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PAMIR Executive Brief

Taiwan Update

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“On 22 May Taiwan’s Foreign Minister Joseph Wu told Taiwan’s legislature that Taiwan is in talks with the US to place Taiwan under the US nuclear umbrella, but the details cannot be disclosed publicly. Wu’s remarks triggered significant attention across the Taiwan Strait.”

Executive Summary

- President Biden again warned China and Taiwan not to take unilateral actions toward unification or independence.
- Taiwan's Foreign Ministry hinted at discussions to extend the US nuclear umbrella over Taiwan, but Taiwanese and Chinese detractors suggest the notion has no chance of materializing.
- Phase One of a US-Taiwan trade agreement will benefit Taiwan's communications, medical equipment, and pharmaceutical sectors.
- Polling data on public support for Taiwan's leading presidential contenders suggests an increasingly high-stakes contest for the future of Taiwan and cross-Strait relations.



US-Taiwan Relations

One China Policy

President Biden reiterated at his G7 press conference on 21 May that the US will maintain its *One China* policy.

- Biden emphasized, “China or Taiwan, neither territory can independently declare what they’re going to do. Period. There has to be a mutually agreed outcome...we’re sticking by that. We’re not going to tell China what they can do. We made it clear that we don’t expect – we don’t expect Taiwan to independently declare independence either. But in the meantime, we’re going to continue to put Taiwan in a position where they can defend themselves. And there is clear understanding among most of our allies that, in fact, if China were to act unilaterally, there would be a response. There would be a response.”

Military Aid

On 25 May the US Defense Department airlifted a batch of FIM 92 Stinger air defense missiles to Taiwan. This was part of the \$500 million US arms aid package given to Taiwan using the US president’s drawdown authority, which repurposes the US weapons stockpile as was done in the Ukraine case. Taiwan’s Defense Ministry confirmed the delivery.

“Some Taiwanese analysts say the US nuclear umbrella will not make Taiwan safer but provoke the mainland. Moreover, it would be a “catastrophe” for Taiwan since the island will be destroyed in a nuclear war.”

Nuclear Umbrella

On 22 May Taiwan's Foreign Minister Joseph Wu told Taiwan's legislature that Taiwan is in talks with the US to place Taiwan under the US nuclear umbrella, but the details cannot be disclosed publicly. Wu's remarks triggered significant attention across the Taiwan Strait.

- Some Taiwanese analysts say the US nuclear umbrella will not make Taiwan safer but provoke the mainland. Moreover, it would be a "catastrophe" for Taiwan since the island will be destroyed in a nuclear war. Others believe the US will not agree to Taiwan's request and consequently, Taiwan should develop its own nuclear weapons.
- Some Chinese analysts believe Wu's remarks were mostly for propaganda purposes. If the US agreed to provide Taiwan nuclear protection or Taiwan started to develop its own nuclear weapons, that would signal permanent separation of Taiwan with the mainland and, therefore, it would mean immediate military confrontation. The US would have to think carefully before using nuclear weapons against China in a Taiwan conflict.

On 25 May, Taiwan Defense Minister CHIU Kuo-cheng stated that nobody had contacted him, and he had no information on the matter. Chiu, a retired Taiwan general, told Taiwan's legislature, "Once a war starts, it will be truly disastrous" and there is no longer a distinction between the frontline and rear for Taiwan. He emphasized that the Taiwan military would not provoke hostilities but would prepare for them.

**TAIWAN'S
EXPORTS TO
THE US WERE
\$75 BILLION
UP 14.27% YOY**

**THE US
ACCOUNTED FOR
15.65%
OF TAIWAN'S
TOTAL EXPORTS**



Indigenous Weapons Prospects a Non-Starter

In the early 1970s Taiwan had a nuclear weapons development program that it shut down in 1976 under pressure from the US and the international community.

In 1978, before the US broke diplomatic ties with Taiwan, Taiwan asked the US to provide nuclear protection, but was turned down. Taiwan then restarted its own nuclear weapons program secretly in 1979.

In January 1988, a top scientist of Taiwan's nuclear weapons program defected to the US and exposed Taiwan's ongoing program. Under US and IAEA pressure, Taiwan closed the program in 1991.

- Although Taiwan undoubtedly possesses the technical knowledge to develop nuclear weapons, any efforts to produce the needed fissile materials and develop delivery systems would face insurmountable obstacles and broad opposition.

Taiwan's Top Legislator Visits US

On 14-19 May YOU Si-kun, President of Taiwan's Legislative Council and a staunch advocate for Taiwan independence, visited the US and met with 34 US Congressional members. Taiwan media reported that the US diplomatic mission in Taiwan—American Institute in Taiwan—and the Taiwan government originally did not support You's visit out of concern that it would trigger another round of cross-Strait tensions. Both the US and Taiwan governments downplayed the visit.

The US State Department said there was no information about any meeting between You and US government officials; Taiwan government said You's visit came at the invitation of US think tanks. Although You was spotted visiting US House Speaker Kevin McCarthy's office, neither McCarthy's office nor You reported their meeting. China did not comment on the visit.

