



# ASIA MAIOR

Vol. XXXII / 2021

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## Asia in 2021: In the grip of global and local crises

**Edited by**  
**Michelguglielmo Torri**  
**Filippo Boni**  
**Diego Maiorano**

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CENTRO STUDI PER I POPOLI EXTRA-EUROPEI “CESARE BONACOSSA” - UNIVERSITÀ DI PAVIA

# ASIA MAIOR

The Journal of the Italian think tank on Asia founded by Giorgio Borsa in 1989

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## CONTENTS

- 9 *Nicola Mocci (22 September 1969 – 29 January 2022)*
- 11 MICHELUGUGLIELMO TORRI, *Asia Maior in 2021: Pandemic crisis; US-China confrontation; authoritarian involution*
- 39 SILVIA MENEGAZZI, *China 2021: Coping with the resilience dilemma of the Chinese model*
- 63 GIULIO PUGLIESE & COREY WALLACE, *Japan 2021: The Liberal Democratic Party emerges stronger despite domestic tumult*
- 95 MARCO MILANI, *Korean peninsula 2021: Managing the crisis and adapting to the new situation*
- 125 AURELIO INSISA, *Taiwan 2021: Heightened geo-economic relevance amid rising cross-strait tensions*
- 153 MIGUEL ENRICO G. AYSON & LARA GIANINA S. REYES, *The Philippines 2021: Populist legacy and looming uncertainties*
- 171 BOIKE REHBEIN, *Laos 2017-2021: Revival of the subsistence ethic*
- 191 CAROLINE BENNETT, *Cambodia 2018-2021: From democracy to autocracy*
- 221 EMANUELA MANGIAROTTI, *Malaysia 2021: A widening political legitimacy crisis*
- 237 EDOARDO SIANI, *Thailand 2019-2021: Military, monarchy, protests*
- 259 MATTEO FUMAGALLI, *Myanmar 2021: Repression and resistance in a multi-cornered conflict*
- 277 SILVIA TIERI, *Bangladesh 2021: The year of the golden jubilee and the second wave of pandemic*
- 297 DIEGO MAIORANO, *India 2021: Politics amid the pandemic*
- 329 DIEGO ABENANTE, *Sri Lanka 2021: From pandemic emergency to political and economic crisis*
- 347 MARCO CORSI, *Pakistan 2021: In pursuit of a pivotal role in post-pandemic South Asia*
- 375 FILIPPO BONI, *Afghanistan 2021: US withdrawal, the Taliban return and regional geopolitics*
- 393 LUCIANO ZACCARA, *Iran 2021: The year of transition*
- 417 CARLO FRAPPI, *Azerbaijan 2021: Towards a new beginning?*
- 445 *Reviews*
- 471 *Appendix*

TAIWAN 2021: HEIGHTENED GEO-ECONOMIC RELEVANCE AMID RISING  
CROSS-STRAIT TENSIONS\*

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*Taiwan remained one of the crossroads of international politics in the second year of the COVID-19 pandemic. Cross-Strait relations with China continued their downward trend, with increasing military tensions in the airspace and waters surrounding the island, leading to speculations of a military takeover. The PLA activism in the Strait was inherently tied, in an action-reaction dynamic, to the further strengthening of relations between Washington and Taipei, with the new Biden administration in the White House operating in broad continuity with the previous Trump administration, albeit with expected differences in style. The Biden administration was instrumental in fostering support among allies to call for «peace and stability» in the Taiwan Strait. In this contest, Taiwan further strengthened relations with Japan, and made inroads in Europe. Partners abroad expanded ties with the island as a result of a broader push back against China's ambitions on the international stage, and the impact of the global supply chain crisis revolving around the shortage of chips. Taiwan's essential role in the supply chain crisis, a result of Taiwan Semiconductor Manufacturing Company's dominance in this strategic industrial sector and of the geographic concentration of chip plants on the island, has presented the Tsai administration with new geo-economic challenges and opportunities. On the domestic front, President Tsai and the DPP obtained an important political victory after the rejection of the referendums on trade, energy, and the electoral law that were supported by the major opposition party, the KMT.*

KEYWORDS: TAIWAN, CHINA, CROSS-STRAIT RELATIONS, GEO-ECONOMICS

## 1. Introduction

This study reviews the major political and economic events occurred in Taiwan by exploring developments in the fields of cross-Strait relations, international and domestic politics, and economics. The essay consists of five sections in addition to this introduction.

\* Relevant terms and expressions are reported in English followed by a transcription in Chinese characters. Traditional characters are used for terms and statements drawn from Taiwanese sources, while simplified characters are used for terms and statements drawn from Chinese sources. Given the lack of a standardised system for proper nouns in Taiwan, people's names and place names are transliterated either in Wade-Giles or in Gwoyeu Romatzyh, following their most common usage. Proper nouns from the PRC are transliterated in Hanyu Pinyin.

The first covers cross-Strait relations, focusing on their political and security dimensions.

The second examines cross-Strait relations within the wider frame of the Washington-Taipei-Beijing triangle, addressing the significance of consolidating ties between the US and Taiwan, the American pro-activism in mustering international support for the island, and growing speculations over a Chinese military takeover in the near future.

The third section of the essay further expands the frame of the analysis by examining Taiwan's heightened geo-economic relevance in pandemic-era international politics. Starting from an assessment of the island's centrality in global supply chains due to its dominance in the industrial production of chips, this section scopes into Taiwan's responses to a new political climate marked not only by American, Japanese, and EU attempts for reshoring semiconductor manufacturing, but also by China's own continuing attempts to achieve its own independence in this strategic industrial sector.

The fourth section, on domestic politics, covers the results of the four referendums held in December 2021, their political significance for the island, and the implications of their results for the two major parties in the Legislative Yuan (LY) – the ruling Democratic Progressive Party (DPP, 民主進步黨) and the Kuomintang (KMT, 國民黨), the major opposition party. The fifth section on domestic economics provides instead an overview of the performance of the Taiwanese economy throughout the year. The essay ends with conclusions summing up the main points of this study.

## *2. Cross-Strait relations: policy stasis and increasing pressure*

With the People's Republic of China (PRC)'s President and Chinese Communist Party (CCP)'s General Secretary Xi Jinping (习近平) gearing up for a third term in power in 2022, and ROC's President Tsai Ing-wen (蔡英文) entering the second year of her last term, the two administrations in Beijing and Taipei remained entrenched in their respective positions over the preconditions to resume cross-Strait relations. Beijing continued to require Taipei's acceptance of its interpretation of the «1992 Consensus» (九二共识) to resume relations; while the Tsai administration continued to deem the request to accept the Beijing-positing Consensus as an unacceptable baseline to restart relations.<sup>1</sup> In March, Taiwanese officials publicly attempted to overcome this impasse on the basis of a renewed «constructive

1. On the 1992 Consensus, see: Aurelio Insisa, 'No Consensus across the Strait: Chinese and Taiwanese Strategic Communications in a Contested Regional Order', *Asian Perspective*, Vol. 45, No. 3, 2021, pp. 503-531.



ambiguity» (建設性的模糊) between the two sides.<sup>2</sup> Given Beijing's manifest unwillingness to move beyond the requests laid out since the DPPs' return to power, this attempt, like previous ones launched since 2016, should be primarily understood as designed to show the Tsai administration's role as a «responsible stakeholder» to domestic and international public opinions. Subsequent major speeches and statements from officials on both sides,<sup>3</sup> did not open up any meaningful way towards a breakthrough.<sup>4</sup>

In the absence of any concrete change in cross-Straits policy, the main development was the dramatic rise of the scale and tempo of People's Liberation Army's (PLA) operations in the proximity of Taiwan's airspace and territorial waters. The majority of these operations involved the entry of PLA aircrafts within the southwestern sector of the area that Taiwan identifies as its Air Defense Identification Zone (ADIZ). The PLA broke both the daily and monthly records of aircrafts entering Taiwan's ADIZ, in January, March, April, June, and October.<sup>5</sup> PLA operations in Taiwan's ADIZ during the year in review regularly included Sukhoi Su-30 and Shenyang J-16 combat aircrafts, in contrast with 2020, when such operations generally saw the deployment of Shaanxi Y-8 reconnaissance aircrafts. While international media and observers generally focused on airborne operations, PLA Navy vessels, including the aircraft carrier Liaoning, also continued to operate in the proximity of Taiwan's territorial waters.<sup>6</sup>

PLA operations in the air and maritime domains serve multiple objectives. First, they provide an opportunity for training and preparation for a potential military intervention. Second, they impose an economic, logistic, and psychological toll to Taiwan's armed forces. Third, they aim

2. 「建設性的模糊」邱太三：兩岸再找個最大公約數' (Constructive Ambiguity' - Chiu Tai-san: The Two Sides of the Strait Should Find Once Again the Greatest Common Denominator), 中央廣播電臺 (*Radio Taiwan International*), 18 March 2021.

3. 'Xi Jinping Inspects SE China's Fujian Province', *CGTN*, 27 March 2021; '习近平：在庆祝中国共产党成立100周年大会上的讲话' ('Xi Jinping: Speech at the Ceremony for the 100<sup>th</sup> Anniversary of the Establishment of the CCP'), *Xinhua*, 15 July 2021.

4. Office of the President of the Republic of China (Taiwan), 共識化分歧 團結守台灣 總統發表國慶演說 (*Turning Divergences into Consensus, Standing United to Protect Taiwan - The President Delivered the National Day Address*), 10 October 2021, <https://www.president.gov.tw/NEWS/26253>; Tsai Ing-wen, 'Taiwan and the Fight for Democracy: A Force for Good in the Changing International Order', *Foreign Affairs*, Vol. 100, No. 6, 2021, pp. 74-84.

5. For a list of PLA operations in Taiwan's ADIZ between January and October 2021 comprising of a breakdown of the aircrafts involved, see: Ou Hsi-Fu, '中共軍機出海模式演變' ('Changes in the Pattern of PLA Aircrafts' Over-Water Operations'), in Lee Kuan-chen & Hung Tzu-Chieh (eds.), *2021 年中共政軍發展評估報告 (Evaluation Report on the Development of the PLA in 2021)*, Caituan faren guofang anquan yanjiuyuan, 2021, p. 82.

