of the conflict between Taiwan and the PRC mean that it also appears impossible to win the Taiwanese people's consent to voluntary reunification with China. In addition, the PRC's turn towards a totalitarian state under Xi Jinping, as well as the ongoing differentiation of the societies of Taiwan and the PRC, make it increasingly problematic to maintain the status quo. This raises the likelihood of a face-off in the Taiwan Strait, although it is difficult to predict when it could come and what form it would take. However, we cannot rule out an outbreak of hostilities that could quickly escalate into a major international conflict.
- The outcome of a possible conflict between Taiwan and the PRC could determine the winner of the China-US rivalry. Surrendering a democratic, wealthy and strategically important island to communist and authoritarian China without a fight would be a heavy blow to US credibility, not only in East Asia but around the world. At the same time, the success or failure of any attempt to seize Taiwan through direct military intervention or other coercive means could determine whether the regime in Beijing survives, and by extension, whether China will be able to continue its conflict with the United States. The attitude and capacity to act on the part of the US's allies, including Japan, as well as the determination of the Taiwanese people to defend their independence, will have a critical impact on the course and outcome of any invasion.
- The belief in the deterrent power of economic sanctions or, more broadly, of the consequences of a global crisis is based on the application to China, a Leninist state, of the conviction deeply ingrained in the democratic world that economic development is of paramount value. However, authoritarian and totalitarian regimes operate in a paradigm where power itself is the

ultimate objective, while wealth and economic growth are only a means that can be jeopardised, or even sacrificed, to keep or expand that power. From this perspective, it cannot be ruled out that the CCP leadership may be tempted to destroy Taiwan's semiconductor sector, the eponymous 'silicon shield', and risk war with the United States if it concludes that such a move is necessary to hold on to power in China.

## **A note on Chinese transcription**

In 1958, China carried out a reform of its script that simplified Chinese characters and introduced the romanisation of Mandarin in the *pinyin* system. In Taiwan, despite the government's decision in 2009 to adopt *pinyin*, it has failed to catch on: most of the island's population and institutions still use the Wade-Giles romanisation system or its derivatives. Chinese characters have also maintained their traditional form in Taiwan. Therefore, this study retains the character spelling and romanisation system specific to the place of origin of a particular person, organisation, document, etc.



## INTRODUCTION: WHAT IS TAIWAN?

The Chinese-US rivalry will remain the central axis of international relations in the foreseeable future, and will largely determine the policies of most of the world's countries. Taiwan, due to its strategic geographical location, technological sophistication and symbolic importance for both sides, is not only an important part of this competition, but its future may also be decisive for the outcome of the entire US-Chinese conflict. The Taiwan issue is clearly intertwined with the dynamic of relations between these two powers. Taiwan is not merely a passive subject of this conflict, but actively influences its course, whether through its actions towards Beijing or its active lobbying in Washington. It also indirectly influences the US's relations with third countries.

Thanks to the so-called Taiwanese economic miracle of the late 1960s and early 1970s, Taiwan has become an important centre for high-tech development, and has gained a dominant position in global semiconductor production. It also ranks as the 21st largest economy in the world (2023).<sup>1</sup> The island is crucial for controlling access to the Western Pacific from the direction of China, and makes it possible to monitor the sea lanes in the South China Sea, the East China Sea and the Philippine Sea which run from East Asia to Africa, Europe and the Middle East. According to Japanese analysts, it also plays an important role in ensuring the defence of the Ryukyu Archipelago and the Senkaku (Chinese: Diaoyu) Islands.<sup>2</sup>

Today's Taiwan has been forging its identity around its democracy and in opposition to China's history of despotic rule, which also stems to a large extent from its colonial past. Parts of the island were at different times subjects of Spanish, Dutch and Chinese colonisation, but it was the Japanese who managed to gain control of the entire island at the turn of the 20th century. Under Japanese rule, Taiwan underwent modernisation and partial industrialisation. Modern (though essentially colonial) state structures were established during that time. When the Japanese empire suffered defeat in World War II, the Allies forced it to relinquish its rights to the island. According to the 1943 Casablanca Declaration, it was supposed to be handed over to the Republic of China as part of a peace treaty.<sup>3</sup> However, Japan has never formally ceded those rights

<sup>1</sup> *World Economic Outlook*, The International Monetary Fund, April 2023, imf.org.

<sup>2</sup> See *Defense of Japan 2021*, The Ministry of Defence of the Empire of Japan, Tokyo 2021, mod.go.jp.

<sup>3</sup> The Casablanca Declaration, like all the other documents the Allies issued during the war, was an expression of political intent; although it was backed up by military power, it had no international legal force. Only international treaties concluded by the parties concerned have any such force.

to any international entity, so in fact Taiwan's status under international law remains unresolved.

The Republic of China's takeover of the administration of Taiwan led to discriminatory practices against the local population and preferential treatment for Chinese arrivals, as well as a surge in corruption and a decline in the efficiency of the state structures. In February 1947, this situation sparked riots (the '228 Incident'), which the government used as a pretext to massacre tens of thousands of members of the native cultural, scientific and business elites. In 1949, having lost the civil war to the Communists, the government of the Republic of China led by Chiang Kai-shek, the leader of the Nationalist Party (Kuomintang, KMT), relocated to the island. A state of emergency was introduced in Taiwan the same year and lasted until 1987; the democratisation process was completed in the first half of the 1990s under pressure from both the domestic opposition and the United States. The latter had also been a major instigator of the economic reforms that had been implemented since the mid-1960s.

### Timeline

- 1895 China relinquishes its rights to Taiwan in favour of Japan after losing the war for dominance in Korea. The island's local elites declare the establishment of the Republic of Taiwan, but it falls under an onslaught by Japanese troops.
- 1945 The Allies decide to transfer Taiwan to the administration of the Republic of China.
- 1949 On 1 October the CCP establishes the PRC, and on 7 December the government of the Republic of China under Chiang Kai-shek relocates to Taiwan.
- 1952 Japan and the Republic of China sign a peace treaty in which the former relinquishes its rights to Taiwan, but does not specify in whose favour.
- 1971 By decision of the United Nations General Assembly, the PRC replaces the Republic of China in the UN system as the representative of China. The Republic of China also loses its membership in the organisation.

- 1972 US President Richard Nixon pays a landmark visit to China.
- 1975 Chiang Kai-shek dies. His son Chiang Ching-kuo succeeds him as the leader of the KMT, and *de facto* of Taiwan.
- 1978 Chiang Ching-kuo becomes President of the Republic of China.
- 1979 On 1 January, the United States establishes diplomatic relations with the PRC and breaks off formal relations with the Republic of China. At the same time, the Taiwan Relations Act comes into force.
- 1986 The Democratic Progressive Party is established in Taiwan. Chiang Ching-kuo decides to tolerate the first opposition party.
- 1987 The martial law that has been in force on the island since 1949 is abolished.
- 1988 Chiang Ching-kuo dies. Lee Teng-hui, a Taiwanese by birth who was anointed by his predecessor, becomes head of the KMT.
- 1990 In March, students occupy Chiang Kai-shek Square (now Liberty Square) in Taipei, demanding free elections and guarantees of human rights. Lee Teng-hui promises full democratisation.
- 1991 Lee Teng-hui moves to abolish the Temporary Provisions against the Communist Rebellion, which had formed the legal basis of the KMT's dictatorship.
- 1995 The so-called Third Taiwan Strait Crisis breaks out: Lee Teng-hui pays a private visit to the US, and then China conducts large-scale manoeuvres in the Taiwan Strait. The US responds by sending aircraft carriers to protect the island.
- 1996 Lee Teng-hui becomes the first president of the Republic of China elected by universal suffrage, which completes Taiwan's transition to a parliamentary democracy.

The name 'Taiwan' actually refers to three different terms:

1. **Taiwan is an island in the Western Pacific**, formerly known as Formosa, which lies between the South China Sea and the East China Sea, 133 km from China at the narrowest point of the Taiwan Strait. It was not part of the Republic of China before 1945;
2. **Taiwan is also the Republic of China**, an international legal entity that is a continuation of both the 1912 Republic of China and Imperial China. It has not formally relinquished its claims to rule over the entire historical territory of Imperial China, including the PRC, Mongolia, and certain areas now located in Russia (Tuva) and India (Arunachal Pradesh);
3. **Taiwan is a *de facto* independent state, which calls itself the 'Republic of China (Taiwan)' in the international arena.** It has a population of over 23 million people, is located on the island of Taiwan, and also includes the Penghu (Pescadores) archipelago in the Taiwan Strait; the islands of Kinmen and Matsu off the coast of China's Fujian Province on the opposite side of the Strait; the islands of Tungsha (Pratas) and Taiping (Itu Aba) in the South China Sea; the Liuqiu archipelago off the southwestern coast of the island of Taiwan; the islands of Lan Yu (Orchid Island) and Lü Dao (Green Island) southeast of it; and Guishan off its eastern coast.

The first, strictly geographical definition raises no doubts; however, the other two are not merely mutually exclusive, but have also become the subject of political dispute within Taiwan itself, in relations between its government and the PRC, and in China's international relations with third countries. Taiwan's duality is primarily expressed in the contradiction between its functioning as a *de facto* independent state in search of international recognition and, at the same time, as the Republic of China, one of the parties to the civil war in China (1946–1949), which still aspires to regain power on the mainland, although it must be stressed that this desire is now merely formal.

From the perspective of international law theory, the Republic of China (Taiwan) is a sovereign state as it effectively exercises exclusive sovereignty over its territory, has a permanent population, has established state structures at various levels, and has the ability to conduct public diplomacy and enter into international agreements. However, at the practical and political level, the vast majority of the international community does not recognise it diplomatically, which makes it difficult for Taiwan to function and deprives it of the legal

protection under international law that the broadly recognised UN member states enjoy. As of July 2023, the Republic of China (Taiwan) has diplomatic relations with only 13 countries,<sup>4</sup> but at the same time informal political relations through its trade and cultural offices connect it with 59 sovereign states, three dependent territories and the EU. Despite the lack of diplomatic recognition, and often even of informal relations, 146 countries and territories have granted its citizens visa-free entry or offer visas on arrival (as of January 2023).

China's policy is a major constraint on Taiwan's relations with individual countries and international organisations. Some of them do not want to enter into agreements with Taiwan without Beijing's tacit approval, usually in connection to the need to sign a similar agreement with China.<sup>5</sup> Due to China's pressure on sports organisations and organisers of cultural events, representatives of Taiwan have appeared at international events under various banners, such as 'Chinese Taipei'. Taiwan has also been forced to sign some agreements under names that do not express its statehood. For example, it joined the World Trade Organisation as the 'Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu'. However, China has so far successfully blocked it from joining the World Health Organisation under any name. Taiwan has not been invited to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, which evolved from the Trans-Pacific Partnership after the US withdrew from it) due to some of its members' concerns about China's possible reaction, even though Beijing is not a party to this agreement.

<sup>4</sup> These are: Belize, Eswatini, Guatemala, Haiti, Marshall Islands, Nauru, Palau, Paraguay, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Tuvalu and the Holy See.

<sup>5</sup> This is one of the reasons unofficially raised as to why the negotiations on an EU-Taiwan investment agreement have stalled after the European Parliament blocked a *de facto* comprehensive investment agreement between the EU and China in 2021. At the same time, however, the US has been holding talks on a trade agreement with Taiwan without regard to China.

## I. CHINA'S COURSE TO 'LIBERATE' TAIWAN

For the CCP, the annexation of Taiwan is one of the most important objectives of the PRC's foreign policy. The majority of the PRC's population considers Taiwan to be part of China that Japan seized during the period of 'national humiliation'.<sup>6</sup> Therefore, reclaiming the 'lost territories' is an important element in efforts to legitimise the Communist party's rule. Taking control of Taiwan would remove a systemic alternative to the CCP's authoritarian rule within the Chinese civilisation; moreover, in Beijing's perception, it would demonstrate the superiority of Communist ideology. It would also bring tangible economic and technological benefits, provided that severe international sanctions could be avoided in the event of an armed conflict, as well as strategic advantages, such as gaining direct access to the Pacific and seizing control over one of the world's major trade routes.

