

Report number: PAMIR2023020201

PAMIR Executive Brief

Taiwan Update

2 February 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@pamirlc.com
Website: www.pamirlc.com



PAMIR

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

Copyright Pamir Consulting LLC 2023

This is a confidential business communication and may not be used or distributed other than for its intended purpose and with permission. This information is provided for background, and for lead information only, and is not, by itself, to be used as a legal basis against the subjects of the reports.

All due care is taken to ensure that the information contained in the report is accurate and true at the time of the report, but as always, may require additional, independent validation and verification.



Report number: PAMIR2023020201

Taiwan Update

PAMIR Executive Brief - 2 February 2023

Executive Summary	#04
Presidential Transition Dynamics	#05
Military Affairs	#07
Trade	#09
Strategic Outcomes	#010

“
At the resumption of US-China
military-to-military dialogue,
China raised concerns about US
House Speaker McCarthy visiting
Taiwan, and the US warned
against overreaction to any
potential visit. Beijing is signaling
China’s readiness to take stronger
measures than the escalatory
military activity around Speaker
Pelosi’s Taiwan trip last year.”

Executive Summary

- Taiwan's Vice President William Lai now heads the ruling Democratic Progressive Party and is the leading contender to become Taiwan's next president in 2024. His strong pro-independence leanings have piqued Beijing's warnings, though maintaining cross-Straits status quo remains top priority.
- Uncompromising Lunar New Year messages from China and Taiwan do not bode well for any prospect of productive cross-Straits dialogue in the near term.
- At the resumption of US-China military-to-military dialogue, China raised concerns about US House Speaker McCarthy visiting Taiwan, and the US warned against overreaction to any potential visit. Beijing is signaling China's readiness to take stronger measures than the escalatory military activity around Speaker Pelosi's Taiwan trip last year.
- The US National Guard reportedly is expanding the scope of training for Taiwan's military as part of the overall US response to a perceived heightened threat from China.
- Recent negotiations on the "US-Taiwan Initiative on 21st Century Trade" agreement made some progress but have yet to discuss tariff reductions and market access issues.

Presidential Transition Dynamics

Lai takes over as chairman of ruling DPP

Taiwan's Vice President William Lai was sworn in as the new chairman of the ruling Democratic Progressive Party (DPP) on 18 January. As the only candidate for the position, Lai received almost 100 percent of the DPP votes, making him the most likely DPP candidate for Taiwan's presidential election in 2024.

A Taiwan media poll published on 17 January indicated Lai would have 34% support in a 2024 election, 3% more than his most likely KMT opponent

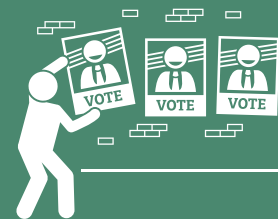
Lai's strong support for Taiwan independence

- Lai, 56, is known for his steadfast Taiwan independence position.
- As former premier, Lai declared in 2017 that he was “a pragmatic political worker for Taiwan Independence” and that his position would never change “no matter what future job I hold.”
- Lai believes the US is key for Taiwan's future. During his campaign for the chairmanship, he addressed questions about US involvement in Taiwan's defense given the Ukraine situation. Lai defended the US and urged Taiwan media to stop spreading “comments of distrust” about the US.

During his press conference after being named DPP chairman, Lai said he will continue the policies of his DPP predecessor, Taiwan's current president, TSAI Ing-wen:

1. Defend Taiwan's constitutional democracy
2. Ensure Taiwan and China are not subordinate to each other
3. Resist annexation or encroachment upon Taiwan's sovereignty
4. Guarantee that Taiwan's future is determined by the Taiwan people alone.

He stated Taiwan is already a sovereign and independent nation and therefore has no need to declare its independence. He emphasized that appeasement will not bring peace and Taiwan's “peace depends on its defense.”



LAI WOULD HAVE
34%
SUPPORT IN A
2024 ELECTION

Declaration of "One China, One Taiwan"?

Political commentators in both mainland China and Taiwan believe Lai's comments equate to a declaration of "One China, One Taiwan."