6. John Dotson, 'Beijing Touts Naval Activity in Its Pressure Campaign against Taiwan', *Global Taiwan Brief*, Vol. 6, No. 8, 2021, pp. 12-15.

at delegitimizing the Tsai administration's China policy in the eye of the Taiwanese electorate as an inherently destabilizing factor. Fourth, they aim at deterring foreign actors from articulating and expanding support for the island – a critical point that will be examined more in detail in the next section.

The psychological dimension of Chinese military pressure is worth emphasising. Consider two examples. The first is the announcement of the staging of the largest beach landing and assault drill ever conducted. The drill was held in the Chinese Mainland province of Fujian opposite to Taiwan, on 11 October, the day after the yearly celebrations for the ROC national day.<sup>7</sup> The second example is the dissemination through Chinese state media of reports over the integration of civilian ships in PLA amphibious assaults drills.<sup>8</sup> China's willingness to adopt and explore what Japanese and Western analysts have defined as «grey zone» approaches to change the status quo on the Strait and exert psychological pressure was also visible in the operations of Chinese civilian sand dredgers in the restricted waters of the Taiwan-controlled Matsu Islands, facing the Fujianese coastline.<sup>9</sup>

As in the previous years, China's pressure campaigns against the Tsai administration possessed a multidimensional character, wider than the security dimension analysed above. Beijing continued to resort to the usual mix of «sticks and carrots» measures sourced from the economic statecraft playbook developed since 2016. Citing biohazard risks, Chinese authorities banned first the import of pineapples from the island in February and then of sugar apples and wax apples in September.<sup>10</sup> In the latter case, Taiwan responded by raising for the first time «specific trade concerns» to the World Trade Organization (WTO) two months later.<sup>11</sup> Public subsidies to the agricultural sector and a diversification strategy relying on alternative markets such as Australia, the Middle East, and especially Japan

7. 'China Says It Carried Out Beach Landing Drills in Province Opposite Taiwan', *Reuters*, 11 October 2021.

8. Chris Horton, 'China mobilizes civilian ferries for Taiwan invasion drills', *Nikkei Asia*, 25 August 2021. See also: Conor Kennedy, 'Ramping the Strait: Quick and Dirty Solutions to Boost Amphibious Lift', *China Brief*, Vol. 21, No. 14, 2021, pp. 24-30.

9. Louise Watt, 'Lines in the sand: Chinese dredgers are stealing Taiwan bit by bit', *Nikkei Asia*, 16 June 2021. Grey zone approaches are «efforts intended to advance one's security objectives at the expense of a rival using means beyond those associated with routine statecraft and below means associated with direct military conflict between rivals». See: Kathleen Hicks *et al.*, *By Other Means: Part 1 - Campaigning in the Gray Zone*, CSIS, 2019, p. 4.

10. 'WTO Committee Scheduled to Discuss China Fruit Import Ban', *Focus Taiwan*, 27 October 2021.

11. WTO, *China - Draft Administrative Measures for Registration of Overseas Producers of Imported Foods (ID 611)* (<https://tradeconcerns.wto.org/en/stcs/details?insId=611&domainId=TBT&searchTerm=Separate%20Customs%20Territory%20of%20Taiwan>).

softened the impact of these bans.<sup>12</sup> Beijing followed these bans with the novel 22 Measures on Agriculture and Forestry, introduced in March to provide «equal treatment» (同等待遇) to Taiwanese business operating in the Mainland along the lines of similar initiatives launched in 2019 and 2020.<sup>13</sup> As in the previous cases, these measures are designed to foster connections with the *Taishang* (台商), the Taiwanese business community in order to eventually leverage these relations in the island's electoral politics.<sup>14</sup> Furthermore, comments from China's State Council Taiwan Affairs Office (TAO) in the aftermath of a US\$ 74.2 million fine against the Taiwanese Far Eastern Group for regulatory violations in November appeared to signal the possibility of increasing pressure on Taiwanese business operating in the Mainland.<sup>15</sup>

Beijing coupled economic pressure with a further move affecting Taiwan's «diplomatic space», re-establishing relations with one of the ROC's few remaining diplomatic allies, Nicaragua.<sup>16</sup> This development followed intense speculations of another potential switch of diplomatic relations by Honduras in the aftermath of the victory of the leftist candidate Xiomara Castro in the presidential elections held in November in the Central American country.<sup>17</sup> Against this backdrop, it is worth noting that Vatican sources admitted Chinese pressures to switch diplomatic relations for the first time to Italian media. China's resistance against the Holy See's request to open an Apostolic nunciature in Beijing currently stands as the main obstacle to a historic diplomatic turn that could lead Taiwan to lose its last diplomatic ally in Europe.<sup>18</sup> Another notable development, occurred in November, was TAO's announcement that «inveterate supporters of Taiwan independence» (台独顽固分子) would be criminally liable for life. Taiwan's Premier Su Tseng-chang (蘇貞昌), the LY Speaker You Si-kun (游錫堃), and the Foreign

12. Christina Lai, 'Power of the Weak: Taiwan's Strategy in Countering China's Economic Coercion', *China Brief*, Vol. 21, No. 21, 2021, pp. 5-10.

13. TAO, '国台办介绍「农林22条措施」出台情况及特点' (*TAO Introduces the '22 Measures on Agriculture and Forestry'*), 17 March 2021 ([http://www.gwytb.gov.cn/xwdt/xwfb/wyly/202103/t20210317\\_12339184.htm](http://www.gwytb.gov.cn/xwdt/xwfb/wyly/202103/t20210317_12339184.htm)).

14. See also: Yi-Wen Yu, Ko-Chia Yu & Tse-Chun Lin, 'Political Economy of Cross-Strait Relations: Is Beijing's Patronage Policy on Taiwanese Business Sustainable?', *Journal of Contemporary China*, Vol. 15, Issue 99, 2016, pp. 372-388.

15. TAO, '绝不允许支持「台独」、破坏两岸关系的人在大陆赚钱', (*People Who Support 'Taiwan Independence' and Undermine Cross-Strait Relations Will Never Be Allowed to Make Money in the Mainland*), 22 November 2021 ([http://www.gwytb.gov.cn/xwdt/xwfb/wyly/202111/t20211122\\_12392201.htm](http://www.gwytb.gov.cn/xwdt/xwfb/wyly/202111/t20211122_12392201.htm)).

16. Yew Lun Tian & Ben Blanchard, 'China and Nicaragua re-establish ties in blow to U.S. and Taiwan', *Reuters*, 10 December 2021.

17. Matt Spetalnick & Drazen Jorgic, 'Nicaragua embracing China to insulate against international sanctions - U.S. Official', *Reuters*, 11 December 2021.

18. Massimo Franco, 'Il Papa tra Biden e Xi resiste alle pressioni cinesi su Taiwan' ('Between Biden and Xi, the Pope resists to Chinese pressures over Taiwan'), *Corriere della Sera*, 24 October 2021.

Minister Joseph Wu Jau-shieh (吳釗燮) were the first Taiwanese officials to be singled out.<sup>19</sup>

Taiwan's difficulties in the provision of COVID-19 vaccines also show how China's concerted use of economic and diplomatic leverages can affect the island. In February, the Taiwanese Minister of Health and Welfare Chen Shih-chung (陳時中) implied that Beijing had forced the German biomedical company BioNTech, through the Shanghai-based conglomerate Fosun, to withdraw from negotiations with Taipei over a deal for the distribution of 5 million doses of its Comirnaty m-RNA vaccine.<sup>20</sup> Chen's statement, however, should be assessed in light of the Tsai administration's prior refusal to engage in negotiations with Fosun – which holds the distribution of Comirnaty for Mainland China, Hong Kong, Macau, and Taiwan – and to accept Beijing's own offer to vaccinate Taiwanese people with its «indigenous» vaccines produced by CanSino and Sinovac.<sup>21</sup> Against this backdrop, Chinese propaganda actors used the steady vaccination of Taiwanese people living in the Mainland to highlight the contrast with Taiwan's stuttering vaccine rollout.<sup>22</sup> As Taiwan grappled with the issue of vaccine provision until the summer, officials from Paraguay – the island's only diplomatic ally in South America – stated that Beijing had put on the table the delivery of COVID-19 vaccines as part of the usual «package» designed to convince countries to switch diplomatic recognition from the ROC to the PRC.<sup>23</sup>

Taiwan's countermeasures to Chinese pressure continued to focus on internal balancing and the promulgation of legal tools designed to curtail Chinese outreach – as in the previous years. The DPP-controlled LY passed an extra budget of US\$ 8.6 bn proposed by the Executive Yuan (EY) to modernize available weapon systems mainly through indigenous production, on the top of the initial military budget planned for 2022 totalling US\$ 17.1 billion.<sup>24</sup> The ROC Armed Forces also commissioned their first group of F-16v fighter jets, purchased from the U.S. in 2019, as well as its domestically

19. TAO, '依法对苏贞昌、游锡堃、吴钊燮等极少数「台独」顽固分子实施惩戒' (*According to the Law, Punishment Has Been Imposed over Some Inveterate Supporters of 'Taiwan Independence'. Including Su Tseng-chang, You Si-kun and Wu Jau-shieh*), 5 November 2021 ([http://www.gwytb.gov.cn/xwdt/xwfb/wyly/202111/t20211105\\_12389168.htm](http://www.gwytb.gov.cn/xwdt/xwfb/wyly/202111/t20211105_12389168.htm)).

20. Siladitya Ray, 'Taiwan says deal to buy 5 million Pfizer-BioNTech Covid-19 vaccines on hold, hints at pressure from China', *Forbes*, 17 February 2021; Yimou Lee, 'Taiwan says request to drop «country» preceded BioNTech vaccine deal collapse', *Reuters*, 27 May 2021.

21. 'China Invites Taiwanese to Come to Get Vaccinated against COVID-19', *Reuters*, 11 June 2021.

22. Yimou Lee, 'Vaccines become latest frontline in China's campaign to win hearts of Taiwanese', *Reuters*, 21 January 2021.

23. Michael Stott, Kathrin Hille, & Demetri Sevastopulo, 'US to send vaccines to Latin America after Taiwan ally warns of pivot to China', *Financial Times*, 19 May 2021.