Plans to 'liberate' Taiwan are part of China's internal mobilisation; thus, any failed attempt to annex the island could destabilise the regime. At the same time, as mentioned, Taiwanese democracy offers a systemic alternative within the Chinese civilisation to the rule of the CCP, which legitimises its authoritarian model of government partly by claiming that Chinese culture is incompatible with liberal democracy and the concept of human rights. In the best-case scenario for Beijing, Taiwan would gradually become isolated internationally and economically tied increasingly closely to the PRC. This would neutralise pro-independence tendencies on the island and prepare it for a quick takeover with minimal use of force and no resistance from the Taiwanese army in a favourable international situation, such as a major domestic crisis in the United States or the rise to power of extreme isolationist political forces in that country.

### 1. Beijing and the two Chinese states

In its diplomatic activities, the CCP has adopted the 'one-China principle' – the claim that Taiwan is an inalienable part of China and that the PRC is its only legitimate government.<sup>7</sup> In this way, Beijing has exerted pressure on

<sup>6</sup> 'The one hundred years of national humiliation' is a term used in China to describe the period of intervention and subjugation of the Qing Dynasty and the Republic of China by Western powers and Japan between 1839 and 1949.

<sup>7</sup> 'Questions and Answers Concerning the Taiwan Question (2):What is the one-China principle? What is the basis of the one-China principle?', Mission of the PRC to the EU, 15 August 2022, eu.china-mission.gov.cn.

many countries in an effort to deepen Taiwan's diplomatic isolation. However, it should be noted that it never refers to the reunification of Taiwan with the PRC, but rather to the 'reunification of China'. This formulation is intended to leave the door open to one of the possible legal solutions to the Taiwan issue in the future: a union state of the PRC and the Republic of China.<sup>8</sup> Since the PRC was established in 1949, it has assumed that there are in fact two Chinese states: the Republic of China and the People's Republic of China. They formally claim exclusive sovereignty over China by asserting that there can only be one Chinese state, and thus remain in a state of *de facto* civil war.<sup>9</sup> Consequently, they do not recognise each other, and refuse to maintain diplomatic relations with any third countries that formally recognise the other party.

### **The 'one China policy' vs. the 'one China principle'**

In public messages, Chinese diplomats often try to blur the differences between the 'one China principle' that Beijing has been promoting and the 'one China policy' that is followed by the United States and most of its allies. The former proclaims that there is only one China and that the PRC is its sole representative. According to this narrative, Taiwan is an inseparable part of China and the resolution of the Taiwan issue is China's internal affair. At the same time, the government in Beijing regards virtually any interaction between external players and Taiwan as interference in its domestic affairs.

The 'one China policy', by its very nature, remains within the discretion of a particular state and can be changed at any time, as opposed to the 'principle', which is supposed to exist objectively and to which individual countries should adhere, as the PRC expects them to do. Today, in the view of most Western countries, the 'one China policy' assumes that there is one China, which can only be represented by one Chinese state, but that the status of Taiwan remains undefined. The US has merely 'acknowledged' the PRC's position that Taiwan is part of China, which in diplomatic practice does not mean that it has accepted this.

<sup>8</sup> It should be stressed that this would be a purely formal solution. There is no doubt that the CCP's ultimate goal is to completely subordinate Taiwan to the PRC and effectively integrate the two.

<sup>9</sup> The PRC's official narrative does not refer to Taiwan as a 'breakaway province', a formulation which is common in foreign media.

The 'one China policy' is deliberately ambiguous, and the countries that follow it have not taken sides in the dispute between the PRC and the Republic of China, leaving it to them to ultimately resolve their differences. However, these countries oppose any unilateral change in the status quo by either of them, which is meant to deter the PRC from invading and also to prevent Taiwan from taking radical steps such as declaring independence. Washington's position is that any settlement should be subject to the democratically expressed consent of the people of Taiwan.

Despite tensions and serious incidents, the 'one China' concept has made it possible to maintain the status quo across the Taiwan Strait since the late 1970s. That was because part of the elite in Beijing (and Taipei at the time) assumed that in the long term, once the living standards in the two countries evened out, it would be possible to reunify them through negotiation; therefore the PRC did not need to take any military steps. Within this paradigm, in 1979 Deng Xiaoping put forward the 'one country, two systems' formula, which would see the PRC and the Republic of China merge into a single state in which each of them could maintain a separate political and economic system. In a truncated form, it formed the basis of the Sino-British agreement on the PRC's takeover of Hong Kong in 1997.

The existence of this hypothetical path to reunification, even if no practical steps were taken in this direction, stabilised Taiwan's relations with the PRC; and from 1987 it allowed for the development of economic cooperation and people-to-people contacts. However, several factors have now underscored the fundamentally fictitious nature of the prospects for peaceful reunification and shattered the fragile status quo. These include Taiwan's democratisation in the first half of the 1990s and the transformation of the island's identity that it set in motion, as well as the rising authoritarianism in China under Xi Jinping;<sup>10</sup> most particularly, this included the effective abolition of Hong Kong's autonomy, which terminally discredited the 'one country, two systems' concept.

The CCP began to change its policy towards Taiwan in the second half of the 1990s, when the PRC's international and military position rose significantly. The pretence created by the 'one country, two systems' formula was no longer sufficient for the CCP. Since then, the Chinese government has been trying to

<sup>10</sup> See M. Bogusz, J. Jakóbowski, *The Chinese Communist Party and its state. Xi Jinping's conservative turn*, OSW, Warsaw 2020, osw.waw.pl.



force Taiwan to declare that it would not seek formal independence. The PRC initially wanted to achieve this through the '1992 Consensus' (九二共识), which it claimed had been agreed at a meeting of informal representatives of the two sides in October 1992, when they supposedly adopted the 'principle of one indivisible China'. In fact, there are no open-source documents dated earlier than 2000 that mention the '1992 Consensus'. Lee Teng-hui, Taiwan's president from 1988 to 2000, has also denied that such a formula was ever agreed.<sup>11</sup> Nevertheless, since the early 2000s, China has made the continuation of the informal dialogue conditional on the recognition of the '1992 Consensus' by successive Taiwanese governments. In 2004, Chen Shui-bian, Taiwan's president (2000–2008) who was running for re-election and represented what the PRC saw as the pro-independence camp, called the island's first ever consultative referendum, which was designed to provide answers to questions about the public's attitude towards the PRC.<sup>12</sup> In response, the Chinese government passed an anti-secession law in 2005. Its Article 1 stated that it was intended to prevent 'Taiwan's independence', while Article 8 authorised the PRC government to take 'non-peaceful measures' to achieve this goal.<sup>13</sup>

The PRC's rhetoric sharpened further in 2012, after Xi Jinping took power. The new secretary-general dropped the adjective 'peaceful' when referring to the pursuit of the 'liberation of Taiwan'; and in a speech on 1 July 2021, on the occasion of the CCP's centenary, he set a deadline of 2049, the PRC's centenary, for the 'complete reunification of China'.<sup>14</sup> At the same time, the virtual dismantling of Hong Kong's autonomy<sup>15</sup> and the *de facto* introduction of direct rule by Beijing in the territory, as well as its crackdown on the democratic opposition, have exposed the dysfunctional and illusory nature of the 'one country, two systems' formula.

Since Taiwan's democratisation, and especially since 2000 when an opposition candidate from the independence-minded Democratic Progressive Party (DPP)

<sup>11</sup> The informal nature of the contacts between the two sides, which are handled by two non-governmental organisations, means that we cannot exclude the possibility that there was a misunderstanding: what was a non-committal opinion for the Taiwanese officials was presented by the Chinese negotiators in Beijing as a formal commitment. However, it seems certain that the two sides did not conclude any written agreement. See 'Former MAC Minister Chen Ming-tong's Comments on the 1992 Hong Kong Talks', Mainland Affairs Council, 2016, mac.gov.tw.

<sup>12</sup> See R. Gupta, 'Taiwan's Presidential Election and the Referendum Issue', *China Report*, vol. 40, no. 2, May 2004, pp. 209–215.

<sup>13</sup> 反分裂国家法, The Central People's Government, 21 June 2005, gov.cn.

<sup>14</sup> 'Speech by Xi Jinping at a ceremony marking the centenary of the CPC', Xinhua news agency, 1 July 2021, xinhuanet.com.

<sup>15</sup> See M. Bogusz, 'Partial democracy in Hong Kong coming to an end', OSW, 19 March 2021, osw.waw.pl.

won the presidential election for the first time, the PRC has focused on influencing political processes on the island. On the one hand, it has been building a framework to constrain the pro-independence discourse by drawing ‘red lines’: if any of these are crossed, the PRC will consider it a provocation that justifies the use of force. On the other hand, it has been trying – to the best of its abilities and often counterproductively – to support those political factions (mainly the KMT) which it believes would slow down the formation of the distinctive national identity of the Taiwanese people.

## 2. China’s sword of Damocles over Taiwan

The PRC’s current official position on Taiwan is set out in a white paper entitled ‘The Taiwan Question and China’s Reunification in the New Era’,<sup>16</sup> which the State Council published in August 2022. This document details the PRC’s approach to Taiwan under Xi Jinping’s leadership and updates the previous white papers that were issued in 1993 and 2000. It begins by emphasising China’s commitment to “resolving the Taiwan question and realising China’s complete reunification”. It calls this goal “a shared aspiration of all the sons and daughters of the Chinese nation (...) indispensable for the realisation of China’s rejuvenation” and the CCP’s “historic mission”. It provides a lengthy account of the historical ties between China and Taiwan as the basis for its claim to the island. In this view, “Japan’s 50-year occupation of Taiwan epitomised” the period of “national humiliation” and is a “scar left by history” that must be redressed.

The white paper also justifies China’s claims to the island from the perspective of *Realpolitik*: “National unification is the only way to avoid the risk of Taiwan being invaded and occupied again by foreign countries, to foil the attempts of external forces to contain China, and to safeguard [its] sovereignty, security and development interests”. The document repeats accusations that the US is “using Taiwan to contain China” and to “undermine [its] development and progress”. It insists that Beijing favours “peaceful reunification”, which the paper describes as “the first choice of [the CCP] and the Chinese government”. However, in line with the Communist Party’s long-standing policy, it emphasises that China “will not renounce the use of force to achieve reunification” while declaring that this “use of force would be the last resort, taken under compelling circumstances”.

<sup>16</sup> ‘The Taiwan Question and China’s Reunification in the New Era’, The Central People’s Government, 10 August 2022, gov.cn.

The Chinese government is probably aware that the course it adopted towards Hong Kong in 2019 has ruined any chance of the Taiwanese people accepting a similar model of reunification, but the document still recognises the principle of ‘one country, two systems’ as the basis of any reunification proposals for Taiwan. It stresses that “Taiwan may continue its current social system and enjoy a high degree of autonomy in accordance with the law”. At the same time, it reiterates more recent statements that have been made in the context of Hong Kong: that “[the formula of] ‘the two systems’ is subordinate to and derives from [the principle of] ‘one country’”, and that thanks to the central government’s intervention, “order has been restored and prosperity returned” to the city.

### **The framework for Taiwan-PRC contacts**

For the first few decades after fleeing to Taiwan, the government of the Republic of China did not maintain any communication with the PRC. After the US recognised the latter in 1979, President of the Republic of China Chiang Ching-kuo announced the so-called policy of three ‘no’s (三不政策): ‘no’ to contacts, ‘no’ to negotiations and ‘no’ to compromise with the Communists. However, the growing economic exchange (initially via Hong Kong) and family contacts, which the Taiwanese government permitted in 1987, made it necessary to create a platform to negotiate technical matters between two governments that did not recognise each other.

Taiwan took the initiative in 1988 by establishing the non-governmental Straits Exchange Foundation (海峽交流基金會)<sup>17</sup>, whose operations are overseen by the Mainland Affairs Council (大陸委員會)<sup>18</sup>, a Taiwanese government body. In response, the PRC created the Association for Relations across the Taiwan Straits (海峽兩岸關係協會)<sup>19</sup> under the State Council’s Taiwan Affairs Office (國務院台灣事務辦公室), which in turn is subordinate to the CCP Central Committee’s Central Leading Group for Taiwan Affairs (中央對台工作領導小組) that has been headed by Xi Jinping since 2013.<sup>20</sup> These steps have created a mechanism where officials from the two sides meet while formally only representing a foundation from the island and an association from the mainland. In practice, the intensity of the mutual

<sup>17</sup> See 財團法人海峽交流基金會, The Straits Exchange Foundation, [sef.org.tw](http://sef.org.tw).

<sup>18</sup> See 大陸委員會, Mainland Affairs Council, [mac.gov.tw](http://mac.gov.tw).

