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PAMIR Executive Brief

Taiwan Update

5 May 2023

Address

8045 Leesburg Pike, Suite 220,
Vienna, Virginia
USA | 22182

Phone

Office: +1 703 783 5020
Mobile: +1 231 360 3408

Online

Email: info@pamirllc.com
Website: www.pamirllc.com





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Risk Data and Analysis to guide your decisions

Our analytical teams provide deep insight on geopolitical impact, risk landscape, and competitive strategies in foreign markets.

Pamir was founded in 2006 to help US corporations protect innovation, people and market share in foreign markets where there is no level playing field. Since then, we have served over 50 Fortune 500 companies in Agriculture, Aerospace, Automation, Biomedicine, Chemicals, Energy, Financial Services, Advanced Materials, Pharmaceuticals and Semiconductors.



Pamir Consulting LLC

8045 Leesburg Pike, Suite 220,
Vienna, Virginia
USA | 22182

Office: +1 703 783 5020
Mobile: +1 231 360 3408
Email: info@pamirllc.com
Website: www.pamirllc.com

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“US instructors are also preparing training packages before Taiwan launches one-year compulsory military service next year. In early April US military personnel were seen at a key Taiwan air base to evaluate the protection of Taiwan’s aircraft bunkers and ammunition storage.”



Executive Summary

- Taiwan and the US are taking the threat of possible Chinese military action in 2027 very seriously. War games planned for mid-May and late July will simulate responses for thwarting a mainland attack.
- The US has put into production a \$1.17 billion order for 400 Harpoon antiship missiles that will be delivered to Taiwan before 2029.
- China confirmed the detentions of a prominent Taiwan publisher and a pro-independence activist.
- The Commonwealth of Virginia will establish a commercial office in Taiwan.



Military Affairs

Invasion Threat Planning

On 20 April in an interview with a British media outlet, *Leading Britain's Conversation*, Taiwan's Foreign Minister Joseph Wu said, "We are taking the Chinese military threat very seriously...I think 2027 is the year that we need to be serious about." Wu continued, "We made a mistake in not stopping Russia from attacking Ukraine, and I hope like-minded partners, the UK included, can stop China from initiating any war against Taiwan."

On 26 February CIA Director William Burns said in a CBS interview, "We do know, as has been made public, that President Xi has instructed the PLA, the Chinese military leadership, to be ready by 2027 to invade Taiwan, but that doesn't mean that he's decided to invade in 2027 or any other year as well." Burns stressed, however, the US must take "very seriously" Xi's desire to ultimately control Taiwan, even if military conflict is not inevitable.

On 18 April ADM John Aquilino, Commander of US Indo-Pacific Command, told the House Armed Services Committee that "everybody is guessing" when it comes to predicting timelines for a Chinese invasion of Taiwan. He said, "I think there's a ton of variables on what might motivate President Xi Jinping to take that action. And it's our job to convince him every day that it would be a bad choice."

“War is not inevitable, and it's not imminent. But we don't have the luxury of time...I believe that the trends for the threat are in the wrong direction. There is no doubt about that...The US military is ready today for any contingency.”

ADM John Aquilino

Commander of US Indo-Pacific Command



On 26 April Taiwan's Defense Ministry announced the plan for its large Han Kuang exercise to confront the PLA's latest threat. The exercise will be conducted in two phases – Phase 1 will be tabletop war games to held 15-19 May; and Phase 2, live-fire exercises on 24-28 July.

- Phase 1 will employ the US-built Joint Theater Level Simulation platform and simulate “joint, combined, and civil-military response” to a mainland invasion. Phase 2 will focus on preservation of forces in the event of a full-scale invasion and maritime interceptions to break a PLA blockade of Taiwan.
- Han Kuang exercises have been held annually since 1984. In May 2021 the US disclosed that the US military had sent specialists to assist in the exercise. During last year's Han Kuang exercise, China flew a drone over the Taiwan-controlled Kinmen Islands near the mainland while it continued daily air intrusions of Taiwan's air defense identification zone. Given the heightened tensions across the Taiwan Strait, the PLA will likely increase operational intensity around Taiwan during this year's Han Kuang exercises.