24. 'Taiwan Plans \$9bn Boost to Arms Spending, Warns of «Severe Threat», *Focus Taiwan*, 16 September 2021.

produced Ta Chiang corvette.<sup>25</sup> To conclude, in October, Taiwanese officials publicly admitted to have deployed on the island the supersonic land-attack cruise missiles Yun Feng, which are capable to reach strategic targets such as Beijing and Shanghai.<sup>26</sup>

Taiwan's insistence to rely on weapon systems such as the Yun Feng missiles in case of a Chinese military invasion highlights, in turn, a persisting disconnect between Taipei's and Washington's defence communities over the island's defence concept that was re-ignited by the release of the 2021 edition of the National Defense Report.<sup>27</sup> American observers perceive that the Taiwan's Ministry of National Defense, while paying lip service to the concept of asymmetric defence espoused in previous official documents and endorsed in Washington,<sup>28</sup> stubbornly continues to «preserve legacy systems and outdated defense concepts» and to oppose the implementation of «major changes toward [the creation of] a more mobile, survivable force».<sup>29</sup>

New legislative actions to provide further countermeasures to Chinese influence operations were discussed during the year. They were the prospected amendment to the Act Governing Relations between the People of the Taiwan Area and the Mainland Area to prosecute Taiwanese proxies of unscreened Chinese companies investing in the island.<sup>30</sup> and the launch of a new agency for the mobilization of reservists for wartime and natural disasters.<sup>31</sup>

25. For a detailed and timely review of Taiwan's ongoing military investments, see: James Timbie & James O. Ellis Jr., 'A Large Number of Small Things: A Porcupine Strategy for Taiwan', *Texas National Security Review*, Vol. 5, No. 1, 2021, pp. 83-93.

26. 'Taiwan military confirms «Yun Feng» missile existence', *Focus Taiwan*, 6 October 2021.

27. ROC Ministry of National Defense, 中華民國110年國防報告書 (*ROC National Defense Report 2021*), <https://www.mnd.gov.tw/NewUpload/歷年國防報告書網頁專區/歷年國防報告書專區.files/國防報告書-110/國防報告書-110-中文.pdf>.

28. Asymmetric defence can be defined as a strategy «where Taiwan maximizes its defense advantages and targets an invading force when it is at its weakest». See: Drew Thompson, 'Hope is on the horizon: Taiwan's new radical defense concept', *Texas National Security Review – War on the Rocks*, 2 October 2018. On the origin of the concept, see: Jean-Pierre Cabestan, 'Recent Changes in Taiwan's Defense Policy and Taiwan-USA Relations', *East Asia*, Vol. 31, No. 4, 2014, pp. 343-354.

29. Ryan Hass, 'Taiwan's leaders need to coalesce around a defense concept', *Taipei Times*, 1 November 2021. See also: Michael A. Hunzeker, 'Taiwan's defense plans are going off the rails', *Texas National Review – War on the Rocks*, 18 November 2021; Raymond Kuo, 'The counter-intuitive sensibility of Taiwan's new defense strategy', *Texas National Security Review – War on the Rocks*, 6 December 2021.

30. 'Government to Amend Law to Punish Local Proxies of Chinese Capital', *Focus Taiwan*, 22 September 2021.

31. 'New Mobilization Agency Formed to Show Taiwan's Resolute All-Out Defense', *Focus Taiwan*, 30 December 2021.

### 3. *The Washington -Taipei-Beijing triangle*

To an even greater extent than in previous years, China's multidimensional pressure toward Taiwan should be framed within the broader context of the triangular relation between Beijing, Taipei, and Washington. Beneath an unsurprising change in style, the Biden administration worked in broad continuity with the outgoing Trump administration. Both Secretary of State Anthony Blinken and Secretary of Defense Lloyd Austin gave early signals of the Biden administration's support for Taiwan's «ability to defend itself» at their respective confirmation hearings in January.<sup>32</sup>

Another unequivocal signal of early support was the invitation of the head of the Taipei Economic and Cultural Representative Office (TECRO) in Washington, Hsiao Bi-khim (蕭美琴), to Biden's inauguration ceremony. Meaningful developments in the relation between Washington and Taipei had in fact already occurred in the limbo period between the Capitol Riot on 6 January and the inauguration of Biden's presidency on 20 January. During this period, exiting Secretary of State Mike Pompeo cancelled the Taiwan Contact Guidelines regulating meetings with ROC officials,<sup>33</sup> and the US ambassadors in the Netherlands and Switzerland meeting with the heads of the TECROs in The Hague and Bern within the American embassies.<sup>34</sup> These type of contacts continued after the beginning of the Biden presidency, as the US chargé d'affaires in Japan met in Tokyo with the head of the TECRO in the city.<sup>35</sup> More importantly, John Hennessey-Niland, the US ambassador to Palau – one of the ROC's remaining diplomatic allies – accompanied the President of the South Pacific country, Surangel S. Whipps Jr., in his diplomatic visit to Taiwan for the launch of the Taiwan-Palau «travel bubble» in March.<sup>36</sup> The visit to Taiwan of the US Ambassador to the Republic of Palau, John Hennessey-Niland, was the first by a sitting American US ambassador since the end of US-ROC diplomatic relations in 1979. In April, the Blinken-led State Department issued the new Taiwan Contact

32. 'Defense Secretary Confirmation Hearing', *C-SPAN*, 19 January 2021; U.S. Government Publishing Office, *Nomination of Hon. Antony J. Blinken to Be U.S. Secretary of State – Part I*, 19 January 2021.

33. Demetri Sevastopulo, 'US to ease restrictions on meeting Taiwanese officials', *Financial Times*, 9 April 2021.

34. 'US, Taiwan Diplomats in Netherlands Meet', *Taipei Times*, 13 January 2021; 'Taiwan, US Diplomats Meet after Official Contact Ban Lifted', *Taiwan News*, 17 January 2021.

35. 'US Envoy to Japan Officially Hosts Taiwanese Counterpart for 1st Time since 1979', *Taiwan News*, 4 March 2021.

36. American Institute in Taiwan (AIT), *Press Release on the Visit of President of Palau Surangel Whipps, Jr. to Launch the Taiwan-Palau Travel Bubble*, 31 March 2021. The term «travel bubble» was introduced during the first year of the COVID-19 pandemic to describe tentative plans to create quarantine-free corridors for tourists and businesspersons from two different polities.

Guidelines, which were more permissive than those previously cancelled by Pompeo.<sup>37</sup> Later in June, a bipartisan delegation of three US Senators arrived for a visit to the island on a US Air Force plane.<sup>38</sup>

The Biden administration did not limit its support for Taiwan to unofficial diplomatic contacts. In March, the new White House issued its Interim National Security Strategic Guidance, which stated that Washington «will support Taiwan, a leading democracy and a critical economic and security partner, in line with longstanding American commitments».<sup>39</sup> On 27 July, Austin publicly stated in Singapore that the administration was «working with Taiwan to increase its own capabilities and to increase its readiness to deter threats and coercion -- upholding our commitments under the Taiwan Relations Act, and consistent with our one-China policy».<sup>40</sup> However, as PLA operations in Taiwan's ADIZ by the end of the year intensified, the messaging from the Biden administration became more confusing.

On 6 October, Biden stunned reporters stating, after having held his first conversation with Xi Jinping, that both the US and China agree to abide to an unspecified «Taiwan agreement».<sup>41</sup> A U-turn eventually followed this puzzling statement. Few weeks later, Biden stated that the US «has a commitment» to the defence of the island,<sup>42</sup> while in November he affirmed that Taiwan «is independent, it makes its own decisions».<sup>43</sup> Taken together, these statements suggest that Biden was unable to either understand or convey the nuances of Washington's own One China policy and Taiwan Relations Act, which are both designed to provide Washington with a considerable degree of «strategic ambiguity» over Taiwan's defence.<sup>44</sup>

Independently from Biden's statements, by the end of the year it appeared that the administration as a whole gradually moved away from strategic ambiguity. On 10 November, Blinken stated the US and its allies would «take actions» in case of a Chinese invasion of Taiwan.<sup>45</sup> Less than a month

37. U.S. Department of State, *New Guidelines for U.S. Government Interactions with Taiwan Counterparts*, 9 April 2021.

38. AIT, *The Visit of Duckworth, Sullivan, and Coons*, 5 June 2021.

39. The White House, *Interim National Security Strategic Guidance*, March 2011, p. 21.

40. U.S. Department of Defense, *Secretary of Defense Lloyd J. Austin III Participates in Fullerton Lecture Series in Singapore*, 27 July 2021.

41. 'Biden Says He and China's Xi Agree to Abide by Taiwan Agreement', *Reuters*, 6 October 2021.

42. 'Biden Says United States Would Come to Taiwan's Defense', *Reuters*, 22 October 2021.

43. 'Biden Seeks to Clarify Remarks on «Independent» Taiwan', *Focus Taiwan*, 17 November 2021.

44. For a primer on the US One China policy, see Michael J. Green & Bonnie Glaser, 'What Is the U.S. «One China» Policy, and Why Does It Matter?', *CSIS*, 13 January 2017.

45. 'U.S. and Allies Would «Take Action» if Taiwan Attacked - Blinken', *Reuters*, 11 November 2021.

later Blinken went further, stating that a Chinese invasion would have «terrible consequences».<sup>46</sup> Only three days before this last statement, on 7 December, National Security Advisor Jake Sullivan, was even more blunt. Answering a question about the hypothetical emergence of a two-front crisis with Moscow and Beijing in the context of the contemporary Russian military build-up along the Ukrainian border, Sullivan stated that «the United States is going to take every action that we can take, from the point of view of both deterrence and diplomacy, to make sure that the Taiwan scenario ... never happens».<sup>47</sup> It is worth noticing that Western punditry over the Biden administration's shambolic retreat from Afghanistan and the Taliban takeover of the country contributed to raise questions over the credibility of American support for the island, a sentiment gladly amplified by Chinese state media.<sup>48</sup> Yet such linkages between Afghanistan and Taiwan systematically underestimated the centrality of Taiwan in the Indo-Pacific in contrast with the severely diminished relevance of Afghanistan as the War on Terror, as soberly noted by Stephen Walt.<sup>49</sup>

A critical factor bolstering the credibility of the Biden administration's commitment to Taiwan was its ability to foster a plethora of path-breaking bilateral and multilateral statements that expressed concerns over the mounting tension in the Taiwan Strait. On 16 April, the Biden-Suga Joint Leaders' Statement highlighted «the importance of peace and stability across the Taiwan Strait and» and «encourage[d] the peaceful resolution of cross-Strait issues».<sup>50</sup> This was the first time in which Taiwan was mentioned in a bilateral statement between the two sides since 1969. Similarly, the joint statement between Biden and ROK President Moon Jae-in issued in May,<sup>51</sup> the G7 2021 communiqué in June,<sup>52</sup> and the US-EU summit state-

46. 'Blinken Says Any Move by China to Invade Taiwan Would Have «Terrible Consequences»', *Reuters* 3 December 2021.