Taiwan's government hailed the agreement as a "milestone." It stated that Phase One is the foundation for future negotiations on IP protection, labor standards, environmental protection, state-owned enterprises, agricultural products, digital trade, and non-market practices.

US-Taiwan Trade

On 19 May Taiwan's Office of Trade Negotiations announced the conclusion of first phase negotiations for the US-Taiwan Initiative on 21st Century Trade, which was launched in June 2022 with the goal of an eventual free trade agreement. Phase One covers customs and trade facilitation, regulatory practices for services, anti-corruption, and small- and medium-size enterprises. Taiwan media said the agreement will first benefit Taiwan's communications, medical equipment, and pharmaceutical sectors.

Although this agreement provides small and incremental improvements and does not address tariff issues, it is still the most detailed US-Taiwan trade agreement since the US broke diplomatic ties in 1979. It is viewed as a significant conciliatory gesture since Taiwan was excluded from the Indo-Pacific Economic Framework (IPEF) launched in 2022 by the US. The agreement also will support Taiwan's efforts to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), to which both Taiwan and China have applied.

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US Trade Representative Katherine Tai said in a statement, "This accomplishment represents an important step forward in strengthening the US-Taiwan economic relationship... We look forward to continuing these negotiations and finalizing a robust and high-standard trade agreement that tackles pressing 21st century economic challenges."

- China opposes the Initiative, which it views as an expansion of a de facto official US-Taiwan relationship, and any agreement between the US and Taiwan that "has sovereign connotations and of an official nature." China's Foreign Ministry demanded that the US "stop sending any wrong message to separatist forces seeking Taiwan independence in the name of economy and trade."

The US is Taiwan's second largest trading partner and export market after mainland China, and third largest import source after mainland China and Japan. For the US, Taiwan is its 9th largest trading partner; 13th largest export market; and 8th largest import source. According to Taiwan Customs data, in 2022:

- Taiwan's exports to the US were \$75 billion (up 14.27% YoY) and accounted for 15.65% of Taiwan's total exports.
- Imports from the US were \$45 billion (up 15.79%) and accounted for 10.64% of Taiwan's total imports.

NATO and WHO

Taiwan-NATO Cooperation

On 25 May Taiwan's military confirmed that the US will help Taiwan obtain NATO's Link 22 secure military data transmission system that interconnects air, surface, subsurface, and ground-based tactical data systems and facilitates data exchange among military units. The system also will facilitate real-time data sharing between Taiwan and the US. Taiwan's current Link-16 system is vulnerable to Chinese jamming and, according to Taiwan military experts, is inferior to the XS-3 and DTS-03 systems that China now uses.

Chinese military experts confirm this upgrade reportedly has already received approval from all NATO members and would constitute another step forward in NATO-Taiwan cooperation:

- In June 2022, a US Senate Foreign Affairs Committee bipartisan bill proposed giving Taiwan Major Non-NATO Ally (MNNA) status.
- In January 2023, Taiwan media reported that some Taiwan officers studied at the NATO Defense College.
- Also in January, Anders Fogh Rasmussen, former NATO Secretary General, visited Taiwan and said NATO should provide more training and intelligence for Taiwan's military.
- On 27-31 March, Lt. General Rittimann, Commandant of the NATO Defense College, made a secret visit to Taiwan.

Taiwan & WHO

On 22 May the full session of the UN World Health Organization (WHO) voted down a motion to give Taiwan WHO observer status, shutting the door for Taiwan to participate in this year's WHO meeting (21-30 May).

- US, Britain, France, Japan, and some Taiwan diplomatic partners voiced support for Taiwan's WHO participation before the vote. Taiwan's President and Foreign Ministry issued statements criticizing WHO's "unjust position" after the vote.
- Every year since 1997 Taiwan has tried to return to WHO but failed due to China's objection. In 2009, as relations across the Taiwan Strait reconciled, China agreed to let Taiwan participate in WHO as an observer in the name of "Chinese Taipei."
- In 2016, when Taiwan's pro-independence DPP came to power and relations across the Strait deteriorated, China rejected proposals to join WHO in the name of the Republic of China or Taiwan, citing the One China principle endorsed by the UN. Over the last seven years China has been able to assemble enough votes every year to stop motions to invite Taiwan to the organization, even as an observer.



Cross-Strait Relations

Tourism Dispute

On 19 May Taiwan's Mainland Affairs Council immediately rejected the announcement that China was reopening to Taiwan tour groups.

A Taiwan tourism official emphasized that reopening to tour groups should be a mutual decision through dialogue.

- In 2019 China suspended individual tourist visits to Taiwan as a form of economic pressure, and Taiwan banned all mainland tour groups in 2020 and set restrictions on mainland individual visits after the outbreak of Covid. These restrictions are still in place despite Taiwan's lifting of Covid restrictions.