<sup>19</sup> See 海峽兩岸關係協會, The Association for Relations across the Taiwan Straits, [arats.com.cn](http://arats.com.cn).

<sup>20</sup> See 國務院台灣事務辦公室, The CCP Central Committee’s Central Leading Group for Taiwan Affairs, [gwytb.gov.cn](http://gwytb.gov.cn).

relationship fluctuates in correlation with the political cycle in Taiwan. When the DPP, considered a pro-independence party, takes power, the PRC suspends contacts; it resumes them when power returns to the KMT, which is seen as more open to reunification at some point in the future.

The KMT itself has also maintained inter-party dialogue with the CCP: indeed, the summit that was attended by the then President of the Republic of China Ma Ying-jeou and PRC Chairman Xi Jinping in 2015 took place in the format of a meeting between heads of political parties. However, that event did not lead to a breakthrough in bilateral relations or change the internal dynamic in Taiwan. Some in the KMT's elite believe that closer economic relations with China will counterbalance the pro-independence tendencies while keeping the prospect of reunification alive and depriving the PRC of any motivation to launch a risky military operation. The DPP would also like to continue dialogue with the PRC, but rejects its precondition that the '1992 Consensus' must be recognised. The DPP also claims that it has no plans to declare formal independence, as Taiwan is already independent – as the Republic of China (Taiwan).

The PRC's political actions towards Taiwan have been accompanied by various forms of pressure:

- **Military pressure.** In the midst of an unprecedented economic boom, the PRC has been pouring enormous resources into the modernisation of its military, raising its defence budget by an average of around 7% annually. As a result, over the past decade, a potential invasion has ceased to be a hypothetical matter and evolved into a real threat in a not so distant future. In this light, the continuous exercises conducted by the People's Liberation Army (PLA) around Taiwan, including incursions into its air defence identification zone,<sup>21</sup> represent a form of military pressure. It is no coincidence that the intensity of these exercises increases before elections on the island, and also during political upheavals in the PRC itself.

<sup>21</sup> An air defence identification zone (ADIZ) is an airspace outside the borders of a particular country over its exclusive economic zone or high seas in which that country seeks to identify, locate and control any aircraft in the interests of national security. ADIZs have no international legal basis, but in addition to Taiwan, more than a dozen countries have already established similar zones, including the PRC, Japan, Canada, the United States and Sweden.

- **Economic pressure.** Another important tool for the CCP is pressure on Taiwanese businesses that have invested in the PRC, which has become a major economic centre for all of East Asia. Being aware of this, the government in Beijing has prepared numerous facilitations for Taiwanese entrepreneurs. It has also repeatedly shown that it can use import restrictions to strike at the island's economy or its specific constituencies. One example is the introduction of a ban on the import of pineapples, which are grown by farmers in southern Taiwan who mostly support the DPP.
- **Trade 'encirclement'.** The Chinese government requires its economic partners not to enter into any trade agreement with Taiwan unless they first sign a similar sectoral agreement with the PRC. In January 2010, China and the members of the Association of South-East Asian Nations (ASEAN) agreed on a China-ASEAN common market, which put Taiwan at risk of being isolated from the region thanks to high tariffs. Therefore, in June 2010, Taiwan concluded the Economic Cooperation Framework Agreement (ECFA)<sup>22</sup> with the PRC, which reduced mutual tariffs and made it easier for Chinese companies to invest on the island. For years, China's economic proposals have been accompanied by a cultural and informational offensive, which has included material in Taiwanese mass media sponsored by PRC-based entities.
- **Disinformation and cognitive warfare.** The PRC has employed a full range of disinformation measures to manipulate the electoral process (albeit with little success so far) and to call into question the value of the US's security guarantees, the Taiwanese military's combat capabilities and the willingness of its soldiers to fight. It primarily uses social media to spread its propaganda. It has also been trying to expand its direct influence in Taiwanese society and identify those willing to peddle the Chinese message in their communities, using religious organisations, youth exchanges and academic cooperation to this end.

Russia's invasion of Ukraine has also affected the situation in the Taiwan Strait. The PRC has to take into account the fact that sustained pressure on Taiwan could harden resistance among the island's population, just as was the case with the Ukrainian people after 2014. This gives Taiwan time to boost its defence capabilities, while countries that would probably come to the island's

<sup>22</sup> [Cross-Straits Economic Cooperation Framework Agreement](https://www.wto.org/regions/cross_straits_economic_cooperation_framework_agreement.htm), Regional Trade Agreements Database, 29 June 2010, [rtais.wto.org](https://rtais.wto.org).

defence can move to form a potential US-led coalition. At the same time, for domestic reasons, the CCP cannot moderate its rhetoric, and must constantly escalate its military operations around Taiwan, as well as those vis-à-vis its other neighbours with whom it has territorial disputes. It appears that this has led the Chinese government to conclude that time is working against it and that if a possible invasion is to be carried out, it must be executed swiftly and achieve the maximum objectives immediately (see the chapter ‘Possible future developments’). At the same time, if the PRC has to take action in unfavourable international circumstances, with the US and its allies ready to actively support the island’s defence, it is conceivable that Chinese planners could suggest that the CCP leadership initiate the conflict over Taiwan with a strike against US bases in East Asia and concentrations of US & allied warships in the Indo-Pacific.

## II. THE UNITED STATES: AN AMBIGUOUS ALLY

The survival of a democratic Taiwan is fundamental to the US's efforts to maintain its position as a great power in the Indo-Pacific region, and by extension on the global scale. Taiwan's political system is an example of a successful transition from dictatorship to democracy and a vivid refutation of the CCP's thesis that Confucian civilisation is incompatible with the concept of liberal democracy, the rule of law or guarantees of individual freedom. Moreover, Taiwan's democratisation has unfolded under the influence of the United States, to some extent emulating the US model, and represents an exemplary success story, especially against the backdrop of the failed US-led programmes of state-building in Iraq and Afghanistan.

The Republic of China is also one of the United States' oldest allies in Asia. The island of Taiwan encloses the PLA Navy in the so-called first chain of islands; it also lies at the crossroads of key trade and telecommunications routes. At the same time, Taiwan is uniquely placed as the largest producer of semiconductors, playing a role that will be nearly impossible to replace in the short to medium term; it has a virtual monopoly on the production of the most advanced microprocessors.<sup>23</sup> It is also one of the world's most developed economies. Therefore, seizing the island would help the PRC move much closer to achieving one of the CCP's goals – surpassing the US in economic terms.

Given these factors, a US surrender of Taiwan without a fight or after a purely symbolic conflict would undercut the value of the security guarantees that Washington has offered to other East Asian countries. It would also allow the PRC to gain a favourable strategic, economic and political position, which could determine the final outcome of the entire Chinese-US rivalry. However, despite the island's growing importance and the rising anxiety in the region, the US does not appear to have a coherent plan for the future that goes beyond maintaining the status quo. US policy towards Taiwan has been hotly debated in Washington, and has even caused tensions within successive administrations. These discussions have intensified since the Russian invasion of Ukraine.

<sup>23</sup> See R. Zaman, 'Taiwan's Semiconductor Monopoly – How did it arise?', *The Waves*, 19 March 2022, [the-waves.org](https://the-waves.org).

## 1. Informal guarantees

Since the US established diplomatic relations with the PRC and withdrew its troops from Taiwan in 1979, it has officially maintained a policy of so-called ‘strategic ambiguity’ and followed the principle of dual deterrence. Both of these are designed to discourage Beijing from taking military action against Taiwan, but also to dissuade the latter from taking any steps towards formal independence – in practice, renaming itself the Republic of Taiwan. Washington has refrained from making any explicit declarations that it will come to Taiwan’s aid in the event of an attack. It assumes that such statements could provoke the PRC to start a war or encourage Taiwan to declare independence. In practice, this means that the US has not provided any *de jure* security guarantees to Taiwan while constantly warning the PRC through informal channels that the island is *de facto* under the US’s security umbrella. At the same time, successive US administrations have communicated to Taiwanese governments that they cannot count on US assistance if they provoke an invasion.

However, recent remarks by President Joe Biden may confirm the existence of such informal security guarantees. In May 2022, when asked in a television interview whether the US will come to Taiwan’s defence in the event of a Chinese attack, he said: “Yes (...) That’s the commitment we made”.<sup>24</sup> He also spoke in a similar vein on several occasions before and after that remark. Each time, US officials emphasised that US policy had not changed. Thus, their words can be interpreted on the one hand as a confirmation that informal guarantees do exist, but on the other, as evidence that the US is shifting away from its strategy of ambiguity.

### Taiwan’s nuclear programme

Some authors<sup>25</sup> have suggested that the US’s informal and confidential security guarantees to Taiwan have more to do with the island’s nuclear

<sup>24</sup> D. Brunnstrom, T. Hunnicutt, ‘Biden says U.S. forces would defend Taiwan in the event of a Chinese invasion’, Reuters, 19 September 2022, reuters.com.

<sup>25</sup> See D. Albright, A. Stricker, *Taiwan’s Former Nuclear Weapons Program. Nuclear Weapons On-Demand*, Institute for Science and International Security, Washington 2018, isis-online.org; J.A. Yager, ‘The Nuclear Policies of The Republic of China and The Republic of Korea: A Comparative Analysis’, *Asian Perspective*, no. 1, spring 1979, pp. 81–101; W. Burr, ‘Taiwan’s Nuclear Weapons Research and Development, 1966–1988’, National Security Archive, 2019, nsarchive.gwu.edu; G. Kulacki, ‘Nuclear Weapons in the Taiwan Strait Part I’, *Journal for Peace and Nuclear Disarmament*, no. 2/2020, pp. 310–341; *idem*, ‘Nuclear Weapons in the Taiwan Strait Part II’, *Journal for Peace and Nuclear Disarmament*, no. 2/2020, pp. 342–365.



programme than Washington's switch of diplomatic recognition from Taiwan to the PRC in 1979. Although Taiwan has officially declared that it is bound by the Nuclear Non-Proliferation Treaty (the NPT, which came into force in 1970), it conducted research on weapons of mass destruction, including nuclear payloads, from the time when the government of the Republic of China fled to the island until 1988. This was driven by the belief that only the possibility of using such an arsenal would prevent a massive assault or deter it and act as the ultimate guarantor of independence. However, this programme was shut down under pressure from Washington no later than 1988. In return, the US allegedly gave Taiwan a guarantee that if the PRC attacked it, US forces would come to its defence, provided that war was not provoked by a declaration of formal independence. However, none of these reports can be verified.

The cornerstone of the US's relationship with Taiwan is the Taiwan Relations Act (TRA)<sup>26</sup> from April 1979 – the first act of the US Congress to give the executive branch of government specific guidance on relations with another actor in international relations. It allowed Taiwan to have *de facto* diplomatic representation in the US, first in the form of an office of Taiwan's Coordination Council for North American Affairs, and since 1994 as the Taipei Economic and Cultural Representative Office (TECRO). Employees of TECRO enjoy diplomatic status and, in accordance with the principles of the Vienna Convention on Consular Relations (1963), have access to US courts in cases involving Taiwanese citizens.

President Ronald Reagan made further changes. In 1982, he published the so-called Six Assurances to Taiwan (see 'Six Assurances'), which reaffirmed and strengthened those contained in the TRA. Then, in 1994, the administration of Bill Clinton revised US policy towards Taiwan. As a result, high-level US officials were allowed to visit the island,<sup>27</sup> while representatives of the Republic of China were granted the right of transit through US territory. In practice, the presidential administration avoided direct contact with Taiwan's formal representatives for years, although media reports have suggested that such meetings have occurred in secret. Since the presidency of Donald Trump, this pretence has been dropped. The US Congress, especially the Speaker of the

<sup>26</sup> [Taiwan Relations Act](#), The United States Congress, 10 April 1979, congress.gov.

<sup>27</sup> In practice, such trips became even more frequent under Donald Trump's administration and after the enactment of the Taiwan Travel Act. See [Taiwan Travel Act](#), The United States Congress, 16 March 2018, congress.gov.

House of Representatives, has maintained open and regular relations with Taiwanese delegates since 1979 as another aspect of the TRA's implementation.