47. The White House, *Press Briefing by Press Secretary Jen Psaki and National Security Advisor Jake Sullivan, December 7, 2021*, 7 December 2021.

48. Bret Stephens, 'Disaster in Afghanistan will follow us home', *The New York Times*, 15 August 2021; Gideon Rachman, 'Joe Biden's credibility has been shredded in Afghanistan', *Financial Times*, 13 August 2021; 'Afghan abandonment a lesson for Taiwan's DPP', *Global Times*, 16 August 2021.

49. Stephen M. Walt, 'Afghanistan hasn't damaged U.S. credibility', *Foreign Policy*, 21 August 2021. See also: Gerrit van der Wees, 'The fall of Afghanistan: Why Taiwan is fundamentally different?', *Taiwan Insight*, 25 August 2021.

50. The White House, *U.S.-Japan Joint Leaders' Statement: U.S.-Japan Global Partnership for a New Era*, 16 April 2021 (<https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/16/u-s-japan-joint-leaders-statement-u-s-japan-global-partnership-for-a-new-era/>).

51. The White House, *U.S.-ROK Leaders' Joint Statement*, 21 May 2021.

52. G7 UK 2021, *Carbis Bay G7 Summit Communiqué*, 13 June 2021 (<https://www.g7uk.org/wp-content/uploads/2021/06/Carbis-Bay-G7-Summit-Communique-PDF-430KB-25-pages-3.pdf>), p. 22.



ment issued the same month,<sup>53</sup> all called for «peace and stability across the Taiwan Strait». In all three cases, this was the first time ever in which the «Taiwan Strait» was mentioned in such documents. An even stronger wording emerged from the joint press release issued after the Second High-Level Meeting of the US-EU Dialogue on China, which voiced «strong concern over China's problematic and unilateral actions in the South and East China Seas and the Taiwan Strait that undermine peace and security in the region and have a direct impact on the security and prosperity of both the United States and European Union».<sup>54</sup> Also relevant was the joint statement by G7 foreign ministers, calling support for Taiwan's «meaningful participation in World Health Organisation forums and the World Health Assembly».<sup>55</sup> However, the event that should have crowned a year of increasing American support for Taiwan on the international stage, the much-touted Summit for Democracy including 111 participants and held virtually on 10 December, ended on an anti-climactic note. The broadcast of a presentation on Taiwan's «digital democracy» by the official delegate of the Tsai administration, the Minister without Portfolio Audrey Tang (唐鳳), suffered an «interruption» just as Tang was about to present a map showing the island as a distinct country from China. The *Reuters* report claiming that it was the State Department to interrupt the presentation was eventually disputed by the US National Security Council.<sup>56</sup>

Notwithstanding the farcical events surrounding Taiwan's participation to the Summit for Democracy, Washington's support for Taipei on the international stage did not exclusively rely on statements and highly-symbolic contacts, but involved also concrete steps related to security, health diplomacy, and trade. In regards to security, US Navy warships transited the Taiwan Strait 12 times during the year in review.<sup>57</sup> In February, the American Institute in Taiwan (AIT), the US-unofficial embassy on the island, and its Taiwanese counterpart, the TECRO in Washington, signed a Memorandum of Understanding (MoU) for the establishment the Coast Guard Work-

53. The White House, *U.S.-EU Summit Statement*, 15 June 2021.

54. U.S. Department of State, *U.S.-EU: Joint Press Release by the EEAS and Department of State on the Second High-Level Meeting of the U.S.-EU Dialogue on China*, 2 December 2021.

55. G7 UK 2021, *G7 Foreign and Development Ministers' Communiqué*, 5 May 2021 (<https://www.g7.org/g7-foreign-and-development-ministers-meeting-may-2021-communication/>).

56. HumeYra Pamuk, Michael Martina & David Brunnstrom, 'The curious case of a map and a disappearing Taiwan Minister at U.S. Democracy Summit', *Reuters*, 13 December 2021. Tang's presentation had in fact been already delivered in a number of fora since the beginning of the COVID-19 pandemic. See: Aurelio Insisia, 'The Strategic Communications of Techno-Democratic Statecraft: The Case of Taiwan', *RSC Policy Brief*, No. 25, 2021.

57. 'US Warship Sails through Taiwan Strait', *Taipei Times*, 20 December 2021.

ing Group.<sup>58</sup> The initiative was designed clearly in response to the new PRC Coast Guard Law passed by the National People's Congress on 22 January, which enables China Coast Guard vessels «to take all necessary measures including the use of weapons» (采取包括使用武器在内的一切) when Chinese sovereignty, sovereign rights, or jurisdiction are violated or in danger to be violated.<sup>59</sup>

Later in June, Washington delivered 2.5 million doses of the Spikevax COVID-19 vaccine produced by Moderna, at a time when the Tsai administration struggled to get access to vaccines.<sup>60</sup> The same month, the Biden administration resumed after five years the talks for a US-Taiwan Trade and Investment Framework Agreement (TIFA). This step was a direct consequence of the Tsai administration's decision to remove in August 2020 the major obstacle to the resumption of negotiations – a ban on the import of ractopamine-containing pork and beef from 30-month-old cattle targeted at the American meat industry. But the resumption of the TIFA talks was also the result of a rare case of concrete discontinuity between the Trump and the Biden administrations in dealing with Taiwan. The former, particularly in the persona of former Trade Representative Robert Lighthizer, saw the resumption of the talks as a possible obstacle to the success of the US-China Phase One Trade Agreements signed in January 2020.<sup>61</sup> These concerns, rooted in the transactional approach that characterized Trump's foreign policy, did not belong however to the Biden administration and its new Trade Representative Katherine Tai.

A number of critical, yet partially underestimated developments during the first year of the Biden administration explains widespread anxiety over a possible Chinese military invasion of Taiwan that gripped public discourses in the West and beyond throughout 2021 – a mood aptly captured by a popular feature from *The Economist* titled «The Most Dangerous Place on Earth».<sup>62</sup> These developments are the continuing deterioration of US-

58. AIT, *AIT and TECRO Sign MOU to Establish a Coast Guard Working Group*, 26 March 2021.

59. See also: PRC National People's Congress, 中华人民共和国海警法 (*PRC National Coast Guard Law*), 22 January 2021 (<http://www.npc.gov.cn/npc/c30834/202101/cc50f62e31a6434bb6682d435a906045.shtml>).

60. Taiwan Centers for Disease Control, *2.5 Million Doses of Moderna COVID-19 Vaccine Donated by the U.S. Government to Arrive in Taiwan on Evening of June 20*, 6 June 2021.

61. David J. Keegan & Kyle Churchman, 'Cross-Strait Tension Increasing beneath a Surface Calm', *Comparative Connections*, Vol. 23, No. 2, 2021, p. 75.

62. 'The Most Dangerous Place on Earth: America and China Must Work Harder to Avoid War over the Future of Taiwan', *The Economist*, 1 May 2021. While the feature in itself is relatively sober and level-headed, the title appears quite sensationalist, especially in providing a misplaced sense of urgency. See also the roundtable published in *Foreign Affairs*: Rachel Esplin Odell *et al.*, 'Strait of Emergency? Debating Beijing's Threat to Taiwan', *Foreign Affairs*, Vol. 100, No. 5, 2021, pp. 216-229.

China relations, the overall substantial continuity between the Biden and the Trump administrations in regards to Taiwan, and Washington's effort to put cross-Strait tensions at the centre of the international agenda, as well as the Tsai administration's own increasing activism on the international stage, which will be examined in the next two sections

At a closer scrutiny, it is possible to appreciate how major spikes in Chinese operations within Taiwan's ADIZ throughout the year were the result of an action-reaction dynamic, rather than a unilateral move toward a military takeover. For instance, Beijing sent a record number of PLA aircrafts in the Taiwanese ADIZ first on 7 January, the day after exiting Secretary of State Mike Pompeo announced the visit of the US ambassador to the UN Kelly Craft to Taiwan (a visit eventually cancelled); then on 26 March, the same day of the signature of the MoU on the Coast Guard Working Group signed by the AIT and the TECRO in Washington; successively, on 12 April, three days after the US Department of State released the new Taiwan Contact Guidelines; and eventually on June 14, the day after the first G7 communiqué mentioning the Taiwan Strait was released. Furthermore, while no major events concerning Taiwan had occurred in the days immediately preceding 4 October, when yearly record number of PLA aircrafts entering Taiwan's ADIZ established, this last major spike occurred nonetheless in a particularly supercharged political phase, as it followed: (1) the ground-breaking announcement of the AUKUS security pact between Washington, Canberra, and London on 15 September; (2) Beijing's decision to apply to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) free trade agreement (FTA) the following day; (3) Taiwan's own request to join the regional mega FTA few days later on 23 September;<sup>63</sup> (4) earlier PLA operations within the ADIZ held at the end of September in response to Taipei's application; and finally (5) a highly symbolic period of the year, sandwiched between 1 October, National Day in the PRC, and 10 October, ROC National Day.