Consequently, they see little prospect that Beijing will restart dialogue with Taiwan's DPP anytime soon. If Lai wins Taiwan's 2024 presidential election, Beijing will perceive that "peaceful unification" is not possible, at least for the four years of Lai's tenure. These observers cite Chinese President Xi Jinping's age and his ambition to complete unification as reasons that make it more likely that China will resort to force for unification.

New Year messages from Beijing and Taipei

Lunar New Year messages from Xi and Tsai indicate that Beijing and Taipei will continue their current course of actions and suggest that the likelihood of cross-Straits dialogue in the new year is slim.

President Xi used his speech to indirectly address the Taiwan issue and US involvement, saying, in 2022, "We have been fighting resolutely in major struggles against separatism and foreign interference, maintaining the initiative to steer cross-strait relations." He called for Party and national unity and emphasized, "No storm can shake our iron will, and no difficulty can stop our sonorous steps."

In her speech on the same day, President Tsai said, "In the face of frequent incursions by China's military vessels and aircraft, and even its military exercises in areas around Taiwan, our government stands firm in its resolve to safeguard peace and stability in the Taiwan Strait and across the region." She stated, "In the new year, our government will...defend our sovereignty and preserve peace."

On 21 January Tsai wrote to Pope Francis in response to his New Year's message of peace and blamed current tension across the Taiwan Strait on China, reiterating, "Only by respecting the commitment of the Taiwanese people to our sovereignty, democracy, and freedom can there be a foundation for resuming constructive interaction across the Taiwan Strait." The Vatican is the only European state that has diplomatic relations with Taiwan.

CHAIRMAN LAI WILL CONTINUE THE POLICIES OF TAIWAN'S CURRENT PRESIDENT, TSAI ING-WEN :

- 1. DEFEND TAIWAN'S CONSTITUTIONAL DEMOCRACY**
- 2. ENSURE TAIWAN AND CHINA ARE NOT SUBORDINATE TO EACH OTHER**
- 3. RESIST ANNEXATION OR ENCROACHMENT UPON TAIWAN'S SOVEREIGNTY**
- 4. GUARANTEE THAT TAIWAN'S FUTURE IS DETERMINED BY THE TAIWAN PEOPLE ALONE.**

“Some Chinese commentators predict that if McCarthy visits Taiwan, China will take even more dramatic actions against Taiwan.”

Military Affairs

Speculation over Speaker McCarthy visit to Taiwan

The US and China held their first military-to-military dialogue on 17 January since China suspended military contacts after Speaker Pelosi's visit to Taiwan last August. US Deputy Assistant Secretary of Defense for China Michael Chase spoke on the phone with Major General SONG Yanchao, Deputy Director of the Office for International Military Cooperation in China's Central Military Commission. Although the focus of the US-initiated contact was the war in Ukraine, Song used the occasion to raise China's concerns about a potential visit to Taiwan by US House Speaker Kevin McCarthy. McCarthy could visit Taiwan in April when Congress is in spring recess. The Pentagon is making logistical preparations for his trip as well as evaluating China's possible military response. On 30 January Taiwan media speculated that McCarthy may arrive in Taiwan on 11 April.

Some Chinese commentators predict that if McCarthy visits Taiwan, China will take even more dramatic actions against Taiwan.

Pamir observes the high probability that such commentaries are signaling Beijing's warnings. On 19 January the US government-funded Voice of America (VOA) reported that US officials told Chinese counterparts that the House of Representatives operates independently from the Biden administration. They cautioned China against an overreaction to a potential McCarthy visit that could lead to an “unintended” military accident. The VOA report also quoted an unnamed senior State Department official saying, “We can't hold our foreign policy hostage to things that China may or may not do.”

The 'new normal' after Pelosi's visit

When Speaker Pelosi visited Taiwan, China considered Pelosi's visit part of coordinated US “salami slicing tactics” to support Taiwan independence and create “One China, One Taiwan.”

China responded with large-scale military exercises around Taiwan, abandoning the de facto boundary in the Taiwan Strait.

China has established a new normal with more frequent, larger scale military actions that ignore the median line of the Strait.