### **The 'Six Assurances'**

The original 'Six Assurances' were communicated in the form of an oral statement to President Chiang Ching-kuo of the Republic of China during negotiations between the US and the PRC upon the establishment of diplomatic relations in 1979. They were designed to assure the Taiwanese side that the severance of formal diplomatic relations and the withdrawal of US troops from the island did not mean that the US security umbrella would be lifted. President Ronald Reagan decided to make the declaration public in a formal communication to the US Congress along with a corresponding diplomatic cable, according to which the United States "[1] would not set a date for termination of arms sales to Taiwan; [2] would not consult with China in advance before making decisions about U.S. arms sales to Taiwan; [3] would not mediate between Taiwan and China; [4] would not alter the terms of the Taiwan Relations Act; [5] would not alter its position about the sovereignty of Taiwan; [6] would not pressure Taiwan to enter into negotiations with China". In 2016, the House of Representatives passed a resolution that reiterated the 'six assurances' in a similar fashion. In 2020, the US defence bill for the fiscal year 2021 reaffirmed the TRA and the 'six assurances'.

## **2. From a problem to an asset**

Since Richard Nixon's decision to establish relations with the PRC and form a united front against the Soviet Union in the early 1970s, the United States' relationship with Taiwan has been a function of its relationship with China. This only changed when the US establishment realised that its belief in the liberalisation of the CCP regime in the near or long term was an illusion. It was based on the conviction that economic change would lead to political change and that the PRC's economic success would translate into deeper socio-political reforms. However, this did not happen; the CCP has even returned to its totalitarian ways, while the PRC's rapid development has only rekindled the international ambitions of the leadership in Beijing, including its desire to push the US out of East Asia and the Western Pacific. Most of the US elite has now come to the conclusion that the rivalry with the PRC is existential in nature and

become a protracted multidimensional conflict. This has also led to a revision of Washington's attitude towards relations with Taiwan. The US has ceased to see Taiwan as a problem in its relations with the PRC. Instead, the island has become an important strategic, economic and ideological factor in America's competition with Beijing.

Taiwan has also become a feature of US domestic politics. Both individual members of Congress and the two political camps have been trying to outdo each other in issuing anti-China and pro-Taiwan statements as well as concrete proposals. These do not always stem from an in-depth knowledge of the situation in the Taiwan Strait or an awareness of its complexity. There is a danger that the PRC could misinterpret such remarks as an encouragement for Taiwan to declare formal independence, which could inadvertently provoke the CCP leadership to launch a risky armed conflict instead of discouraging it from doing so. This risk is at the heart of disputes with the more conservative factions within the US elite, which primarily seek to maintain the status quo in the region.

In view of the rapidly changing situation in the Taiwan Strait and in Taiwan's international environment, the fundamental question seems to be whether it makes sense for the US to maintain the principle of strategic ambiguity. It was probably no coincidence that President Biden first stated that the US intended to defend the island in October 2021,<sup>28</sup> when he already knew that Russia had decided to invade Ukraine. This suggests that in Washington's view, a lack of explicit confirmation of security guarantees for Taiwan could create a conviction in Beijing that America will not fight or merely feign intervention for reasons of prestige. This view appears to be accurate, especially as the PRC is currently actively trying to change the status quo in the strait through conducting regular military exercises around the island and putting pressure on third countries on the issue of relations with the Republic of China and Taiwan's participation in international organisations. Its military drills have triggered responses from the US and its allies, whose air forces and navies are always conspicuously positioned in the vicinity of Chinese manoeuvres. However, these are reactive measures, and it is questionable whether they would be sufficient to stave off an invasion if the regime in Beijing concluded that the PLA is now ready for war.

<sup>28</sup> See K. Liptak, 'Biden vows to protect Taiwan in event of Chinese attack', CNN, 22 October 2021, [edition.cnn.com](https://edition.cnn.com).

US policy with regard to the Taiwan Strait is aimed at maintaining the status quo there, so it focuses on efforts to counterbalance the PRC's actions, especially its expanding military capabilities. Hence the US pressure on Taiwan to accelerate the modernisation of its armed forces and boost its deterrent capability by adapting to an asymmetric conflict and adopting an A2/AD (Anti-Access/Area Denial) strategy to dramatically increase the costs of any invasion. This has generated tensions with Taiwan's military leaders, who want to maintain their capabilities to respond to Chinese operations in the grey zone, and have been pushing to acquire more surface ships and fighter jets to counter the Chinese units that have been operating around Taiwan's airspace and territorial sea. At the same time, the US has been seeking support among its allies for potential sanctions in the event of aggression by the PRC. It has also been working to strengthen Taiwan's efforts in the international arena aimed at building up its recognisability and highlighting its membership of the democratic community. Moreover, the US has supported Taiwan in its efforts to join international organisations and maintain the coherence of the group of countries which recognise the Republic of China.

The Russian onslaught on Ukraine has clearly affected US calculations with regard to Taiwan. Firstly, it has shown that the adversary does not always make rational decisions and is often guided by its own logic. Secondly, Ukraine's relative success in halting the invasion, and the chance that it could liberate the occupied territories in the future, may act as a deterrent to the PRC, as could the joint response of the West, which has imposed unprecedented sanctions on Russia. At the same time, however, many of these restrictions have been watered down due to conflicting interests among the allies, and the impact of some of them has been limited due to the lengthy implementation process. This may give the PRC hope that its role in the international division of labour will make it more effective than Russia in breaking Western unity. The US elite is also increasingly concerned about the US Armed Forces' ability to operate in two theatres of operation simultaneously.

### III. BETWEEN THE GIANTS

Since 1949, maintaining Taiwan's subjectivity and independence both in the face of the threat from China and in its relations with the United States has been the primary objective of the island's ruling elite, regardless of their political and personal backgrounds. In order to maintain the alliance with the US, first formally and then in reality, different means have been employed at different times. To a certain extent, domestic policy has also been (and continues to be) subordinated to this goal: starting with land reform in the 1950s, through the process of democratisation in the late 1980s and early 1990s, to the development of the semiconductor industry in the 21st century. This was particularly necessary at a time when the dominant belief in the US was that the PRC was on the path to political liberalisation and that it was essential to encourage the government in Beijing to stay on that track, even at the expense of the US's relations with Taiwan. However, successive Taiwanese governments have made great strides in their relations with the US by portraying the island as an indispensable part of the US's presence in East Asia in the strategic, economic and ideological dimensions.

Currently, the key factors affecting the situation in the Taiwan Strait include socio-cultural changes, notably the identity-related shifts on the island, and the transformation of the economic relationship between Taiwan and the PRC. It appears that over the past 30 years, more and more Taiwanese people have gradually come to realise that the differences between the mainland and the island cannot be reconciled (see Chart 1 in the Appendix). This stems from changes not only in Taiwan, but also, and perhaps primarily, within the PRC itself. We should remember that the traditional image of pre-1949 Chinese culture and society continued to reside in the collective consciousness of the Taiwanese people as recently as the turn of the 1990s. However, socio-cultural changes resulting from Stalinist-style modernisation and the Cultural Revolution have transformed China. After 1989, a new phenomenon also emerged: the promotion of Han nationalism as the Communist Party's response to its deficit of legitimacy following the massacre in Tiananmen Square. As a result of educational efforts, including the imposition of Mandarin as the nationwide language of instruction, the PRC's population has also become increasingly homogeneous in cultural, linguistic and ideological terms, while the ability of different ethnic, religious and linguistic groups to function within the state has been drastically reduced.

At the same time, Taiwanese society has democratised, implemented human rights, and revitalised its indigenous identity and local languages. Consequently, it could be said that the Taiwanese nation is currently in its formative

stage, and that the attachment to democratic values, which is emphasised at every turn, has become one of the components of its self-identification in opposition to the PRC, where the CCP has proclaimed that democracy and human rights are incompatible with Chinese culture. In addition, the PRC's multidimensional pressure has been counterproductive: it has failed to stop the socio-cultural processes on the island which have led to the formation of a distinct Taiwanese identity and even accelerated them. As a result, an overwhelming majority of the Taiwanese people reject the idea of reunification with the PRC in any form, although they wish to maintain the status quo in the foreseeable future out of fear of war (see Chart 2 in the Appendix).

### **The 'Sunflower Revolution'**

The changes in the consciousness of Taiwanese society have taken place over a long period of time, but the so-called 'Sunflower Revolution' can be considered a watershed moment. Between 18 March and 10 April 2014, a coalition of student and civic organisations occupied the Taiwanese parliament's meeting room to block the ratification of the Cross-Strait Service Trade Agreement (CSSTA) with the PRC. The protesters argued that the agreement which the then ruling KMT had negotiated was harmful to the economy and would have allowed Beijing to use economic blackmail against the island. In the end the agreement was not adopted, but the most important effect of the protest was that most of Taiwan's political spectrum were forced into the realisation that its people no longer identified *en masse* with the idea of one China, and thus the issue of possible reunification had lost its *raison d'être* in domestic politics.

## **1. Direction Washington**

Taiwan's lack of diplomatic recognition has prompted it to rely on informal channels to build relations with countries that have officially recognised the PRC. To this end, it has adopted the concept of a 'multidirectional' or 'omnidirectional' foreign policy, which implies the use of all available avenues to develop its international relations: from economic ties to cultural exchanges, academic cooperation and people-to-people contacts. Accordingly, Taiwan has been seeking to open informal diplomatic outposts operating as representative trade offices. This desire to win support has also changed the foreign ministry's information policy. It has published all the international treaties that the Republic of

China (Taiwan) has signed. Government bodies regularly issue so-called white papers that outline Taiwan's positions on specific global issues and bilateral relations with the PRC to the domestic and international public. Many officials have also sought to publish books or articles in the national and international press in order to familiarise readers with the Taiwanese perspective.

Taiwan has been cultivating its image as a modern, open democratic state. It has been involved in aid programmes for developing countries, especially those that have diplomatic relations with it, and has sought to participate in as many international organisations as possible. It has also stressed at every opportunity that it has a moral and legal right to choose its future freely. Soft power is an important component of its quest for recognition on the global stage. Taiwan styles itself as a model for the circle of Confucian civilisation and East Asia as a whole with regard to values such as democracy, human rights, the rule of law and socially progressive legislation. It also seeks to exert cultural influence throughout the region. While these policies have sustained its international relations in some form, they have failed to compensate for the losses resulting from the absence of formal diplomatic relations. They have also been unable to arrest the gradual decrease in the number of countries that officially recognise the Republic of China (Taiwan).

### **The 'Milk Tea Alliance'**

The 'Milk Tea Alliance' is an online movement for democracy and human rights that emerged spontaneously in 2019–20, consisting mainly of Internet users from Hong Kong, Taiwan, Thailand and Myanmar. Its name refers to the tradition of drinking tea with added milk in these countries (in Taiwan in the form of the so-called bubble tea), which has failed to catch on in China. The movement came to life as an online meme invented to describe the activists who were fighting the CCP's and Chinese nationalists' propaganda offensive on social media during the protests in Hong Kong. It has since evolved into a multinational pro-democracy movement:<sup>29</sup> it has mainly been joined by activists from Asian countries, such as the Philippines, India, Malaysia, Indonesia and Iran, but it has also spread to Belarus. The 'Milk Tea Alliance' is one unexpected manifestation of Taiwanese soft power, which the island's government has also explored and supported.

<sup>29</sup> P. Tanakasempipat, Y. Chow, 'Pro-democracy Milk Tea Alliance brews in Asia', Reuters, 18 August 2020, reuters.com.

The US is still Taiwan's most important partner in foreign policy. Over the years, Taiwan's primary objectives in this sphere have included seeking the attention of successive US presidents and maintaining the US's informal security guarantees. Preventing Taiwan from becoming the mere subject of a more or less formal Chinese-US agreement has been another important goal. To this end, over the years Taiwan has managed to create a network of think tanks and organisations in the United States. It has employed all available tools to build an influential Taiwanese lobby in the US Congress, which has shaped the policies of successive US administrations towards Taiwan through several pieces of legislation. It has also hired US public relations firms to promote the island's positive image in US society. This move has produced the desired effect: according to a 2022 poll for the Chicago Council on Global Affairs, the majority of US respondents would support the imposition of diplomatic and economic sanctions on the PRC (76%), the transfer of additional weapons and military supplies to the Taiwanese government (65%), and the use of the navy to prevent China from imposing a blockade on the island (62%).<sup>30</sup> However, less than half (40%) would agree to send US troops to help defend Taiwan against China, compared to 52% in 2021. Nonetheless, Taiwan still ranks first among the countries that the American public would be most willing to support; this drop is the result of an overall rise in isolationist sentiment rather than a decrease in sympathy or support for Taiwan. On the 'sentiment thermometer' that shows the friendly feelings of US residents on a scale of 0–100, Taiwan achieved an average score of 60, the highest ever recorded in the Council's surveys. Meanwhile, ratings for China fell to an all-time low: an average of 32.