Thus, from Beijing's viewpoint, the operations in Taiwan's ADIZ throughout 2021 can hardly be framed, as unilateral attempts to accelerate reunification through military means. Rather, they were attempts to push back against increasing international support for the Tsai administration that can affect chances for reunification short of a military invasion, an option that arguably remains Beijing's *ultima ratio*. Taiwanese and Western anxiety

63. China's access to the CPTPP remains arguably a tall order, given the conditions to join the FTA and attitudes toward Beijing among some of the member states. See: Government of New Zealand, Ministry of Foreign Affairs and Trade, *Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) Accession Process*, 2019. See also: Mireya Solís, 'China moves to join the CPTPP, but don't expect a fast pass', *Brookings*, 23 September 2021. China's access to the CPTPP would have not only a profound geo-economic impact on the U.S. but would also result in the end of Taiwan's most realistic hope to join its first FTA since 2013.

over a Chinese military takeover of the island, however, cannot be confined to the short-term. Michael Swaine has noted an emerging consensus among «non-authoritative» Chinese sources for a strategy aimed at achieving overwhelming military superiority vis-à-vis Taipei and Washington on the military theatre of the Strait to eventually compel Taiwan to join reunification talks in the second half of the current decade.<sup>64</sup> These findings indeed fall in line with growing perceptions of the presence of «a deadline within a no-deadline» among Chinese observers noted by Richard Bush already in 2019.<sup>65</sup> But they also explain US officials' willingness to publicly mention either 2026 or 2027 as the possible year of a Chinese military takeover.<sup>66</sup>

Such public announcements, in turn, can be understood as an attempt to avert the occurrence of the predicted event by way of raising, well in advance, public awareness of its possibility. The decision, arguably taken in consultation with the Tsai administration, to publicly reveal a number of security developments – certainly already known to China, such as the presence of US troops in Taiwan for training purposes,<sup>67</sup> and the joint training of ROC Army marines with their American counterparts in the US territory of Guam<sup>68</sup> – answers to this logic. Within this context, it should not surprise that, for the first time, a poll from the Chicago Council on Global Affairs recorded that the majority of Americans are now supporting the intervention of US troops in defence of Taiwan in case of a Chinese invasion.<sup>69</sup>

In this evolving scenario, it is possible to identify two parameters for a potential Chinese escalation that could result into a coercive takeover, as well as one sign hinting at a modicum of cross-Strait stability in the near future. The first parameter to consider is the potential extension of PLA aircrafts operations from Taiwan's ADIZ to the island's airspace, a development already identified by a non-authoritative state-owned media such as the *Global Times* as Beijing's go-to response in case Tsai would be officially

64. Michael Swaine, 'Recent Chinese Views on Taiwan', *China Leadership Monitor*, Issue 70, December 2021, pp. 1-19. On the authoritativeness of Chinese sources and Beijing's «hierarchy of warning statements», see: Paul H.B. Godwin & Alice L. Miller, 'China's Forbearance Has Limits: Chinese Threat and Retaliation Signaling and Its Implications for a Sino-American Military Confrontation', *China Strategic Perspectives*, No. 6, 2013.

65. Richard C. Bush, 'From persuasion to coercion: Beijing's approach to Taiwan and Taiwan's response', *Brookings*, November 2019.

66. 'U.S. Senate Armed Service Committee, *Statement of Admiral Philip S. Davidson, U.S. Navy Commander, U.S. Indo-Pacific Command before the Senate Armed Services Committee on U.S. Indo-Pacific Command Posture*, 9 March 2021; 'China Sets 2027 Military Modernization Goals to Compel Taipei to Talk: Pentagon', *Focus Taiwan*, 11 April 2021.

67. Gordon Lubold, 'U.S. troops have been deployed in Taiwan for at least a year', *The Wall Street Journal*, 7 October 2021.

68. 'Defense Chief Confirms Taiwan-U.S. Joint Marine Training in Guam', *Focus Taiwan*, 2 November 2021.

69. Dina Smeltz & Craig Kafura, 'For First Time, Half of Americans Favor Defending Taiwan If China Invades', *Chicago Council on Global Affairs*, 26 August 2021.

invited by the Biden administration on US soil.<sup>70</sup> The second parameter is the Chinese decision to suspend the Economic Comprehensive Framework Agreement signed with Taiwan under the Ma administration in 2010, currently subject to an automatic renewal.<sup>71</sup> This is a move that could precede an attempt to force talks for reunification by leveraging the asymmetric economic relation between the two sides.

The one sign hinting at stability can be found instead in the wording of the «historical resolution» issued for the 100<sup>th</sup> anniversary of the establishment of the CCP. In regard to Taiwan, the key party document stated indeed that «the time of and conditions for the unification of the Fatherland will *always* [emphasis added] be on our side» (祖国完全统一的时和势始终在我们这一边),<sup>72</sup> a wording that suggests the absence of definitive deadlines for unification.

#### 4. *The eye of the global supply-chain storm: Taiwan's external relations and the geo-economics of chips*

The global supply chain crisis that began in 2020 and took hold of the world economy in 2021 highlighted Taiwan's wider geo-economic relevance beyond the security dimension of the triangular relation between Washington, Taipei, and Beijing.<sup>73</sup> Throughout the second half of the 2010s, Taiwan emerged as the global hub for the production of chips as a result of the astonishing rise of Taiwan Semiconductor Manufacturing Company (TSMC), a Hsinchu-based public company in this critical industrial sector.<sup>74</sup> At the

70. 'US, Taiwan Crossing the Red Line Will Create Historic Opportunity for PLA Fighter Jets to Fly over Island', *Global Times*, 12 August 2021.

71. On the ECFA during the Ma administration, see Aurelio Insisa, 'Taiwan 2012-2016: From Consolidation to the Collapse of Cross-Strait Rapprochement', *Asia Maior*, Vol. XXVII/2017, pp. 54-87.

72. '中共中央关于党的百年奋斗重大成就和历史经验的决议' ('Resolution of the CCP Central Committee on the major achievements and historical experience of the Party over the past century'), 共产党网 (*Website of the CCP*), 16 November 2021.

73. There is no academic consensus over what is geo-economics and what is the relation between geo-economics and geopolitics. In this article geo-economics is understood, following Blackwill and Harris, as «[t]he use of economic instruments to promote and defend national interests, and to produce beneficial geopolitical results; and the effects of other nations' economic actions on a country's geopolitical goals». Robert D. Blackwill and Jennifer M. Harris, *War by Other Means: Geoeconomics and Statecraft*, Cambridge, MA and London: The Belknap Press of Harvard University Press, 2016, p. 20.

74. A «chip» (colloquial for «integrated circuit») is an item produced through the application of billions of transistors and circuits in multiple layers over a silicon-made «wafer». Capable of conducting small amounts of electricity through «the binary principle of conducting/non-conducting», chips «can execute commands and store data». Julian Kamasa, 'Microchips: Small and in Demand', *CSS Analyses in Security Policy*, No. 295, 2021, p. 2.

time of writing, TSMC dominates global chip-making with a 55% market share, with Samsung being the only (distant) competitor at 17%. In fact, Taiwanese companies operating the sector account for a total 65% of the global market share when considering also other minor players such as VIS, PSMC, and UMC.<sup>75</sup> Moreover, these companies' cutting-edge chip plants are all located in Taiwan – a result of the protectionist orientation of the island's governments.<sup>76</sup> The consequences of this geographic concentration in the production of a critical component of the global supply chain fully emerged in 2021, when chipmaking on the island was severely affected by the convergence of: (1) the impact of an earlier unbalance in the global supply and demand of goods caused by the COVID-19 pandemic; (2) the disruption of industrial production caused by the public health measures taken in response to the COVID-19 outbreak that hit the island in April; and (3) persistent water shortage due to extreme climate, as Taiwan experienced the worst drought on record in half a century, an event that affected not only the cooling and cleaning processes required to chipmaking, but also the chip plants' access to power.<sup>77</sup>

The consequent global shortage of chips accelerated in turn pre-existing plans for diversifying supply chains among major state actors and the EU – a tectonic shift in international politics with major, yet nuanced security implications for Taiwan. In the case of cross-Strait relations, geo-economic dynamics revolving around chip-making had been in fact in full swing for years. As early as in 2014, the PRC State Council issued the National Integrated Circuit Industry Development Guidelines with the aim to achieve «semiconductor independence» by 2030.<sup>78</sup> Beijing's attempts to establish indigenous champions in chipmaking, while currently underwhelming and without immediate prospects for success,<sup>79</sup> have raised an immediate challenge for Taiwan: the brain drain caused by the aggressive recruitment of personnel from the island by Chinese companies.<sup>80</sup> A challenge to which the

75. 'Foundry Revenue Projected to Reach Historical High of US\$94.6 Billion in 2021 Thanks to High 5G/HPC/End-Device Demand', *TrendForce*, 15 April 2021.

76. 'How TSMC Mastered the Geopolitics of Chipmaking', *The Economist*, 29 April 2021.

77. Julian Kamasa, 'Microchips: Small and in Demand', pp. 2-3. On the island's environment crisis in 2021, see also: Daniel Kao *et al.*, '台灣即時水情' ('Taiwan's water situation – Live'), *Commonwealth Magazine*, last accessed on 8 February 2022.

78. State Council of the PRC, 国务院印发《国家集成电路产业发展推进纲要》(*The State Council Issued the National Integrated Circuit Industry Development Guidelines*), 24 June 2014 ([http://www.gov.cn/xinwen/2014-06/24/content\\_2707281.htm](http://www.gov.cn/xinwen/2014-06/24/content_2707281.htm)).

79. Jordan Schneider, 'China's chip industry: Running faster but still falling behind', *Rhodium Group*, 22 April 2021; Yoko Kubota, 'Two Chinese startups tried to catch up to makers of advanced computer chips – and failed', *The Wall Street Journal*, 10 January 2022.

80. James A. Lewis, *Learning the Superior Techniques of the Barbarians: China's Pursuit of Semiconductor Independence*, Washington: CSIS, 2019.

Tsai administration has responded with the enforcement, in April 2021, of a blanket ban on Chinese recruitment in strategic industries.<sup>81</sup> Beyond the immediate brain drain issue, Taipei must take into account the wider security implications of a Chinese success in establishing a whole supply chain. In fact, such a development would alter the delicate economic interdependence between the Mainland Chinese economy and the Taiwanese one.

The picture is starkly different in the case of American and Japanese plans for reshoring in the semiconductor industry. On the one hand, massive government subsidies by both Washington and Tokyo have led TSMC to expand the original plans for a new chip plants in Phoenix, Arizona, first announced in 2020,<sup>82</sup> and to build a new plant in Japan, this time via a new joint venture with Sony.<sup>83</sup> TSMC's decision to disperse the geographic concentration of its chip plants away from Taiwan will pave the way to a diversification of global supply chains, but also signalled a change of orientation, if not an acquiescence, from the Tsai administration. Conversely, both American and Japanese reshoring have provided an opportunity for the Tsai administration to further deepen cooperation with the US and Japan, eyeing both the signature of a bilateral trade agreement with Washington, and the access to the Tokyo-led CPTPP regional FTA. Early steps in this direction can be seen in the joint signature, by the AIT and the TECRO office in Washington, of an agreement launching a new Technology Trade and Investment Collaboration (TTIC) framework. It aims to «develop commercial programs and explore actions to strengthen critical supply chains», occurred in December.<sup>84</sup> Similarly, also in the same month, representatives from the Japanese and Taiwanese ruling parties pledged an «all round cooperation» on chips between the two sides.<sup>85</sup> Perhaps counterintuitively, American and Japanese reshoring appear capable to contribute to the enhancement of Taiwan's security by accelerating the island's geo-economic alignment with the two regional powers.