2024 Presidential Election

On 17 May Taiwan's opposition party officially chose **HOU You-yi**, mayor of New Taipei City, as the KMT candidate for president. Taiwan analysts point to four reasons for Hou's appeal to KMT voters:

- Hou, 66, has grassroots support and is seen as one of the common people. His father was forced to join the military to fight in China's civil war. Hou's first son died in a bus fire in 1992 that killed 23 people. Hou's family background and experiences resonate with voters.
- Hou is also viewed as "a man for justice." Hou started his career as a police officer, rising to the top positions of National Police Agency Director and President of Central Police University. While on the police force, Hou solved several high-profile criminal cases that made him a "hero" in the public mind.
- Having served as vice mayor and mayor of Taiwan's most populous city, Hou has administrative experience.
- Hou is "moderate" in his mainland policy. One lesson learned by the KMT from its two defeats in 2016 and 2020 was that voters shunned policy that was too "pro-China." Hou has maintained a low profile on China and opposes both a declaration of Taiwan independence and the mainland's proposal of "one country, two systems." His China policy carries little baggage and could attract more independent voters.

In accepting his nomination, Hou said Taiwan is at a critical moment with an increasingly dangerous geopolitical environment, growing domestic division, and too many neglected issues. He promised to defeat the DPP, unify the country, and offer the Taiwan people more hope for a better future. He said he will take "bold actions" to address Taiwan's economic and social problems.

On 17 May China's Taiwan Affairs Office spokesman commented on Hou's opposition to China's "One Country, Two Systems" proposal,

"The difference of social systems is not an obstacle for unification, and, more importantly, not an excuse for splitting the country. Our proposal of 'One Country, Two Systems' is designed to accommodate Taiwan's reality and maintain the interests and well-being of Taiwan people."

"We are willing to work with people from all walks of life in Taiwan and all Taiwan compatriots to promote peaceful development and maintain peace and stability across the Taiwan Strait."



A KMT-leaning television network poll on 20 May indicated:

- Hou had 30% support; Lai 27%; and Ko 23%.
- If Ko dropped out, 48% support would go to Hou and 37% to Lai.
- Among voters between the ages of 20-29, Ko gets 43% support; Hou 26%; and Lai 22%.
- Among independent voters, Hou and Ko both had 23% support and Lai 18%.

A pro-DPP television network-conducted poll showed:

- Lai with 29.8% support; Hou 29.2%; and Ko 20.8%.
- If Hou had Foxconn founder Terry Guo as his running mate, Hou would get 38.6% support versus Lai 29.6%.

William Lai, Taiwan vice president and ruling DPP candidate, is Hou's major challenger. Lai is known for his advocacy of Taiwan independence and emphasizes that the 2024 election is a choice "between democracy and authoritarianism." Lai has attacked Hou on two points:

- "There is no democracy DNA in the KMT" – this harks back to KMT authoritarianism under Chiang Kai-shek and his successors that persisted up to 1987. Direct presidential elections were not held until 1996.
- Hou will be a mainland "delegate" in Taiwan – meaning a representative for mainland government policies.

On 20 May, in launching his election campaign, Hou hit back on Lai's comments by accusing him of trying to sow division through fearmongering and criticizing the last seven-year record of the DPP on Taiwan's economy and social improvement.

A third presidential contender is **KO Wen-je**, Chairman of the Taiwan People's Party (TPP). Ko, a physician, is a former mayor of Taipei (2014-2022). The TPP has policy positions similar to the KMT regarding the economy and the mainland. The KMT support base would be weakened, if the TPP split the votes. The KMT and TPP could form a unity ticket if polling favors the DPP. No candidate has yet named a running mate.

Strategic outcomes

US-Taiwan trade

US market is indispensable to Taiwan’s economy. The new US-Taiwan trade initiative should provide opportunity for US businesses in relevant sectors. China’s obligatory opposition to the agreement did not include any suggestion that the mainland intends to impose punitive trade measures to thwart further negotiations, but Phase Two will deal with non-market issues that China may view as antagonistic.

LEVEL OF CONCERN



NATO-Taiwan cooperation

NATO cooperation with Taiwan will continue to reinforce Beijing’s perception of US support for NATO’s encroaching influence in the Indo-Pacific.

LEVEL OF CONCERN



Pamir Position

Pamir assesses that Beijing will continue to apply economic pressures carefully to avoid disrupting the election prospects of its presumed KMT favorite candidate. At the same time, China will not hesitate to freeze Taiwan out of internationally visible organizations like the WHO.

Pamir judges that Beijing perceives US facilitation of Taiwan’s access to NATO’s secure military data transmission system as further confirmation of China’s decision to refuse Washington’s offer to open military-to-military lines of communications.

Business Impact

Pamir observes that China’s displeasure with the US-Taiwan trade initiative could embolden Beijing to question US commitment to the One China policy and possibly justify China’s exercise of economic coercion.

Business Opportunity

Pamir anticipates that the US-Taiwan trade initiative could avail potential areas in communications, medical equipment and pharmaceuticals for expanding business prospects in Taiwan and with Taiwanese companies.



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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