## 2. An economic anchor and a silicon shield

Despite the growing tensions and widening differences between Taiwan and the PRC, economic ties have continued to act as the main stabiliser in their relationship. Taiwanese companies were among the biggest winners of the early phase of China's reform and opening-up period that started in the late 1970s, and have since become some of the country's most important investors. They often act as intermediaries in the supply chains of global companies that manufacture their goods in the PRC. For example, Taiwan's Foxconn, which makes electronic components for Apple, employs more than 1.3 million people there. Before the pandemic, an estimated 1.2 million Taiwanese (about 5% of the population) were at least partly resident in China. Although the PRC's

<sup>30</sup> *Americans Favor Aiding Taiwan Against China*, The Chicago Council on Global Affairs, 11 August 2022, [globalaffairs.org](https://globalaffairs.org).



share of Taiwan's new foreign direct investment has fallen to 32% in 2021 from over 80% in 2010,<sup>31</sup> it is still the island's largest trading partner. China (the PRC & Hong Kong) receives 37.1% (down by 22.2% y-o-y) of the island's exports, while 20% (down by 33.4% y-o-y) of Taiwan's imports come from the PRC (as of June 2023).<sup>32</sup> Officially, trade between the two sides in the first half of 2023 reached more than \$105 billion (\$71.8 billion in exports from Taiwan and \$33.3 billion in imports from China).<sup>33</sup>

### **The silicon shield of TSMC and UMC**

TSMC (the Taiwan Semiconductor Manufacturing Company) and UMC (the United Microelectronics Corporation) are Taiwan's largest semiconductor manufacturers. In the first quarter of 2023, TSMC controlled 59% of the global market, and UMC 6%.<sup>34</sup> TSMC manufactures chips of all sizes, but owes its unique position to its dominance in the production of the most advanced ones. Currently, the smallest chip in production is 3 nanometres in size, but the company has announced it will launch 2-nanometre technology in 2025.<sup>35</sup> As of July 2023, TSMC is the only company besides Samsung to have mastered the production of 3-nanometre semiconductors, but its chips have a higher transistor density than those of its South Korean rival. UMC does not manufacture chips smaller than 14 nanometres; instead, it focuses on making less advanced but specialised chips for the automotive and 'Internet of Things (IoT)' sectors. TSMC accounts for more than 90% of the most advanced semiconductor models. These are made exclusively on the island.<sup>36</sup> If the two Taiwanese companies were shut out of the global economy, the production of a large part of consumer electronics, servers, supercomputers, telecommunications equipment, etc., as well as cars and other vehicles, would come to a halt.

<sup>31</sup> Min-Hua Chiang, 'China Can't Afford To Ban Taiwan's Semiconductors', The Heritage Foundation, 7 December 2022, [heritage.org](https://www.heritage.org).

<sup>32</sup> *Trade Figures for June 2023*, The Ministry of Finance of the Republic of China (Taiwan), 7 July 2023, [service.mof.gov.tw](https://www.service.mof.gov.tw).

<sup>33</sup> *Ibidem*.

<sup>34</sup> 'Global Semiconductor Foundry Revenue Share', Counterpoint, [counterpointresearch.com](https://www.counterpointresearch.com).

<sup>35</sup> L. Wang, 'TSMC says new chips to be world's most advanced', Taipei Times, 12 May 2023, [taipetitimes.com](https://www.taipetitimes.com).

<sup>36</sup> 'Taiwan's dominance of the chip industry makes it more important', The Economist, 6 March 2023, [economist.com](https://www.economist.com).

Taiwan's continued economic dependence on the PRC makes it difficult for the island to adopt a more assertive stance towards Beijing. Looking for a way out of this impasse, in 2016 President Tsai Ing-wen proposed the New Southbound Policy (新南向政策)<sup>37</sup>, which called for expanding trade with the countries of Southeast Asia, South Asia and Australasia. Taiwan has scored some successes in this field and managed to reverse the trend of deepening economic ties with China, a development that has also been aided by the pandemic and negative business perceptions of the political changes in the PRC. However, the investments that Taiwan has made there in the past will keep it vulnerable to economic pressure from Beijing for a long time to come. At the same time, a part of Taiwan's influential big business lobby is keen to maintain this dependence as it protects its ventures in the PRC. However, others in the Taiwanese economic elite have become alienated from the CCP's rule, and started scaling down their activities in China or pulling out altogether.<sup>38</sup>

Taiwan is the main supplier of chips to Chinese industry, as the PRC accounts for only 5.5% of their global production, but 35% of global demand,<sup>39</sup> chips make up 40% of Taiwan's exports to the PRC. Any attack on the island would lead to the destruction of the factories that have been built there. Therefore, as long as the PRC is unable to create its own semiconductor industry with a comparable potential, such a step would spell disaster for its economy, even leaving aside the prospect of harsh international repercussions, which China can no longer ignore after Russia's attack on Ukraine.<sup>40</sup> Unsurprisingly, Taiwanese President Tsai Ing-wen has spoken of a 'silicon shield' defending the

<sup>37</sup> This is a reference to Taiwan's Cold War-era policy before it opened up to economic exchange with the PRC in the 1980s. See 'New Southbound Policy', Department of Information Services, Executive Yuan, 4 July 2019, english.ey.gov.tw.

<sup>38</sup> See 'Foxconn founder Terry Gou vows to 'preserve peace' with China if elected Taiwan president', Hong Kong Free Press, 8 May 2023, hongkongfp.com; S. Wu, 'Taiwan businessman offers funds to train civilian marksmen', Reuters, 1 September 2022, reuters.com; Min Shen Cheng, 'The silenced Taiwanese businesses in China', CommonWealth Magazine, 20 October 2022, english.cw.com.tw.

<sup>39</sup> Data for 2022. See 'The 2023 SIA Factbook', Semiconductor Industry Association, 5 May 2023, semiconductors.org.

<sup>40</sup> It is difficult to even estimate how many years it would take for the global economy to recover from the damage caused by the destruction of the island's semiconductor industry and the severance of a key supply chain for the digital economy. The Taiwanese government has denied having any plans to destroy the country's semiconductor plants. However, this would seem to be a logical step, especially as in Chinese hands these factories would be rendered useless anyway due to their cut-off from US software, while blowing them up would demonstrate the Taiwanese people's determination and will to fight. See J.M. McKinney, P. Harris, 'Broken Nest: Deterring China from Invading Taiwan', *Parameters*, vol. 51, no. 4/2021, pp. 23-36; S. Zheng, C. Wang, 'No Need to Blow Up TSMC in China War, Taiwan Security Chief Says', Bloomberg, 12 October 2022, bloomberg.com; L. Chung, 'Taiwan denies US has plan to evacuate chip engineers and destroy TSMC facilities in event of attack from mainland China', South China Morning Post, 12 October 2022, scmp.com.

island.<sup>41</sup> However, this ‘shield’ is not only supposed to protect Taiwan from an invasion, but also to act as an ‘anchor’ to keep the United States and its allies engaged. Indeed, although US companies control up to 50% of the global semiconductor sector, either indirectly (through technology) or directly (through equity involvement), their production is physically located in Asia,<sup>42</sup> primarily in Taiwan, or involves cooperation with manufacturers on the island.

### 3. The island divided

Relations with the PRC are a subject of political rivalry in Taiwan. The main division is between two camps whose names come from the colours of their parties: the ‘Greens’, or the DPP, and the ‘Blues’, or the KMT and its coalition partners. Their socio-economic programmes differ to a certain extent. The ‘Greens’ call for the state’s greater role in the economy and the provision of support to the needy through active social policy, although there are major differences within the DPP itself as to the scope of such measures. The ‘Blues’ in principle lean towards *laissez-faire* and the deregulation of the economy, but in practice favour programmes that support vulnerable social groups. Despite this, their opponents have accused them of being in the pocket of big business. However, the entire political spectrum recognises the state’s central role in industrial policy. Economic or domestic issues, especially at the local level, often determine the outcome of electoral contests between these two camps. Although both parties formally support the status quo, the real dividing line is over the issue of relations with China.

The ‘Blues’ have not ruled out a future reunification with the PRC, provided that the majority of the Taiwanese people democratically agree to this and that the political system in China is democratised. Currently, they want to deepen and develop economic and cultural relations with China. However, this camp also includes staunch advocates of a more rapid merger, who invoke the KMT’s authoritarian past and Han nationalism. In recent years this party has faced internal problems. On the one hand, it is hostage to its political base: this mainly comprises the immigrants who arrived from the mainland when the government of the Republic of China was evacuated.<sup>43</sup> On the other hand,

<sup>41</sup> Tsai Ing-wen, ‘Taiwan and the Fight for Democracy. A Force for Good in the Changing International Order’, Foreign Affairs, 5 October 2021, [foreignaffairs.com](https://www.foreignaffairs.com).

<sup>42</sup> ‘The 2023 SIA Factbook’, *op. cit.*

<sup>43</sup> The so-called *waishengren* (外省人), or Chinese arrivals from 1945–49 and their descendants. According to various estimates, they make up 12–15% of Taiwan’s population. This is an internally heterogeneous group as it consists of people with roots in different Chinese provinces, but it is bound by

it can no longer ignore the identity-related changes in the majority of the population (see Chart 1 in the Appendix).

The 'Greens' believe that the Taiwanese people have the exclusive right to decide the future of the island and must not be constrained in this choice, as reflected in the 1999 Resolution on Taiwan's Future.<sup>44</sup> They do not oppose the development of economic and cultural ties with the PRC, but demand that these be equal and balanced by the development of global relations, as well as the guarantee that they are not aimed at one side's subordination of the other. DPP officials emphasise the distinctiveness and uniqueness of Taiwanese identity, and often use the Taiwanese language in public speeches.<sup>45</sup> At the same time, the party is generally progressive, while the KMT more often appeals to socio-cultural conservatism. There are also numerous other parties on the Taiwanese political scene that have been trying to define themselves as the so-called 'third way' (the Taiwan People's Party being the most recent of those which have enjoyed more substantial public support), but these have so far failed to break the DPP-KMT duopoly under the country's majority electoral system.

Issues of national defence have also become the subject of political struggle between the two fiercely opposed camps, with the 'Blues' accusing the 'Greens' of provoking war and the DPP branding the Kuomintang a 'white flag party'. Nevertheless, it appears that the KMT, or at least parts of its establishment, have tacitly approved an effort to rebuild Taiwan's defence capabilities. This issue has gained in importance since the Russian invasion of Ukraine. Work on speeding up the modernisation of the armed forces is underway, but key decisions have been postponed until after the presidential and parliamentary elections that will take place in January 2024. In December 2022, the duration of basic military service was extended from four months to a year, but the training process, which falls far short of the requirements of a modern battlefield, remains a problem. The changes to conscription will take effect from January 2024, so as not to have any major impact on the outcome of the elections.

For the same reasons, and due to the regulations that apply in a democratic state, the process of purging the officer corps of those who do not fully identify

a common language: Mandarin (*guānhuà*, 官話). However, the younger generation, who were already born on the island, increasingly identify more with Taiwan than with China.

<sup>44</sup> The document was later revised and updated on several occasions. See 台灣前途決議文, the Democratic Progressive Party, [dpp.org.tw](http://dpp.org.tw).

<sup>45</sup> The Taiwanese dialect of the Hokkien language, originating from Fujian province, is the first language of the island's largest ethnic group, the Hokkien, which makes up about 65% of the country's population.

with Taiwan has been dragging on. It appears that plans to create a territorial defence force (TDF) have been abandoned, which was influenced by disputes of competence between the defence and interior ministries, as well as the lack of socio-cultural traditions that would correspond to the TDF concept. Despite all these difficulties, Taiwan still needs to build up its capabilities towards the goal of total defence. Unless a rapid technological breakthrough in warfare occurs in the near future, the demographic crisis will pose another serious challenge, as the birthrate has continued to fall year after year. As a result, the government will sooner or later be confronted by the need to extend basic military service once again and to increase the proportion of women in the armed forces.