As in the case of the US, closer cooperation on supply chain between Taiwan and Japan constituted in fact only a facet of a more comprehensive relation between Taipei and Tokyo – a relation certainly influenced by the noticeable chilling in the Sino-Japanese relation throughout the same pe-

81. Cheng Ting-fang & Lauly Li, 'Taiwan bans recruitment for jobs in China to combat brain drain', *Nikkei Asia*, 30 April 2021.

82. Stephen Nellis, 'TSMC looks to double down on U.S. chip factories as talks in Europe falter', *Reuters*, 14 May 2021.

83. 'Taiwan Govt OKs Taiwan Semiconductor's New Chip Plant in Japan', *Reuters*, 20 December 2021.

84. U.S. Department of Commerce, *Secretary of Commerce Gina M. Rainondo holds introductory call with the Taiwan Minister of Economic Affairs Mei-hua Wang*, 6 December 2021.

85. 'Taiwan, Japan Eye «All Round Cooperation» on Chips', *Reuters*, 24 December 2021.

riod.<sup>86</sup> Even though the tenets of Japan's Taiwan policy did not change,<sup>87</sup> 2021 was nonetheless a transformative year in the relation between the two sides – even as Tokyo experienced a second government transition in little more than a year with Kishida Fumio succeeding Suga Yoshihide as prime minister.

The most consequential development regarded Taiwan's access to the CPTPP. As previously discussed in this essay, Taipei applied to join the regional FTA in September, days after China's own application. Taipei's move was publicly welcomed by the Kishida administration, a statement in line with prior pronouncements made in March by then-Prime Minister Suga.<sup>88</sup> Doubts about the outcome of Taipei's application continued to linger however until the end of the year, as Taiwanese negotiators made clear that the major obstacle in Tokyo's eyes was the continuing enforcement of a ban on food imports from the Fukushima prefecture and its neighbouring areas that started in 2011 and had been confirmed by a referendum in 2018.<sup>89</sup> In the wake of the convincing political victory obtained in the four referenda held in December (discussed in the next section), the Tsai administration eventually decided to remove the ban in February 2022.<sup>90</sup> While this decision does not automatically guarantee the success of Taiwan's application – it is easy to imagine a heavy Chinese push back on the way – it did clear the most immediate obstacle in its path.

Beyond this geo-economic dimension, and even if Tokyo's One China policy was not modified, it was possible to perceive a shift in its attitude, due to the rising tensions on the Taiwan Strait.<sup>91</sup> Major official statements such as the previously mentioned Suga-Biden Joint Leaders' Statement issued in April, the Japan-EU Statement issued in May,<sup>92</sup> and the official read out of the telephone talks between Foreign Minister Hayashi Yoshimasa and his

86. June Teufel Dreyer, 'A Chilly Summer', *Comparative Connections*, Vol. 23, No. 2, 2021, pp. 103-116; June Teufel Dreyer, 'Red Lines Are Tested', *Comparative Connections*, Vol. 23, No. 3, 2021, pp. 117-132.

87. Adam P. Liff, 'Has Japan's policy toward the Taiwan Strait changed?', *Brookings*, 23 August 2021.

88. 'Japan Welcomes Taiwan's Application to Join TPP: Minister', *Kyodo News*, 23 September 2021; 'Japan Supports Taiwan's Participation in WHO Meetings: PM', *Focus Taiwan*, 4 March 2021.

89. 'Taiwan Must Deal with Japan Food Import Ban after Applying to Join CPTPP: Minister', *Focus Taiwan*, 23 September 2021. On the food imports ban and the 2018 referendum, see: Aurelio Insisa, 'Taiwan 2018: Heavy Setbacks for the Tsai Administration', *Asia Major*, Vol. XXIX/2018, pp. 131-154.

90. Thompson Chau, 'Taiwan to lift blanket ban on Fukushima food amid CPTPP push', *Nikkei Asia*, 8 February 2022.

91. On Japan's position, see: Adam P. Liff, 'Japan, Taiwan, the United States, and the «Free and Open Indo-Pacific»', in Abraham M. Denmark & Lucas Myers (eds.) *Essays on the Rise of China and Its Implications*, Washington, D.C.: Wilson Center, 2021, pp. 271-299.

92. Ministry of Foreign Affairs of Japan, *The 27<sup>th</sup> Japan-EU Summit*, 27 May 2021.



Chinese counterpart Wang Yi (王毅),<sup>93</sup> all stressed a willingness to publicly address rising tensions in the Taiwan Strait. In addition, a number of statements by government officials and heavy weights from the ruling Liberal Democratic Party (LDP) showed also a newly found eagerness to publicly link the upholding of the status quo in the Taiwan Strait with Japan's own national security. The 2021 edition of the Defence Ministry White Paper stated that «[s]tabilizing the situation surrounding Taiwan is important for Japan's security and the stability of the international community» remarking «a sense of crisis more than ever before».<sup>94</sup> Defence Ministry Kishi Nobuo, in an interview given in September to *Mainichi Shimbun*, hinted at a Japanese involvement together with the US in defence of Taiwan in case of an attempted military takeover.<sup>95</sup> A possible Japanese intervention side by side with the US to defend Taiwan had been in fact earlier alluded to in unequivocal terms by then-Vice Prime Minister Asō Tarō, during a G20 meeting in July.<sup>96</sup> While rapidly reduced to the *shitsugen* («slip of the tongue») of an elder, gaffe-prone politician, there is ground to agree with William Spasato's view that Asō was «the perfect person to issue a warning to China with the ability to then express plausible deniability».<sup>97</sup> Also worthy of mention together with these statements are those, highly critical toward China, by former Prime Minister Abe Shinzō, still a powerful figure within the ruling party.<sup>98</sup> LDP legislators from the ruling party, indeed, contributed throughout the year to further expand ties with Taipei through the format of interparty talks with the DPP, which are expected to be routinized by 2022.<sup>99</sup>

Notwithstanding Taiwan's progress in strengthening relations with the US and Japan, it is the island's shift in relations with the EU and some of its member states that best capture its increased relevance in international politics in 2021. As in the previous cases examined, wider geo-economic concerns exacerbated by the global chip shortage and worsening relations with China were the key drivers behind the EU sustained engagement with

93. Japan MOFA, *Japan-China Foreign Ministers' Telephone Talk*, 18 November 2021.

94. Japan Ministry of Defense, *Defense of Japan 2021*, 2021.

95. '透明性欠く中国の軍事費増大 台湾情勢はひとつとではない' ('China's Increase in Military Spending Lacks Transparency – Taiwan's Situation affects Us Too'), 毎日新聞 (*Mainichi Shimbun*), 7 December 2021.

96. Jesse Johnson, 'Deputy PM says Japan must defend Taiwan with U.S.', *The Japan Times*, 6 July 2021.

97. William Spasato, 'Taro Aso's Taiwan slip was likely deliberate', *Foreign Policy*, 12 July 2021. On *shitsugen* in post-World War II Sino-Japanese relations, see: Yanan He, *The Search for Reconciliation Sino-Japanese and German-Polish Relations since World War II*, New York: Cambridge University Press, 2009, p. 210.

98. Ryo Nemoto, 'Abe: Taiwan must never repeat Hong Kong experience', *Nikkei Asia*, 30 July 2021; 'Japan, U.S. and Taiwan Should Share New Defense Tech: Abe', *Nikkei Asia*, 15 December 2021.

99. 'Taiwan, Japan Ruling Parties Hold First Security Talks', *Focus Taiwan*, 27 August 2021; 'Taiwan, Japan Eye «All Round Cooperation» on Chips'.

the island. The central actor in shaping this engagement was arguably the EU Parliament. Strasbourg's decision in March to sanction Chinese officials over the disputed situation in Xinjiang kickstarted a chain reaction that led, first, to immediate Chinese counter-sanctions against EU entities, officials, and members of the European Parliament (MEPs), and eventually to the Parliament's own vote in May that halted the ratification of the discussed Comprehensive Agreement on Investment signed between Brussels and Beijing earlier in January.

Against this backdrop, the EU Parliament stepped up its criticism of China and drummed up support for Taiwan in the second half of the year. This approach became evident through a series of decisions. The first was the new *EU-China Strategy* issued in September, which closely echoed US and Japanese statements by defining «status quo across the Taiwan Strait ... of critical importance to the EU and its Member States».<sup>100</sup> A second one was the recommendation to the European Commission, issued in October, which called for ways to guarantee Taiwan's participation to UN agencies as observer and for beginning negotiations for a bilateral investment agreement.<sup>101</sup> A third move was the decision to send for the first time an official delegation to Taiwan in November – during which MEPs met with President Tsai in Taipei.<sup>102</sup>

Strasbourg's activism in favour of Taiwan was balanced, however, by the conservative approach taken by the Von der Leyen Commission. Brussels' concerns for technological sovereignty and industrial reshoring had originally led the Commission not only to voice concerns about increasing military tensions in the Strait in its Indo-Pacific strategy issued in September, but also to promise deepening trade and investment relations with Taiwan as part of its wider effort to diversify supply chains.<sup>103</sup> Director-General for Trade Sabine Weyand even waxed poetic on the «shared values» between the two sides during the second Taiwan-EU investment forum on 14 October.<sup>104</sup> Two weeks later, ROC Minister of Foreign Affairs Joseph Wu visited Brussels for the first time to hold talks with EU officials. Arguably, the fact that TSMC explored the opening of a further cutting-edge chip plant in the EU after those planned in Arizona and Japan loomed large in Brussels' own engagement with Taipei. It was a situation that the Tsai administration was

100. European Parliament, *A New EU-China Strategy*, 16 September 2021.

101. European Parliament, *EU-Taiwan Political Relations and Cooperation (21 October 2021)*.

102. European Parliament, *European Parliament Delegation Ends Visit to Taiwan*, 5 November 2021.

103. European Union, High Representative of the Union for Foreign Affairs and Security Policy, *The EU Strategy for Cooperation in the Indo-Pacific*, 16 September 2021 ([https://ec.europa.eu/info/sites/default/files/jointcommunication\\_indo\\_pacific\\_en.pdf](https://ec.europa.eu/info/sites/default/files/jointcommunication_indo_pacific_en.pdf)).