China's Position

On 21 April China's Foreign Minister QIN Gang defended China's position on Taiwan and reiterated China's resolve to take back Taiwan.

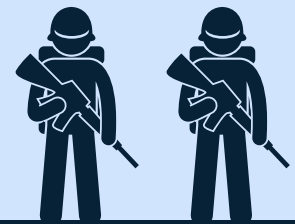
Speaking in Shanghai, Qin said,

“Both sides of the Strait belong to one and the same China. This is Taiwan's history, and it is also the status quo of Taiwan. Taiwan's return to China is a component of the post-war international order, written in black and white in the Cairo Declaration and the Potsdam Proclamation.”

Qin questioned the US call to maintain rules-based international order, the status quo and stability across the Taiwan Strait and threatened, “China will not lose any part of its territory that has been returned...there is no vagueness at all in our response to anyone who attempts to distort the One China principle.”

After Taiwan's KMT government fled to Taiwan from the mainland in 1949, the US had thousands of soldiers deployed in Taiwan.

At the height of US military presence (1958), there were nearly 20,000 US military personnel in Taiwan. As part of the agreement to establish diplomatic relations with Beijing in January 1979, the US withdrew all its military personnel. On 25 April 1979, the US Taiwan Defense Command was disbanded, and the last group of US soldiers left on 3 May 1979. On 1 January 1980, the Mutual Defense Treaty between the US and Republic of China was terminated.



Military Sales and Activity

On 18 April Taiwan media reported that the US ordered 400 land-based Harpoon antiship missiles for Taiwan for \$1.17 billion. The missiles are expected to be made before March 2029. The report said Taiwan will be the first recipient to have a whole spectrum of Harpoon antiship systems – airborne, submarine, ship- and land-based.

Taiwan media also reported more than 200 US military personnel are deployed in Taiwan to support Taiwan's military training and war preparedness. Eighty percent of the US instructors are from the US Army.

On 18 April Taiwan's Defense Ministry indirectly acknowledged the media report.

On 16 April the guided missile destroyer USS Milius passed through the Taiwan Strait days after China's military exercise around Taiwan that was in response to President Tsai Ing-wen's meeting with Speaker McCarthy.

On 26 April Taiwan's Defense Ministry announced the plan for its large Han Kuang exercise to confront the PLA's latest threat. The exercise will be conducted in two phases – Phase 1 will be tabletop war games to held 15-19 May; and Phase 2, live-fire exercises on 24-28 July.

The US 7th Fleet said the ship's transit was "routine [and] in accordance with international law...Milius' transit through the Taiwan Strait demonstrates US commitment to a free and open Indo-Pacific."

- A PLA Eastern Theater Command spokesman said the PLA "closely followed and monitored the warship's transit."
- Taiwan's Defense Ministry confirmed detection of 18 PLA aircraft and 4 ships around Taiwan after Milius left the area. On 28 April a US P-8 aircraft flew through the Taiwan Strait, while 38 PLA aircraft and 6 PLA Navy ships operated around Taiwan. For the first time, a Chinese long-range TB001 drone flew around the island. The drone can conduct intelligence surveillance, as well as air-to-ground missile attacks.
- On 24 April Taiwan's Defense Ministry said China's aircraft carrier, Shandong, and its battle group were operating 120 nautical miles southeast of Taiwan – its military closely watched battle group movements. Earlier this month, the Shandong battle group operated to the east of Taiwan in a PLA exercise that followed the McCarthy-Tsai meeting in California.



THE US ORDERED
400
LAND-BASED
HARPOON ANTISHIP
MISSILES
FOR TAIWAN
AT A COST OF
\$1.17 BILLION



“After Yang’s arrest, Taiwan authority urged its citizens to evaluate risks before going to mainland China.”

Mainland Detentions

On 26 April China’s Taiwan Affairs Office (TAC) confirmed the detention of LI Yanhe, better known by his pen name Fucha, for “suspected engagement in activities that endangered state security.” Li, a mainland-born Taiwan citizen, is founder and editor-in-chief of Gusa Publishing in Taiwan. He moved to Taiwan from Shanghai in 2009 after marrying a Taiwanese woman.