Russia's invasion of Ukraine has affected Taiwan's strategic calculations. The parallel between Ukraine giving up its nuclear weapons in 1994 and Taiwan abandoning its own nuclear programme in 1988 has not been overlooked. The international community's security guarantees for Ukraine ultimately proved inadequate. This cannot but raise legitimate concerns in Taiwan about the value of the informal assurances from the US that it would intervene in the event of an invasion. However, it does not seem practical for Taiwan to return to building a nuclear bomb because of its international commitments, opposition from Washington, threats from Beijing and the gap between resuming a WMD programme and achieving a capability of genuine deterrence.<sup>46</sup>

The Taiwanese people take every opportunity to emphasise the island's unique position in the international division of labour and its strategic location. They are also aware of Taiwan's role in the global processor supply chain: despite efforts by Western countries to diversify this sector, Taiwan and its companies have managed to keep the most critical manufacturing processes on the island, in places such as the Xinzhu Technology Park. This is likely a way of sending a message that any conflict in the Taiwan Strait would quickly draw in the other countries in the region, and also bring disaster to the global economy. Developments in the war in Ukraine to date have also shown that Taiwan needs to act in two ways: increase its defence capabilities and consolidate the informal security guarantees from Washington. It has been pursuing the latter objective through extensive lobbying efforts and by highlighting Taiwan's place in the semiconductor industry.

<sup>46</sup> The PRC's 2005 anti-secession law stipulates that if Taiwan began work on producing weapons of mass destruction, that would be a reason to take military action. In this situation, opening a nuclear programme against the wishes of the US, which would then likely withdraw its guarantees, would give China time to invade before Taiwan could operationalise the WMDs it developed.

## IV. TUG-OF-WAR: DETERRENCE AND DISCUSSIONS ABOUT THE RISK OF INVASION

Taiwan is an important reference point for the international diplomatic efforts of both the United States and the PRC as they seek to pull third countries into their orbits. Fears of an invasion of the island have triggered discussion about the need to prepare sanctions to deter China, while raising concerns among European allies that Washington's attention is too focused on the Indo-Pacific. In this way, the Taiwan issue has helped to consolidate the global system of US alliances, but at the same time it has been generating tensions within it that China has been trying to exploit.

The network of US alliances also plays a key role in the policy of deterring the PRC from launching an invasion by clearly signalling to Beijing that the allies are ready to impose economic sanctions in the event of any such aggression while they also expand their own defence capabilities; this may suggest their determination to join any direct US-led military intervention. Cooperation in reducing China's ability to achieve technological independence, primarily in the semiconductor sector, is also important. The US's aspirations to build an international coalition on Taiwan stem from two assumptions:

- first, that the CCP leadership will not launch an attack as long as China's economy remains dependent on chip imports from Taiwan, and
- second, without access to the most advanced technology, the PLA will not be able to reach a level of modernisation that would allow it to challenge US forces and their allies in the Indo-Pacific.

### 1. The US-led coalition

The countries of the Indo-Pacific region are Washington's most important partners in activities related to the potential defence of Taiwan and the deterrence of the PRC from undertaking military aggression against it. The US has been working to renew and consolidate its system of Cold War-era bilateral alliances in this region: with the Philippines (1951), South Korea (1953), Japan (1960) and Australia (1968).<sup>47</sup> However, these agreements differ from one another and do

<sup>47</sup> ANZUS, the 1951 trilateral pact between Australia, New Zealand and the US, was replaced in 1968 by two *de facto* interconnected alliances between Australia and the US and between Australia and New Zealand.

not always entail an automatic commitment to joint defence. The United States has achieved some successes in these efforts. Military cooperation with the Philippines has been revitalised and US troops have returned on a rotational basis (as stated in that country's constitution) to the southern shores of the Strait of Luzon, which guards access to Taiwan from the south.<sup>48</sup>

Another important initiative is the Five Eyes Alliance, an agreement between the intelligence agencies of Australia, Canada, New Zealand, the US and the UK on cooperation in acquiring and sharing intelligence, especially in the field of electronic surveillance. New platforms for dialogue related to collective security in the region have also emerged, such as QUAD (2007), which brings together Japan, India and Australia alongside the United States, while the QUAD PLUS format (2021) also includes Vietnam, South Korea and New Zealand.

A new quality in the US system of alliances is AUKUS (2021), a security pact between Australia, the US and the UK that focuses on cooperation in the development of military technology, including hypersonic missiles, and cyber security. At its core is a cooperative programme to develop nuclear-powered submarine technology; an Australian fleet of such vessels is expected to be its first outcome.

Japan is also playing an increasingly active role in the region. If China took Taiwan, that would put Japan at immediate risk of losing control of the disputed Senkaku (Chinese: Diaoyu) islands, as well as the Ryukyu archipelago, as China has questioned whether it belongs to Japan.<sup>49</sup> Moreover, Japan could not agree to the integration of Taiwan's economy into China's, as this would both threaten Japanese investments on the island and allow China to gain a dominant economic position. Japan has been expanding its military installations on islands east of Taiwan, Yonaguni (110 km away) and Ishigaki (184 km away)<sup>50</sup>, including an air defence base and electronic surveillance infrastructure. Japan's parliament has been steadily liberalising the country's regulations on arms exports to 'friendly countries'.<sup>51</sup> Earlier, Japan announced the deployment of

<sup>48</sup> R. Acosta, 'Philippines Announce 4 New Locations to Host U.S. Troops', USNI News, 3 April 2023, [news.usni.org](https://www.usni.org/news).

<sup>49</sup> See J. McCurry, 'China lays claim to Okinawa as territory dispute with Japan escalates', The Guardian, 15 May 2013, [theguardian.com](https://www.theguardian.com).

<sup>50</sup> 'China-wary Japan establishes new military base on southwest Ishigaki Island', The Mainichi, 16 March 2023, [mainichi.jp](https://www.mainichi.jp).

<sup>51</sup> Y. Takeuchi, 'Japan lawmakers weigh faster arms transfers to allies in a crisis', Nikkei Asia, 26 May 2023, [asia.nikkei.com](https://asia.nikkei.com).

an anti-ship missile battery on Miyako Island, which borders a strait of the same name to the south: it is the only international sea passage between Taiwan and Kyushu.<sup>52</sup> In addition, Japan, the US and Taiwan have been sharing real-time data from their drones monitoring Chinese activity;<sup>53</sup> this is likely just one example of intelligence cooperation between these countries.

While the strategic priorities of most of the US's allies in the Pacific are quite clear and convergent with those of the US, European countries have continued to adopt more ambiguous stances in the face of a possible face-off over Taiwan. Leading EU members have stepped up their rhetoric calling for the need to maintain peace and stability in the Taiwan Strait, especially after the Russian invasion of Ukraine. However, the issues of how to really deter China in economic and military terms have been the subject of intense debate. In this respect, Europe is a field of rivalry between the US and the PRC, the latter of which has been trying to prevent transatlantic political and economic coordination on China. In this context, European countries have so far failed to adopt a common position or even develop a coherent response to a potential crisis in the Taiwan Strait. They differ in this respect depending on their geographical location, potentials, and the ambitions of their political elites. The calculations of the US's allies in Central and Eastern Europe and Scandinavia are influenced by concerns that the Indo-Pacific theatre has been diverting US attention and resources away from them. Countries such as Germany and Italy worry that they will be drawn into an economic or even armed conflict for which they are not ready. However, the fear of a potential war over Taiwan has been pushing them towards greater diversification from and de-risking vis-à-vis China. For its part, France still seeks to regain its position as a superpower, so it often portrays its foreign policy as a position of the EU and asserts its distinctiveness from the US, including at the expense of sending an unambiguous European warning to China.

A coordinated response to a possible Chinese invasion has also been one of the issues that the United States' Asian and European allies have raised in direct discussions, including in EU and NATO dialogues with Japan, Australia, New Zealand and South Korea. The strong involvement of Indo-Pacific countries in countering the Russian invasion of Ukraine, including their swift imposition of sanctions against Russia and the provision of direct assistance to Ukraine,

<sup>52</sup> X. Vavasseur, 'Japan's Type 12 SSM Deployed to Keep Watch On Miyako Strait', Naval News, 3 April 2020, [navalnews.com](https://navalnews.com).

<sup>53</sup> K. Hille, D. Sevastopulo, 'US to link up with Taiwan and Japan drone fleets to share real-time data', Financial Times, 8 June 2023, [ft.com](https://ft.com).



should be seen as a kind of investment: for their part they will expect reciprocal assistance in the event that a conflict breaks out in East Asia. Taiwan, to the extent that its circumstances allow, has also been trying to participate in this complex interaction by using the apparatus it has developed to conduct its ‘omnidirectional’ diplomacy. Finally, the US and its allies have been competing in various ways with China in the Global South,<sup>54</sup> where Taiwan symbolises a clash of conflicting values: the guarantees of territorial integrity and the right to self-determination. At the same time, however, it is a symbol of a successful transformation and economic success, thus offering a democratic model of modernisation as an alternative to the authoritarian one that China and Russia have been promoting.

The differences between the interests of the US’s allies in Asia (including Taiwan) and Europe have already been exposed, at least since the Obama administration’s so-called ‘pivot to East Asia’ in 2012. The Russian invasion of Ukraine has accentuated this competition for Washington’s protective umbrella. Now, the issue of modernising and expanding Taiwan’s armed forces has also clashed with the need to supply Ukraine with weapons; this has led to heightened calls in the United States to shift US resources and priorities back to the Pacific. Taiwanese government officials have officially insisted that there is no such rivalry and that they understand that a Ukrainian victory could stave off a Chinese invasion, at least in the medium term;<sup>55</sup> this is why Taiwan quickly imposed sanctions on exports of its semiconductor to Russia and Belarus.<sup>56</sup>

The drive to rebuild the defence capabilities of the US and its allies which was triggered by Russia’s attack on Ukraine will in the medium term solve the problem of rising demand for advanced weapons systems. This in itself will have a positive impact on the island’s defence capabilities and the ability of its allies to come to its aid. Taiwan will also benefit from many of the legal solutions and practical mechanisms of action that have been developed in connection with the war in Ukraine. For example, as part of the 2023 budget, the US Congress approved up to \$1bn worth of military aid to Taiwan, and authorised the president under the Presidential Drawdown Authority (PDA) to provide it with arms straight from the Pentagon’s stocks, in an identical arrangement to the

<sup>54</sup> The author uses this term with full awareness of its limitations and the resulting simplifications.

<sup>55</sup> J. Rogin, ‘Taiwan is urging the U.S. not to abandon Ukraine’, *The Washington Post*, 10 May 2023, [washingtonpost.com](https://www.washingtonpost.com).

<sup>56</sup> ‘Taiwan says chip companies complying with Russia export controls’, *Reuters*, 27 February 2022, [reuters.com](https://www.reuters.com).

one that made it possible to send weapons to Ukraine.<sup>57</sup> This is the first time this mechanism has been used to prepare arms shipments to Taiwan. Nonetheless, there is a danger that isolationist circles in the United States will use the need to defend the island as a pretext to reduce their country's involvement in the war in Ukraine, and even to withdraw from Europe – all in the name of 'focusing our resources on competing with China'.

Technological issues are an important part of the efforts to consolidate the US network of alliances. In recent years, the US has introduced a series of restrictions aimed at undermining China's processor manufacturing sector, including limitations on its ability to use US technology, patents, equipment and engineers, in order to keep China dependent on imports from places such as Taiwan. To guarantee this technological 'encirclement', however, the US needs the goodwill of other developed countries, especially its European partners such as the Netherlands and Germany, as well as Japan. Currently, it appears that these measures designed to slow down the development of China's semiconductor sector are having an effect. In the first three months of 2023, chip imports to the PRC fell by 23%,<sup>58</sup> although this was not only the result of US trade sanctions, but also of the troubles in the Chinese economy. As recently as the second half of 2022, it imported 40% less equipment to manufacture such chips.<sup>59</sup>

At the same time the US, the EU and Japan have been seeking to diversify the global processor supply chains to protect themselves against a possible escalation of tensions in the Taiwan Strait, which poses a threat to the 'silicon shield'. The US, as well as numerous European countries, have been pushing the Taiwanese semiconductor manufacturers TSMC and UMC to relocate their production outside the island.<sup>60</sup> Geographical diversification of supply chains would seem to be the logical solution to the problem, but from Taiwan's point of view it generates the danger that the island could lose its usefulness to

<sup>57</sup> M. Stone, 'US moving ahead with \$500 million in arms aid for Taiwan, source says', Reuters, 5 May 2023, reuters.com.