104. 'EU Appeals to Shared Values to Tempt Taiwan's Chip Firms', *Reuters*, 14 October 2021.

keen to leverage for diplomatic visibility and, above all, to upgrade trade relations with the union. Yet, in December the *South China Morning Post* reported that the Von der Leyen Commission ultimately decided to shelve plans to establish a trade- and technology-focused framework with Taiwan similar to the TTIC due to concerns over China's reaction.<sup>105</sup> It was a development highlighting a critical divergence between the China policy of the EU Parliament and that of the EU Commission.

Far from the Byzantine politics of the European Union, Central and Eastern Europe (CEE) turned into a major arena for Taiwan. The main driver behind this development was a decisive reassessment of relations with China among some of the EU member states in the region, who shared a perception that Beijing had not delivered on the economic promises touted through its «China+16» framework launched in 2012.<sup>106</sup> Among these states, the case that captured the attention of global chancelleries and media was that of Lithuania. Following a sharp downturn in the bilateral relations, Vilnius perceptions of increasing Chinese influence in the country in 2019,<sup>107</sup> the centre-right Šimonytė administration decided to abandon the regional framework of cooperation with Beijing in May. The Šimonytė administration followed up this decision by announcing in July the establishment of a «Taiwanese representative office in Lithuania» that eventually opened in November. China's ire focused in particular on the use of the moniker «Taiwanese» instead of the usual «Taipei», perceived as a deviation from the One China policy between the two countries. Beijing responded to Vilnius' resistance by downgrading its embassy, a move that ultimately led the Lithuanian government to close its diplomatic mission in China. While the low trade volume between the two countries appeared to shield the Baltic country from China's use of economic statecraft, Beijing's pressure over German companies operating in the country, in particular the automotive giant Continental,<sup>108</sup> transformed the diplomatic row into a litmus test for the effectiveness of Chinese economic statecraft, for the EU capacity to act in concert as a single geo-economic actor, and for Taiwan's capacity to expand ties with European countries.

Beyond Lithuania, the two other CEE countries at the forefront of the region's deepening engagement with Taiwan were Slovakia and Czechia. Both countries participated to and hosted Global Cooperation and Training

105. Finbarr Berringham, 'EU shelves Taiwan trade upgrade amid high-wire balancing act on China', *South China Morning Post*, 17 November 2021.

106. Martin Hála, 'Waking up from the China dream in Central and Eastern Europe', *Sinopsis*, 20 August 2021.

107. Konstantinas Andrijauskas, *The Dragon and the Knight: China's Growing Presence in Lithuania*, Vilnius (Lithuania): Eastern Europe Studies Centre, Vilnius University, 2020.

108. Andrius Sytas & John O'Donnell, 'China pressures Germany's Continental to cut out Lithuania', *Reuters*, 18 December 2021.

Framework (GCTF) workshops.<sup>109</sup> Originally, the GCTF was a Taiwan-based forum launched together with the Obama administration in 2015 to allow Taiwanese officials and professionals to engage with their American counterparts in various fields related to public management. Since 2017, with the support of the Trump administration, the GCTF has been expanded in a new platform through which Taiwan engages with international partners on the premises of a techno-democratic agenda.<sup>110</sup> Slovakia's and Czechia's participation to the GCTF workshops in September eventually paved the way to a Taiwanese visit to Bratislava and Prague by a delegation led by Foreign Ministry Joseph Wu, which resulted into signature of 7 MoUs with Slovakia,<sup>111</sup> and 5 MoUs with Czechia,<sup>112</sup> under the aegis of technological cooperation.<sup>113</sup>

### 5. Domestic politics: The DPP holds the line

In a year without major local or general elections, the four popular initiative referendums held on 18 December constituted the most important political event on the calendar. The four referendum propositions addressed issues related to trade, energy, and the electoral law. In detail, they regarded the re-imposition of a ban on the import of ractopamine-containing pork, the reconstruction and activation of the mothballed Lungmen Nuclear Power Station in New Taipei City, the relocation of a new liquefied natural gas (LNG) terminal in the Tatan Power Plant to protect a local algal reef in the Taoyuan area, and the possibility to tie voting dates for referendums to the dates of general elections. The propositions, despite their apparently issue-specific nature and their popular initiative origin, had a markedly political character, as their success would have severely affected the long-term geo-economic strategy that the Tsai administration has laid out since 2016. The

109. 'Slovakia Joins Taiwan, U.S. and Japan to Host International Workshop', *Focus Taiwan*, 9 September 2021; 'Czech Republic Hosts First GCTF Seminar Held in Europe: MOFA', *Focus Taiwan*, 16 September 2021.

110. Aurelio Insisa, 'The Strategic Communications of Techno-Democratic Statecraft'. Techno-democratic statecraft can be defined as «a comprehensive approach to technology policy that is proactive, all inclusive, whole-of-society, flexible, values-driven, multilateral and pragmatic». See: Martijn Rasser, *Networked: Techno-Democratic Statecraft for Australia and the Quad*, Quad Tech Network QTN Series, Australian National University, National Security College, 2021. p. 2.

111. 'Taiwan and Slovakia Ink 7 MOUs, Pave Way for Closer Ties', *Focus Taiwan*, 23 October 2021.

112. 'Taiwan and Czech Republic Sign 5 MOUs to Boost Ties', *Focus Taiwan*, 26 October 2021.

113. Richard Q. Turcsanyi & David Hutt, 'Technology is the new priority in Central and Eastern Europe's accelerating relations with Taiwan', *Taiwan Insight*, 1 November 2021.

two propositions on energy were designed to force the Tsai administration to walk back from its energy transition policy aiming at phasing-out nuclear energy – the last functioning nuclear power plant on the island, Kuosheng, would be permanently shut in July – and relying on LNG to supply power to its local industries.<sup>114</sup>

Yet, the most consequential referendum question was the one concerning the re-imposition of the import ban on meat. As previously mentioned in this essay, President Tsai had announced her decision to lift a ban on the import of ractopamine-containing pork that had been enforced since 2006 in August 2020. A bill regulating the import of meat containing the leanness-enhancing agent was eventually passed by the DPP-controlled LY in December of the same year.<sup>115</sup> The timing of the decision was critical. With popular approval peaking at an all-time high 61% in the wake of the successful management of the earliest stage of the COVID-19 pandemic,<sup>116</sup> the Tsai administration decided to spend part of its newly earned political capital for an unpopular political decision such as the lifting of the import ban in order to remove the most immediate obstacle in negotiations for a trade agreement with Washington. The reimposition of the ban, in fact, would have affected not only the administration's prospect to restart the TIFA talks, but also its prospect to join the CPTPP. In other words, the reimposition of the ban would have upended the long-term geo-economic strategy laid out by the Tsai administration that aims at diminishing the impact of economic interdependence with China.

The wide-ranging implications of the referendum for the agenda of the Tsai administration, in turn, explains the KMT's own embrace and support for the referendum campaign. Reeling from its electoral defeat in the 2020 general election, as well as months of uncertainty over both party leadership and the future course of its relations with Beijing, the major opposition party embraced the referendums as a tool for electoral revival, with an eye on the mid-term elections to be held in November 2022. The KMT appeared indeed poised to score a major political victory (albeit indirectly) against the ruling party until July, when the Central Electoral Commission's (CEC) decided to postpone the original voting date, set on 18 August, to 18 December in light of COVID-19 outbreak affecting the island.<sup>117</sup> Arguably,

114. Sarah Wu, 'Chip giant Taiwan's energy security on the line with LNG referendum', *Reuters*, 13 December 2021.

115. Laily Li & Cheng-Ting Fang, 'Taiwan passes bill to allow imports of US pork containing additive', *Nikkei Asia*, 24 December 2020.

116. Tsai's approval rate decreased 9% in the aftermath of the decision to lift the import ban. See: TVBS Polls Center, '新冠肺炎疫情與疫苗民調' ('Opinion Polls on the Novel Corona Outbreak and Vaccines'), 9 June 2021, p. 6 ([https://cc.tvbs.com.tw/portal/file/poll\\_center/2021/20210611/20fbce1e3e2e15db491f42ac6f6391cc.pdf](https://cc.tvbs.com.tw/portal/file/poll_center/2021/20210611/20fbce1e3e2e15db491f42ac6f6391cc.pdf)).

117. Central Electoral Commission, Executive Yuan (CEC), *Central Election Commission announces postpone national referendums to December 18, 2021, due to COVID-19*, 2 July 2021 (<https://www.cec.gov.tw/english/cms/newseng/35473>).

the CEC's decision provided a critical support to President Tsai and her administration, as they both faced extensive criticism for the management of the first major COVID-19 outbreak on the island in April, for increasing difficulties in obtaining access to mRNA vaccines against COVID-19 from abroad, for the island's power shortages, and consequent disruptions in the industrial production.<sup>118</sup> TVBS polls conducted in May showed how, for the first time since December 2019, the President's rate of approval, standing at 41%, had turned to be lower than its disapproval rate, standing at 44%,<sup>119</sup> while distrust over the government's capacity to manage the pandemic had risen from a 16% baseline in February 2020 to 41%.<sup>120</sup> The KMT's hopes that popular discontent for the performance of the Tsai administration would translate into a referendum victory were however dashed by the end of the year, as the viral outbreak was put under control. The roll out of vaccinations went into full swing thanks to American and Japanese donations, but also through the acquisition of the vaccines by TSMC and Foxconn.<sup>121</sup> Also, the end of extreme climate events that marked the summer provided much-needed respite. Thus, on 19 December, all four referendums were rejected. The average turnout was only 41%, with dissent votes counting for an average 51% and assent vote for an average 48%.<sup>122</sup>

The results of the referendum, in turn, highlighted the weakness of the once-dominant KMT. Earlier in September, the party had elected its new Chairperson, for the second time in 18 months. The new leadership contest within the party saw once again a fracture between a minority «deep blue» faction pushing for unification with China, which presented the academic Chang Ya-chung (張亞中) as candidate, and a moderate mainstream pursuing the increasingly unrealistic goal of shaping a China policy that could be palatable both for Beijing and the Taiwanese public. The 2012 presidential candidate Eric Chu Lu-luan (朱立倫) won the contest obtaining 45% of the votes, with Chang obtaining 32%, and exiting-Chairman and LY-minority speaker Johnny Chiang Chi-chen (江啟臣) obtaining only 18%.<sup>123</sup> Chu's elections signalled a relative relaxation in the relations with Beijing. Xi Jinping, in his capacity as CCP General Secretary General, sent a congratulatory message to Chu, in which he reiterated the centrality of

118. Erin Hale, 'Taiwan's Tsai faces hot summer votes over pork and nuclear power', *Nikkei Asia*, 15 June 2021.

119. TVBS Polls Center, '新冠肺炎疫情與疫苗民調', p. 6.

120. *Ibid.*, p. 8.