- Gusa publishes books critical of the Chinese Communist Party and covers sensitive Chinese political and other issues. Li went to Shanghai in March seeking to renounce his Chinese citizenship as required by Taiwan’s immigration law. TAC also said YANG Chih-yuan, a pro-independence political activist from Taiwan, had been officially indicted on suspicion of “secession.” Yang was arrested last August in China’s eastern Zhejiang Province.

Taiwan’s Mainland Affairs Council said the arrest of Yang and detention of Li showed that “China is extending its long-arm jurisdiction to Taiwan, not only to threaten, but also to suppress Taiwan.”

After Yang’s arrest, Taiwan authority urged its citizens to evaluate risks before going to mainland China.

“Taiwan’s Defense Ministry confirmed detection of 18 PLA aircraft and 4 ships around Taiwan after Milius left the area. On 28 April a US P-8 aircraft flew through the Taiwan Strait, while 38 PLA aircraft and 6 PLA Navy ships operated around Taiwan.”

LAST YEAR VIRGINIA EXPORTED \$730 MILLION IN GOODS AND SERVICES TO TAIWAN



Trade

On 24-25 April Virginia Governor Glenn Youngkin visited Taiwan on a trade mission, met with President Tsai, and signed an executive order to set up a Virginia commercial office in Taiwan to boost trade relations. Last year Virginia exported about \$730 million in goods and services to Taiwan and imported more than \$1 billion from Taiwan.

Youngkin confirmed his support for President Biden's commitment to Taiwan's security and signing the bill banning Chinese nationals and enterprises from buying real estate in Virginia.

- Chinese media called Youngkin's anti-China stand political expedience. From 2017-2020, Youngkin was co-CEO of the private entity Carlyle Group, which had extensive business relations with China. According to Bloomberg, 40 to 50 percent of Carlyle's Asia fund (\$8.5 billion) was tagged for Chinese ventures. Chinese media said China is still one of Virginia's largest trading partners.

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Strategic outcomes

Cross-strait tension

Taiwan and the US appear determined to meet Xi Jinping's 2027 unification challenge militarily, setting the stage for a steady build-up by both camps over the next four years. Recriminations and the potential for sea or air miscalculations will increase.

China has shown that it will not refrain from using its opaque public security apparatus to signal redlines to Taiwan's populace and foreign businesses.

LEVEL OF CONCERN



Pamir Position

For many years Taiwan businesses have largely shrugged off the difficulties of conducting operations in China. Pamir anticipates that traveling to the mainland for Taiwan employees has become riskier as the possibility of being detained on dubious charges has increased. US companies will have little recourse if an employee goes missing.

Business Impact

- Companies should alert staff that any cross-Strait communications – telephone, e-mail, WeChat, or other messaging – related to content prohibited or otherwise deemed suspicious in China could raise their profile and make them targets.
- Counter-intuitive risk may come from personal contacts who might have reason to report an individual or from overzealous local authorities hoping to impress superiors. China's new counterespionage law requires Chinese citizens to report suspicious espionage.

Strategic outcomes

Level of Concern indicators - what they mean

- 1 - indicates no change to the status quo
- 2 - indicates escalating tensions
- 3 - indicates aggressive escalation
- 4 - indicates high probability of impending crisis event
- 5 - indicates a full-scale crisis or conflict situation.

How we calculate them

- Frequency of references to subject in Chinese-language official government statements, credible press reporting, and social media
- Frequency of references to subject in English-language official government statements, credible press reporting, and social media from the US, EU, UK, Australia, Japan, etc.
- Consistency of historical, current, and emerging trendlines related to the subject
- Aberrations in official Chinese-language policy formulations
- Strategic shifts in official Chinese government and military signaling through diplomatic, information, military, and economic actions and behavior

Analytic Methodology: internal monitoring with quantitative and qualitative analysis of Chinese media and propaganda; comparative trend analysis, intelligence tradecraft; other proprietary methods.

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8045 Leesburg Pike,
Suite 220,
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