<sup>58</sup> A. Cao, 'Tech war: China's chip imports slump 23 per cent in the first 3 months as US trade sanctions, supply glut weigh on activity', South China Morning Post, 13 April 2023, scmp.com.

<sup>59</sup> L. Lin, 'China's Chip Equipment Imports Plunge in November as U.S. Export Controls Bite', The Wall Street Journal, 22 December 2022, wsj.com.

<sup>60</sup> See Cheng Ting-Fang, 'TSMC to triple U.S. chip investment to \$40bn to serve Apple, others', Nikkei Asia, 6 December 2022, asia.nikkei.com; J. Deutsch, A. Nardelli, 'TSMC Plans for First German Chip Fab With Cost Up to €10 Billion', Bloomberg, 3 May 2023, bloomberg.com; 'TSMC considering second chip plant in Kumamoto', The Japan Times, 6 June 2023, japantimes.co.jp.

Washington and many of its allies.<sup>61</sup> Nevertheless, we should expect Taiwanese companies to continue investing in the allied countries. In return, Taiwan will likely push for a free trade agreement with the EU.<sup>62</sup> At the same time Taiwanese manufacturers, with the government's support, will strive to maintain their supremacy in the field of state-of-the-art chips and to keep the production of these on the island.<sup>63</sup>

## 2. China's response

China has not been a passive observer of these developments: it has been taking steps to generate tensions between the United States and its allies over the issue of Taiwan. In recent years, it has significantly toughened its rhetoric with regard to the island, started resorting to threats and economic coercion against countries that forged closer relations with it, such as Lithuania,<sup>64</sup> and played up anti-US sentiments to promote its position. It has also used its bilateral economic relations with countries such as Germany and France, as well as within economic blocs such as the EU and ASEAN, to exert more subtle pressure. Within these blocs it has been working to build up ties with selected members who could weaken or even veto any coordination between these organisations and the US with regard to China: Hungary in the EU and Cambodia & Laos in ASEAN.

China's efforts to tie the large Indo-Pacific economic blocs to itself have run into difficulties. The Regional Comprehensive Economic Partnership (RCEP), which came into force at the beginning of 2022, was supposed to deepen the region's ties to China, but in practice it does not cover the participants' key areas of economic activity, and many countries have actually put the brakes on its implementation out of fear of Chinese hegemony. China has also submitted an application to join the aforementioned Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), but is unlikely to win the unanimous consent of its other members, including Japan, Australia and Canada, to join it. China has also managed to conclude several agreements with the Solomon Islands, thus challenging Australia and the United States in the

<sup>61</sup> A. Powers-Riggs, 'Taipei Fears Washington Is Weakening Its Silicon Shield', Foreign Policy, 17 February 2023, [foreignpolicy.com](https://foreignpolicy.com).

<sup>62</sup> D. Wu, 'Taiwan Blasts EU for Wanting Chips While Denying Trade Talks', Bloomberg, 13 March 2023, [bloomberg.com](https://www.bloomberg.com).

<sup>63</sup> *Idem*, 'Taiwan Dangles Incentives to Strengthen Global Chipmaking Lead', Bloomberg, 25 January 2022, [bloomberg.com](https://www.bloomberg.com).

<sup>64</sup> J. Hyndle-Hussein, J. Jakóbowski, 'A new phase of China's pressure on Lithuania: weaponisation of European value chains', OSW, 22 December 2021, [osw.waw.pl](https://osw.waw.pl).

strategically located Pacific region which these two countries have dominated until now. It has also been trying to flip the island states that still recognise the Republic of China. However, it faces growing problems in other parts of the Pacific Ocean. Its claims to practically all of the South China Sea mean that it has no possibility of putting its relations with the other coastal states on a sustainable footing.<sup>65</sup>

China also sees its economic ties with the EU as a means to strategically neutralise Europe in the event of an invasion of Taiwan, by raising the cost of any sanctions or military involvement of European countries in such a conflict. From Beijing's perspective, the Comprehensive Agreement on Investment (CAI) that China and the EU concluded in December 2020 was meant to tie the bloc more closely to China and pull it away from the US. However, this agreement was effectively blocked as a result of resistance from the European Parliament, which was compounded by China's personal restrictions targeting selected MEPs and organisations from the EU for allegedly spreading falsehoods about the repression in Xinjiang.<sup>66</sup> China appears to have fared better in bilateral relations; in some countries, most notably France and Germany, it has also been trying to exploit anti-US sentiment and the international ambitions of individual politicians.

China's greatest hopes for a sustained neutralisation of Europe as Washington's partner were probably (and to some extent still are) linked to the Russian onslaught on Ukraine. A quick Russian victory would have triggered conflicts within both the EU and NATO and put Europe under constant military pressure from the Russian Federation. At the same time, it would have exposed the supposed weakness of the United States and undermined the value of its security guarantees, not only for Taiwan, but also for other US allies in East Asia. Although this scenario has not materialised and the US's leadership role has even been revived, China still hopes that this war will produce the results it desires in the long term, as a result of Russia's continued military operations and Western societies' fatigue with the consequences of the conflict in Ukraine. In order to achieve its own goals, China has also been trying to exploit the hopes of some Western politicians that it will play a constructive role in

<sup>65</sup> See M. Bogusz, *Nine dashes. Beijing's territorial claims in the South China Sea*, OSW, Warsaw 2020, [osw.waw.pl](http://osw.waw.pl).

<sup>66</sup> 'MEPs refuse any agreement with China whilst sanctions are in place', The European Parliament, 20 May 2021, [europarl.europa.eu](http://europarl.europa.eu).

the peace process.<sup>67</sup> The CCP's leadership believes that as long as they can sustain these expectations, some EU member states will have an excuse to delay greater coordination between the EU and the US with regard to the PRC and put off potential sanctions in the event of its invasion of Taiwan.

### **'Take over the island, not the people'**

In informal talks, Chinese experts have made it clear that once Taiwan is occupied, any disgruntled residents will be allowed to leave. This narrative appears to be aimed at breaking the resistance of the population and also making it easier for at least some US allies to opt out of intervention. In reality, it is difficult to believe that the CCP would allow any mass emigration from the island as this would contradict the party's propaganda message of 'millions of compatriots awaiting reunification' and expose the unattractiveness of the Chinese model of development.

<sup>67</sup> M. Bogusz, K. Nieczypor, 'China's diplomatic game over the 'peace plan'', OSW, 24 February 2023, [osw.waw.pl](https://osw.waw.pl).

## POSSIBLE FUTURE DEVELOPMENTS

While Taiwan has navigated the complex international situation relatively well, the changes in China-US relations in recent years have made the status quo in the Taiwan Strait appear increasingly unsustainable. China's actions, including its dismantling of Hong Kong's autonomy and Xi Jinping's totalitarian turn, have eroded the political foundations of this status quo: the indefinitely postponed reunification under the 'one country, two systems' formula. In parallel, the US attitude towards Taiwan has evolved, which can be described in simple terms as a shift from perceiving the island as a 'problem' in its relations with China to recognising it as an important 'asset' in its rivalry with it. This stems in particular from the US elite's loss of faith in a positive socio-political evolution in China. Consequently, Taiwan has regained its strategic and ideological importance similar to that of the 1950s, which has now been further reinforced by its economic role, especially in the international division of labour in the new technology sector.

Demographic processes, including the arrival of a generation that has already been raised in a democratic Taiwan (see Chart 1 in the Appendix), also mean that the islanders will become increasingly vocal about articulating their national aspirations. As a result, the contradiction between the feelings of the Taiwanese people and the fiction of the Republic of China will increase as the identity-related changes deepen on the island. At the same time, the developments in the Ukraine conflict to date have offered hope to the Taiwanese elite while also heightening the CCP leadership's concerns that reforms in the Taiwanese armed forces and rising defence spending by Taiwan's allies will increase the likelihood that a potential Chinese invasion could be fended off. At the same time, the lack of wider international recognition makes it more difficult for Taiwan to overcome its economic dependence on the PRC, as the problems in negotiating a free trade agreement with the EU have demonstrated.

Any destabilisation in the Taiwan Strait would also be coupled with an escalation in Chinese-US rivalry. This will lead to further polarisation in the international arena, including beyond East Asia. Taiwan, its economic role and the issue of making it unequivocally clear to the CCP leadership that it would be sanctioned in the event of an attack, have all increasingly featured in discussions between the US and its allies, as well as between the US's allies themselves, such as Japan and the members of the EU and NATO. A growing number of European countries have adopted their own Indo-Pacific strategies. At the moment, it is difficult to predict whether this will make clear to the PRC

what the costs of its potential aggression could be, but the government in Beijing may conclude that it should take action before the West consolidates and shakes off its economic dependence on China. The Taiwan issue has also been the subject of heated political debate in the United States. This may carry the risk that politicians with limited knowledge of the complexities of this issue will turn up in Washington's corridors of power to make political capital out of an escalation in the Taiwan Strait.

From this perspective, it is reasonable to conclude that some kind of face-off in the Taiwan Strait is highly likely. At the same time, this raises questions about the timeline of a potential crisis, the events that will force China's hand, and possible scenarios for how such a crisis could unfold.

### **When and why?**

**The timeline.** According to both Taiwan and the US,<sup>68</sup> the CCP leadership has set 2027 as the deadline for the PLA to be ready to mount an invasion, but the identification of this date does not mean that this is the actual timeline for the decision to launch such an operation. It appears that the right conditions, rather than a specific date, will be the most important factor for the CCP's decision-makers. Crucially, the Chinese armed forces need to achieve the capability not only to carry out an attack, but above all to confront US and allied forces. China's decision to escalate the conflict may also be prompted by a favourable situation in the United States. A major domestic crisis that paralyses decision-making in Washington would give the PRC a window of opportunity to leave the world facing a *fait accompli*. In fact, the PLA's full readiness is not necessary to launch a military operation: in historical perspective, countries have often started conflicts while being aware of their own military shortcomings.

**The trigger.** It is unclear when Beijing may conclude that changes in Taiwan have gone so far that the PRC is only one step away from losing its ability to win over the island's population, and that a military operation is the only option left. The island's situation is complex: a majority of its citizens currently favour maintaining the status quo (see Chart 2 in the Appendix), but the demographic changes and the reform of the armed forces will sooner or later

<sup>68</sup> See A. Hawkins, 'Taiwan foreign minister warns of conflict with China in 2027', The Guardian, 21 April 2023, [theguardian.com](https://www.theguardian.com); H. Yen, 'CIA chief: China has some doubt on ability to invade Taiwan', The Associated Press, 26 February 2023, [apnews.com](https://apnews.com).

begin to affect their attitude on this issue as well, thus increasing the proportion of those in favour of independence.<sup>69</sup> Taiwan's place in US domestic politics will also remain an important factor. If China feels that the forces pushing the government in Taipei towards formal independence are beginning to gain the upper hand in Washington, it may launch an attack despite not being fully prepared. China's international position, the balance between its forces and those of the US & its allies, as well as the internal situation in China itself, will all be of fundamental importance in this respect. A crisis that involves a threat to the CCP's rule or the personal power of the incumbent leadership could make an invasion seem like the only way to regain internal legitimacy and popular support. There is also a risk that the Chinese government could misread signals coming from Washington, just as Saddam Hussein did before invading Kuwait in 1990.

## Scenarios

As of today, it is possible to outline six basic scenarios under which China could attempt to incorporate Taiwan in some form. This would not necessarily mean that it would formally absorb the island: for example, it could create a sham federation. Nevertheless, this would only represent an attempt to reassure its foreign partners politically, as in reality it would annex the island.

- 1. Naval blockade.** China may not want to risk conducting a complex landing operation on Taiwan. Instead, it could opt for an air and sea blockade of the island, with the objective of forcing both Taiwan and the US to make political and economic concessions. In this scenario, China could try to reverse the current situation in which it is on the defensive in the area of technology wars and take Taiwan's semiconductor sector and the global economy hostage by restricting or rationing the island's trade. Such a plan would assume that the US would refrain from attempting to break the blockade as doing so would rapidly escalate into open conflict.
- 2. Salami tactics.** China may opt for a phased operation instead of a full-scale invasion. In this variant, the PLA would make a landing on one of the land areas under Taiwan's administration – such as the Pratas archipelago, where a small garrison is stationed, or a larger island, such as Kinmen off

<sup>69</sup> The vast majority of respondents aged 20–44 express hope that Taiwan will declare independence in the future. See Chung Li-hua, J. Chin, 'Poll shows 48.9% support independence', Taipei Times, 2 September 2023, [taipetimes.com](https://www.taipetimes.com).