121. Ann Wang, 'Helped by TSMC and Foxconn, BioNTech vaccines finally reach Taiwan', *Reuters*, 2 September 2021.

122. CEC, 公告全國性公民投票案第17案至第20案投票 (Announcement of the Results of the National Referendums, Propositions 17 to 20), 23 December 2021 (<https://2021.cec.gov.tw/data/files/A0149/1103050670%E5%85%AC%E5%91%8A%E7%94%A8%E5%8D%B0.pdf>).

123. 'Former New Taipei Mayor Eric Chu Elected KMT Chairman', *Focus Taiwan*, 25 September 2021.

the 1992 Consensus and the two parties' absolute opposition to «Taiwan independence» (台獨), acknowledging however the «complex and grim situation» (形勢复杂严峻) that the two sides of the Strait are facing.<sup>124</sup>

Xi's letter stood in stark contrast with the decision taken in the aftermath of the 2020 party contest, when the CCP leadership ignored the victory of Johnny Chiang, guilty, in Beijing's eyes, of having initially toyed with the idea to abandon the 1992 Consensus.<sup>125</sup> Conversely, under Chu, the KMT confirmed to abide to its so-called «One China, respective interpretations» (一中、各表) «version» of the Consensus that emerged under the Ma Ying-jeou presidency (2008-2016).<sup>126</sup> This version of the Consensus, which fundamentally ignores critical developments in the conceptualization of the consensus within the CCP in recent years, agrees with Beijing's view that the Mainland and Taiwan are parts of «one China», but continues to identify the ROC as the legitimate Chinese state.<sup>127</sup>

While the KMT remains arguably competitive in local elections, where cross-Strait issues are less salient, its decision to maintain the 1992 Consensus may severely hurt its prospects for the 2024 general elections. The studies by the authoritative Election Study Center of the National Chengchi University, conducted in 2021, suggest likewise. Polls on Taiwanese people's identity delivered fundamentally unvaried results compared to 2020, with 62.3 % of the public identifying as «Taiwanese», 31.7% identifying as «both Chinese and Taiwanese», and only 2.8% as «Chinese».<sup>128</sup> Polls over the preferred status of the island in the future also presented a substantially unchanged scenario: 25.1 % of Taiwanese support a «maintain status quo, move toward independence» position, while «maintain status quo, move toward unification» stood at 5.8%, and support for immediate unification polled at 1.4%. The more moderate positions, namely «maintain status quo, decide at later date» and «maintain status quo indefinitely» polled respectively at 28.4% and 27.3%.<sup>129</sup> While polls on party identification confirmed a DPP's slide in approval, from the all-time high 34% recorded in 2020 to the 29.7% recorded in 2021, the KMT's share remained unvaried from the

124. '新華社報導朱立倫向習近平致謝 未提兩岸形勢' (Xinhua Reports Eric Chu Thanked Xi Jinping, Did Not Mention the Cross-Strait Situation), 中央通訊社 (CNA), 26 September 2021 (<https://www.cna.com.tw/news/aip/202109260157.aspx>).

125. Aurelio Insisa, 'Taiwan 2020: Crossroads of COVID-19 International Politics', *Asia Maior*, Vol. XXX/2020, pp. 202-203.

126. 'KMT Chairman-Elect Eric Chu Reiterates 1992 Consensus for Ties with China', *Focus Taiwan*, 26 September 2021.

127. Aurelio Insisa, 'No Consensus across the Strait', pp. 507-512.

128. Election Study Center, National Chengchi University, 'Changes in the Taiwanese /Chinese Identity of Taiwanese (1992~2021)', 10 January 2022 (<https://esc.nccu.edu.tw/upload/44/doc/6961/People202112.jpg>).

129. Election Study Center, National Chengchi University, 'Changes at the Unification / Independence Stances of Taiwanese (1992~2021)', 10 January 2022 (<https://esc.nccu.edu.tw/upload/44/doc/6963/Tondu202112.jpg>).

previous year, standing at 17.1%. Beneath the two major parties, the Taiwan People's Party (台灣民眾黨) of Taipei mayor Ko Wen-je (柯文哲) decisively emerged as the third force on the island, albeit polling at a distant 6.3%, while support for the independence-leaning New Power Party (時代力量) collapsed to 1%.<sup>130</sup>

#### 6. Domestic economics: Another banner year for Taiwan

This essay concludes with a brief outline of the major economic indicators concerning the island during the year in review. 2021 was another banner year for the Taiwanese economy after a brilliant 2020. Official estimates for GDP growth stood at 6.09%,<sup>131</sup> while industrial production experienced another booming growth at 9.98%.<sup>132</sup> The strength of the domestic economy was also confirmed by a low unemployment rate, which remained virtually unchanged from the previous year standing at 3.64%.<sup>133</sup> Total exports reached a new historical high, totalling US\$ 446 bn, thus recording a 29.4% growth compared to the previous all-time high of 2020, with «parts of electronic products» (mainly semiconductors) constituting 38.5% of the entire export from the island. Imports totalled instead US\$ 381 bn, growing 33.2%. As a result, Taiwan's trade balance recorded a US\$ 65.28 bn surplus.<sup>134</sup> Notwithstanding the multiple, wide-range strategies pursued by the Tsai administration to diminish Taiwan's economic interdependence from China, exports to the Mainland and the HKSAR counted for 42.3% of the total, reaching US\$ 188 bn, while imports from the same two areas stood at 22.1% of the total, amounting to US\$ 84 bn.<sup>135</sup> By comparison, exports to the US and Japan counted for 14.7% and 6.5% of the total, namely US\$ 65 bn and US\$ 29 bn, while imports from these two countries amounted to

130. Election Study Center, National Chengchi University, 'Changes in the Party Identification of Taiwanese (1992/06~2020/12)', 25 January 2021 (<https://esc.nccu.edu.tw/upload/44/doc/6964/Party202012.jpg>).

131. Directorate-General of Budget, Accounting and Statistics, Executive Yuan (DGBAS), *GDP: Preliminary Estimate for 2021Q3, and Outlook for 2021-22*, 26 November 2021 (<https://eng.dgbas.gov.tw/ct.asp?xItem=47933&ctNode=3339&mp=2>).

132. R.O.C., Ministry of Economic Affairs, Department of Statistic, *Industrial Production Index in December 2021*, 24 January 2022 ([https://www.moea.gov.tw/MNS/english/news/News.aspx?kind=6&menu\\_id=176&news\\_id=98638](https://www.moea.gov.tw/MNS/english/news/News.aspx?kind=6&menu_id=176&news_id=98638)).

133. Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan), *Manpower Survey Result in December 2021*, 22 January 2022, <https://eng.dgbas.gov.tw/mp.asp?mp=2>.

134. R.O.C., Ministry of Finance, Statistics Department, *Trade Figures for December 2021*, 11 February 2022 ([https://service.mof.gov.tw/public/Data/statistic/trade/news/11012/11012\\_英文新聞稿.pdf](https://service.mof.gov.tw/public/Data/statistic/trade/news/11012/11012_英文新聞稿.pdf)), p.1.

135. *Ibid.*, p. 3.



10.3% (US\$ 29 bn) and 14.7% (US\$ 56.1 bn).<sup>136</sup> Finally, the flux of foreign direct investments (FDI) to Taiwan saw instead an 18.2% decrease compared to 2020, totalling US\$ 7.4 bn for 2711 cases.<sup>137</sup>

## 7. Conclusions

Throughout the second year of the COVID-19 pandemic, Taiwan continued to be one of the crossroads of international politics. Cross-Strait tensions continued to raise due to the gradual intensification of China's military pressure over the island, with meaningful developments such as the routinization and expansion of operations in the south-western sector of Taiwan's declared ADIZ. The logic behind Beijing's use of PLA aircrafts and vessels, however, was largely reactive and designed to provide an immediate response to each step taken by the Biden and the Tsai administrations to expand and further solidify ties between Washington and Taipei. Geo-economics further heightened Taiwan's centrality in the international politics of the pandemic era due to the island's dominance in global semiconductor manufacturing. Extreme climate and the impact of public health measures to contain contagions from the COVID-19 virus disrupted chip-making on the island until the summer, compounding pre-existing issues in the global supply chains that had emerged in the first year of the pandemic. Counterintuitively, the decision of state and supra-state actors such as the US, Japan, and the EU to rely on the Taiwanese company TSMC for their plans of industrial reshoring in chip-making has contributed to the further strengthening of Taiwan's ties with them. On the domestic front, the Tsai administration and the ruling DPP, after having experienced a decline in popular consensus in the aftermath of the first widespread outbreak of COVID-19 on the island, was eventually able to fend off in December a critical referendum challenge, endorsed by the KMT, which could have derailed both its objective to enter the Tokyo-led CPTPP and its energy transition agenda. To conclude, the Taiwanese economy, notwithstanding the supply chain crisis and the first major COVID-19 outbreak on the island, experienced another banner year.

136. *Ibid.*

137. R.O.C., Ministry of Economic Affairs, *Taiwan FDI Statistics Summary Analysis (December 2021)*, 20 January 2022 ([https://www.moea.gov.tw/MNS/english/news/News.aspx?kind=6&menu\\_id=176&news\\_id=98596](https://www.moea.gov.tw/MNS/english/news/News.aspx?kind=6&menu_id=176&news_id=98596)).