“Chinese media criticized US-Taiwan SPP relations as “a step of the US to turn Taiwan into a state of the US.” China views the SPP relationship with Taiwan as a “disguised” return of a US military presence to Taiwan, which would be in violation of the 1979 commitment to withdraw all US military from Taiwan”

On 20 January the US National Guard had expanded their training of the Taiwanese military in infantry tactics, unmanned air vehicle operations, cyber defense, disaster relief, and medical support, according to a Nikkei report. A Pentagon spokesperson refused to comment on the report but said, in the face of the mainland threat to Taiwan, US support and commitment to Taiwan’s defense were solid.

- Taiwan and the Pentagon’s State Partnership Program (SPP) was established in mid-2022. Although President Tsai has alluded to SPP, the National Guard’s official list of its 87 global partnerships does not mention Taiwan, almost certainly due to Chinese sensitivities. Through SPP, the National Guard conducts military-to-military engagement in support of US defense security goals. SPP is a thorn in China’s side. Under Beijing’s pressure, Nepal withdrew from its SPP agreement in 2022.
- Chinese media criticized US-Taiwan SPP relations as “a step of the US to turn Taiwan into a state of the US.” China views the SPP relationship with Taiwan as a “disguised” return of a US military presence to Taiwan, which would be in violation of the 1979 commitment to withdraw all US military from Taiwan. However, there has been no definitive reporting on where the training takes place. Taiwan media speculation suggests that Hawaii is the training location, in which case there would be no US troops on Taiwan soil.

“In the face of frequent incursions by China’s military vessels and aircraft, and even its military exercises in areas around Taiwan, our government stands firm in its resolve to safeguard peace and stability in the Taiwan Strait and across the region...”

In the new year, our government will... defend our sovereignty and preserve peace.”

**President Tsai,
Lunar New Year message**



Last November the mainland's Taiwan Affairs Office said that Taiwan's attempt to reach a trade agreement with the US was a political gain for the DPP at the expense of Taiwan's economic interests.



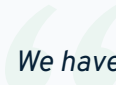
Trade

Lai takes over as chairman of ruling DPP

According to the US Trade Representative (USTR) Office, recent negotiations in Taipei for the US-Taiwan Initiative on 21st Century Trade agreement reached consensus in several areas related to trade facilitation, anti-corruption, small and medium-sized enterprises, and regulatory practices; not discussed were tariff reductions and market access issues. USTR said the two sides “pledged to maintain an ambitious negotiating schedule in the months ahead to continue the momentum.”

Taiwan's top negotiator John Deng said both sides also discussed China's “economic coercion.” Deng added his government was “quite satisfied” with the outcome of the talks. Deng also said a trade agreement with the US will help Taiwan join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Commenting on a possible trade deal between the US and Taiwan, the Chinese government said trade agreements between other countries and Taiwan should be made within the “One China” framework. Last November the mainland's Taiwan Affairs Office said that Taiwan's attempt to reach a trade agreement with the US was a political gain for the DPP at the expense of Taiwan's economic interests. China also has applied to join the CPTPP but has made no real progress in its negotiations with CPTPP members.



We have been fighting resolutely in major struggles against separatism and foreign interference, maintaining the initiative to steer cross-strait relations...No storm can shake our iron will, and no difficulty can stop our sonorous steps.”

**President Xi,
Lunar New Year message**



Strategic outcomes

Change in Taipei leadership

Vice President William Lai has emphasized continuity in his approach to party leadership and the need for Taiwan to be able to defend itself. Maintaining the status quo and avoiding measures that Beijing might perceive as provocative remain top priority for Lai to optimize his support base in Taiwan's domestic politics and credibility on cross-Strait issues.

LEVEL OF CONCERN



Proposed US Speaker visit

The Pentagon's preparations for US House Speaker McCarthy's visit to Taiwan possibly in the spring are ramping up Beijing's rhetorical remonstrations. China's past and ongoing Chinese military activity in the Taiwan Strait is escalatory. If China intends to signal strong displeasure, Beijing might aim reprisals at US and western companies operating in Taiwan. Central government leaders will be dealing with a populace coming out of a surge of Covid and could use the US-Taiwan issue to distract from domestic and internal problems.

LEVEL OF CONCERN



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.

Title	PEB Taiwan Update
Report #	PAMIR2023020201
Date	February 2, 2023
Keywords	PEB, Taiwan, William Lai, Kevin McCarthy



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