China's coast – to gauge how the US and the Taiwanese government would respond. Any indecision on their part would prompt China to take further steps, while a lack of any response would be portrayed as the political bankruptcy of the United States in the hope of breaking the Taiwanese people's will to fight. At the same time, from Beijing's perspective, such actions may run a lower risk of turning into full-scale international conflict. However, the US response to Russia's invasion of Ukraine may signal to the CCP leadership that such thinking is overly optimistic.

3. **Rapid invasion.** This is the CCP leadership's basic invasion scenario, which is heavily influenced by ideological thinking. It assumes that the invasion will be carried out quickly and that the Taiwanese military, paralysed by Chinese missile attacks, will surrender without a fight or put up only token resistance. The Chinese government could then hope that the US – faced with a *fait accompli* and aware of the difficulties of trying to retake the island, as well as the human and material costs of waging war against the PRC – would sooner or later come to terms with the new situation.
4. **Full-scale war.** However, China may conclude that a confrontation with the United States and its allies is inevitable; therefore, it would not want to surrender the element of surprise, opting then for a frontal attack on the island while also striking US forces in the region. In this case, the conflict would begin with a Chinese strike against US installations stretching from the Japanese islands to Guam and Diego Garcia. This kind of thinking is also based on the deeply-held conviction, drawn from Marxist ideology, that the West is decadent and in decline.
5. **Internal destabilisation.** The risks of direct confrontation may prompt China to try to destabilise Taiwan internally. Although supporters of reunification make up only a small minority of the Taiwanese people, they can hope for support from elements of big business, which had to establish friendly relations with the CCP when investing in China. The attitudes of some in the officer corps, which has not been vetted since the democratisation process, are also uncertain. China may want to use these groups to destabilise Taiwan and carry out sabotage operations. Even if these actions are not entirely successful, they could weaken the will of the island's population to fight, paralyse the Taiwanese military's operations, and delegitimise Taiwan's government in the international arena.

**6. Hybrid scenario.** A scenario that would combine elements of the other ones seems the most likely. An economic blockade could be applied in support of an attempt to destabilise Taiwan internally. Any direct invasion would also have to involve the use of the so-called fifth column in Taiwan, not least to give China a pretext to invade under the guise of stabilising the internal situation. A blockade of the island could be accompanied by the occupation of some smaller land areas that are under Taiwan's administration. Various such options could be explored, but it appears that the choice of a particular course of action would be dictated by both the internal situation in Taiwan and the international context.

In each of these scenarios, much will depend on the incumbent US president during the first phase of a major crisis in the Taiwan Strait. It can be assumed that his actions will be influenced both by the internal situation in the US and the attitude of its allies, including their willingness to bear the direct (joint military intervention) and indirect (imposing economic sanctions) costs of defending Taiwan. The war in Ukraine has shown that the determination of the Taiwanese people to fight and their willingness to make sacrifices in defence of the island's independence and democracy will be another essential element. These are all factors that are difficult to predict today.

Finally, there is also the question of whether the 'silicon shield', and the inevitability of paying a high economic and political price for any invasion, will deter the CCP leadership from taking such action.

The concept of the 'silicon shield' is essentially based on the same principle as the doctrine of mutual assured destruction (MAD) related to weapons of mass destruction. MAD implies mutual annihilation through an exchange of nuclear strikes, while the idea of the 'silicon shield' is that in the event of a conflict over Taiwan, it ultimately does not matter who destroys the semiconductor factories. Whether it is the Chinese invading forces, US bombers or the Taiwanese themselves in a bid to prevent China from capturing these factories, the effect will be the same: everyone will be deprived of access to state-of-the-art chips.

However, China has already been working to negate the effect of the 'silicon shield'. It has invested considerable resources in its efforts to develop its own state-of-the-art semiconductor sector. This is part of its drive to achieve technological independence, as well as being a result of its arms race with the United States. The US has countered these moves by working to form

a coalition of countries that control processor manufacturing technology in order to both thwart China's efforts to minimise its dependence on Taiwanese factories and to prevent it from building the weapons systems that it needs for a potential war in the Indo-Pacific. Similarly, the development of semiconductor plants in Europe and North America will make the West more resistant to the effects of a possible destruction of those on the island. While Taiwan cannot resist pressure from its allies to set up new factories outside the island, it has been working with manufacturers to keep the production of state-of-the-art chips in the country at all costs.

Nevertheless, the belief in the effectiveness of the silicon shield and the deterrent power of economic sanctions seems to be based on an unreasonable application to the People's Republic of China, a Leninist state, of the democratic world's deeply-rooted conviction that collective and personal wealth as well as economic growth are of the utmost value to any decision-maker. In this light, Vladimir Putin's decision to invade Ukraine is seen as an anomaly, or even evidence of madness. However, authoritarian regimes operate according to the paradigm where power itself is the highest value, while prosperity and economic growth are only a means that can be jeopardised or even sacrificed in order to keep or expand power. From this perspective, it is conceivable that the CCP leadership could be tempted to destroy the semiconductor sector in Taiwan or risk a war in the Pacific even before it develops its own processor supply chain and achieves economic autonomy in other areas. For the Communist party, a highly ideological group which is convinced that a clash with the West is inevitable, the catastrophic effects of such a step may be attractive as long as it remains confident that the West will ultimately buckle under the resulting economic consequences, and that the increasingly authoritarian nature of the party's rule makes it immune to social upheaval.

Any kind of conflict around Taiwan will draw significant US forces into East Asia and reduce US military activity in other regions of the world, including Europe. This in turn will give Russia the opportunity to launch another attempt to change the status quo in Europe: for example, it could resume its invasion of Ukraine or ramp up its intensity, absorb Belarus, or start testing the cohesion of NATO with regard to the Baltic states and Poland. Russia's room for manoeuvre and objectives will depend on the developments in the Indo-Pacific, its own potential, as well as the capabilities and state of the collective defence system in Europe. However, it is safe to say that if Russia continues to be ruled by an authoritarian and revisionist regime, it will take advantage of any flare-up in East Asia to expand its influence or territory. The significant strengthening of

cooperation between China and Russia<sup>70</sup> suggests that the two countries may be coordinating their actions. It is possible that in the scenario of an open armed conflict around Taiwan, China could also provide material assistance to Russia to help it open a 'second front' in the western part of the Eurasian continent and make it difficult for European allies to support the United States in the Indo-Pacific.

**MICHAŁ BOGUSZ**

<sup>70</sup> M. Bogusz, J. Jakóbowski, W. Rodkiewicz, *The Beijing-Moscow axis. The foundations of an asymmetric alliance*, OSW, Warsaw 2021, [osw.waw.pl](http://osw.waw.pl).

## APPENDIX

The Election Study Center at the National Chengchi University has been conducting the longest-running opinion polls in Taiwan. They are uniquely valuable for capturing social trends, but in recent years they appear to have underestimated younger and middle-aged respondents, among whom Taiwanese identity (Chart 1) and pro-independence tendencies (Chart 2) are prevalent. This is due to the need to maintain a methodology based on land-line telephone surveys<sup>71</sup> in order to maintain the internal coherence of these polls. However, as in other developed countries, most young and middle-aged people in Taiwan no longer have landlines. In recent years, the authors have started to use mobile numbers in some surveys as well, but the share of these respondents does not exceed 30%.<sup>72</sup> Therefore, it can be presumed that the proportion of people who genuinely support independence or identify with ‘Taiwanese-ness’ alone is higher than recent surveys have shown. However, it is difficult to accurately assess how much this factor has distorted their results.

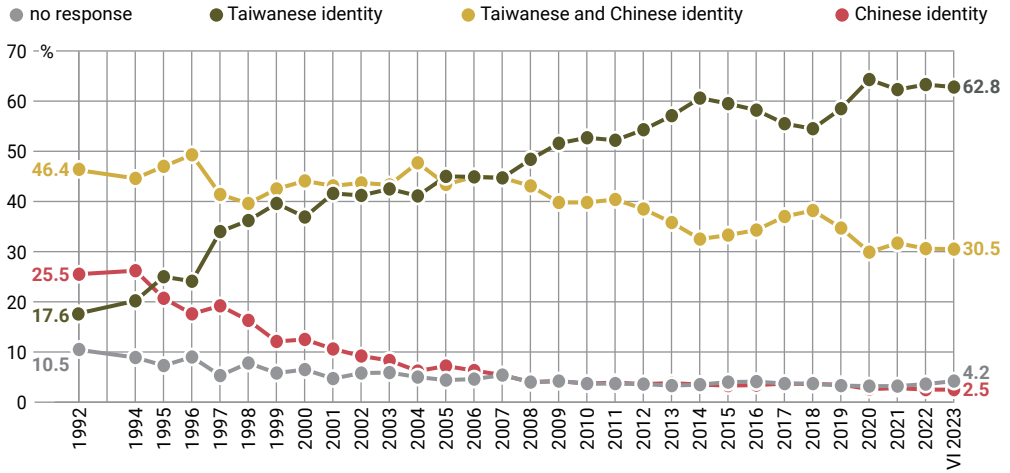
A similar problem applies to polls by the Taiwan Public Opinion Foundation. They have found that nearly 60% of respondents prefer Taiwan’s independence in the future, nearly 20% would prefer reunification with the PRC, while 7.6% want to maintain the status quo indefinitely.<sup>73</sup> These surveys, too, have indicated that pro-independence views are dominant and continue to spread.

<sup>71</sup> See 趨勢圖資料研究方法, The Election Study Center at the National Chengchi University, 2022, [esc.nccu.edu.tw](http://esc.nccu.edu.tw).

<sup>72</sup> In interviews, the Center’s researchers have pointed to the difficulties related to the use of mobile numbers resulting from their inability to obtain demographic data on the users of these numbers from telecommunications companies.

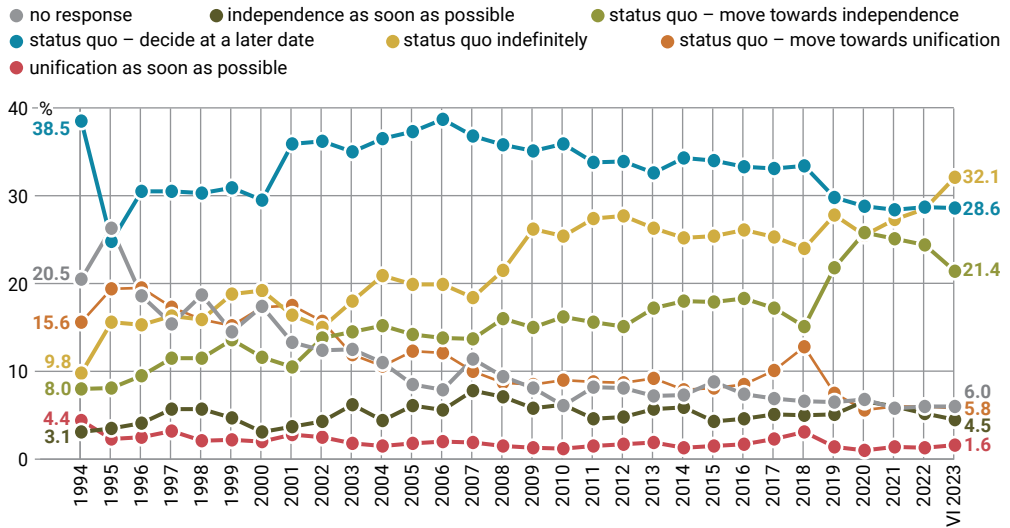
<sup>73</sup> Aggregated data. See 台灣人的統獨傾向, The Taiwan Public Opinion Foundation, 8 March 2022, p. 8, [tpof.org](http://tpof.org).

**Chart 1.** Changes in the self-identification of Taiwan’s population from 1992 to 2023



Source: Election Study Center, National Chengchi University, [esc.nccu.edu.tw](http://esc.nccu.edu.tw).

**Chart 2.** Changes in Taiwanese attitudes towards reunification with the PRC and independence from 1994 to 2023



Source: Election Study Center, National Chengchi University, [esc.nccu.edu.tw](http://esc.nccu.edu.tw).